

SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

The diverse nature of our business operations at Hap Seng Group means that we shape and are shaped by a great variety of economic, environmental and social factors in every aspect of our business. Our approach to sustainability is therefore multi-faceted and spans all business units in order to ensure that our goal of creating shared value is fully realised across these three impact areas. Our individual business units are committed to monitoring their specific impacts and working towards distinct goals while remaining consistent with the Group's overarching core values and mission to achieve sustainable growth.

We have long sought to contribute to nation building efforts through our capacity building activities and investments in economic growth. In 2018, we aligned the Group's material sustainability matters with the United Nations Sustainable Development Goals (SDGs). In doing so, we recognise our responsibilities as good corporate citizens and acknowledge the role that we can play in meeting development needs where we operate. In order to deliver on our sustainability commitments, we remain focused on continuously improving our policies and practices through sound year-on-year qualitative and quantitative data tracking.



ABOUT THIS STATEMENT

This is our third year of reporting on our efforts to address the economic, environmental and social (EES) impacts of our operations in Malaysia. This statement has been prepared in accordance with the amendments to the Bursa Malaysia Securities Berhad Main Market Listing Requirements relating to the Sustainability Statement in Annual Reports. Unless otherwise stated, the reporting period of this statement is from 1 January 2018 to 31 December 2018.

This statement covers activities conducted by all our divisions excluding Hap Seng Plantations Holdings Berhad, which discloses its activities in a standalone sustainability report and can be viewed at <https://www.hapsengplantations.com.my/sustainability-report.html>. The key highlights of that report will be included in this statement as part of our Group disclosure.

For our Sustainability Statement, all trading-related operations, which are building materials, fertilizers and chemicals, will be consolidated as Trading Division in 2019 only.

The scope of this statement is confined to our operations within Malaysia, as these make up 80% of the Group's revenue. Our subsidiary Hafary Ltd., which is listed on the Singapore Exchange, publishes its own sustainability disclosure via its Annual Report.



SUSTAINABILITY GOVERNANCE

While each of our business divisions has its own industry-specific challenges and opportunities, all divisions share the Group's commitment to sustainability. Within each division, Chief Executives are responsible for managing sustainability issues and reporting directly to the Group Managing Director. At the Group level, sustainability issues are consolidated and communicated by Group Risk and Group Corporate Social Responsibility (CSR). Since 2017, a sustainability agenda is tabled at the Board level annually. We have established a number of processes and systems to manage sustainability across individual business units and the Group as a whole. Examples of these include Malaysian Mosaics Sdn Bhd's (MMSB) standalone Sustainability Policy to outline its overarching sustainability commitments and Hap Seng Building Materials Sdn Bhd's focused Environmental Policy to provide guidelines for operational environmental management.

Code of Conduct (The Code)

Appropriate standards of behaviour and ethical practices within the Group are outlined in our Code of Conduct. The Code defines clear boundaries for expected conduct and guides our staff to act with honesty and integrity to minimise conflicts of interest and other risks.

The Code, which is included in the Board Charter, is available to all staff at all times via the company website (www.hapseng.com). All new staff are introduced to the Code during their induction to the Group. Further guidance for employees is also provided through the Employees' Handbook, Letter of Employment, Employee Personal Data Privacy Policy, and Computer Access and Usage Policy, all of which outline the expected standards of behaviour within the group.

The Code covers the following areas:

- Honesty and integrity
- Compliance with laws
- Conflict of interests
- Confidentiality
- Whistle-blowing

2018 Sustainability Highlights at Hap Seng Plantations

Hap Seng Plantations Holdings Berhad's ("Hap Seng Plantations") sustainability journey started in 2015 with its standalone reporting detailing our commitment, efforts and achievements.

Guided by our sustainability strategy, we have been making significant progress in meeting our internal and external commitments. Our sustainability focus in 2018 was two pronged – one was to monitor established policies to measure the effectiveness of the policies while the other was to continuously improve on all established sustainability parameters within our operations. Our sustainability achievements for 2018 are as follow:



SUSTAINABILITY HIGHLIGHTS 2018



Launched updated Environmental Policy and Code of Conduct and Business Ethics Policy



Reviewed Stakeholders Grievance Procedure
publicly available on Hap Seng Plantations website at https://www.hapsengplantations.com.my/download/sustainabilitypolicies/BI_Grievances_procedure_31.3.18.pdf



Recorded zero fatalities in 2018



Marked the achievement of a **46%** reduction in lost time accidents since 2014



Plantations Central Laboratory attained **MS ISO/IEC 17025 certification**



Achieved an increase in Hap Seng Plantations' ranking in the ZSL Sustainable Palm Oil Transparency Toolkit



Among the earliest palm oil companies to be **100% MSPO** certified (all mills and estates) by 2018



Achieved GHG emissions intensity of between **1.0 to 1.5 tonnes** CO₂e /tonnes Crude Palm Oil by 2018 (ahead of targeted timeline of 2021)



SUSTAINABILITY HIGHLIGHTS 2017



100% of mills are RSPO and MSPO-certified



100% of mills are ISCC EU-certified



91% of our planted area is certified according to RSPO Principles and Criteria



Reductions in GHG value contributed from the commissioning of **two biogas facilities**



100% of mills are HACCP-certified

STAKEHOLDER ENGAGEMENT

Our stakeholders are the individuals, groups and communities who are impacted by or impact our Group's operations. These include the Board of Directors, employees, customers, regulators and government bodies, shareholders, suppliers, communities and media. We maintain a number of channels through which stakeholder feedback can be received and adjust our management activities accordingly based on the feedback that is provided. The information collected through this engagement process guides the Group's EES initiatives.



Board of Directors

Why Compliance with various regulatory codes and listing

How Board meetings, Annual General Meeting, company and analysts reports



Employees

Why Improve organisational and employee performance. Promote greater trust. Increase job satisfaction. Support equal opportunity and diversity. Foster a safe and healthy workplace. Remain an attractive employer

How Town hall meetings, Code of Ethics, internal communications, meetings, performance reviews, team building, conferences, interviews, peer reviews



Customers

Why Identify customer interests. Gather feedback on current practices. Understand customer experiences

How Surveys, suggestion box, social media, newsletters, visitation and customer feedback or complaints



Regulators and Government Bodies

Why Compliance to laws, regulations and guidelines

How Conferences, meetings, briefings, professional courses and site visit by officers, surveys, press releases



Shareholders, Investors and Analysts

Why Uphold corporate values. Disclose timely, concise and relevant information

How Meetings, surveys, press releases, conferences, analyst briefing, Annual General Meeting



Suppliers

Why Secure quality goods. Identify new partnerships in line with our values

How Meetings, phone calls, messaging, surveys, conferences



Communities

Why Supporting and engaging with local communities which we work in

How Surveys, town hall meetings, community development programmes, press releases, donations, seminars, conferences, meetings



Media

Why Partnering with media for press releases and advertising purposes

How Press releases, media invites

PATNERSHIPS AND MEMBERSHIPS

Association	Our Involvement	Information
Federation of Public Listed Companies (FPLC)	Hap Seng Consolidated Berhad - Member	FPLC provides Hap Seng Group with a platform to interact and organise dialogues with the public as well as regulatory and other bodies such as the Minority Shareholder Watchdog Group.
Malaysia-German Chamber of Commerce (MGCC)	Hap Seng Consolidated Berhad - Member	MGCC organises dialogues with representatives from the German government as well as companies based in the country for networking purposes and to explore opportunities in the Malaysian-German business community.
Roundtable on Sustainable Palm Oil (RSPO) and Malaysian Sustainable Palm Oil (MSPO)	Hap Seng Plantations Holdings Berhad - Member	The RSPO and MSPO act as platforms for engagement on certified sustainable palm oil matters.
Federation of Malaysian Manufacturers (FMM)	Malaysian Mosaics Sdn Bhd - Council Member - Chairman - FMM Malaysian Ceramic Industrial Group (FMM MCIG) - Committee member - CITP (Construction Industry Transformation Programme) initiative Group on Materials Standards	The FMM acts as a voice for the manufacturing and industrial service industry and is a key focal point for those seeking links with Malaysian manufacturers for investment, trade and services.
Malaysia Retail Chain Association (MRCA)	Hap Seng Star Sdn Bhd - Treasurer - General	A platform for Hap Seng Star to participate in regular dialogues with members and the government for better co-operation, networking and ideation in a concerted effort to promote healthy growth of the retail industry in Malaysia and abroad.
Malaysian Automotive Association (MAA)	Hap Seng Star Sdn Bhd - Member	MAA assists and advises members in regards to any matter connected with the automotive industry and generally promote, foster and protect the interests of its members.
Fertilizer Industry Association of Malaysia (FIAM)	Hap Seng Fertilizers Sdn Bhd - Committee Member	FIAM works to promote Malaysian fertilizers, foster close cooperation between the government and other authorities, enhance trade facilities, improve product quality and standards and to provide industry-related services.
Real Estate & Housing Developers' Association (REHDA) Malaysia	Hap Seng Land Development (Puchong) Sdn Bhd - Member	REHDA is recognised as the leading representative body for private property developers, being involved primarily in advocacy and governance.
Sabah Housing And Real Estate Developers Association (SHAREDA)	Hap Seng Properties Development Sdn Bhd - Member	SHAREDA brings together developers, pooling their expertise and resources to ensure that the industry takes up and plays its role as a key mover of the economy.
International Real Estate Federation (FIABCI) Malaysia	Hap Seng Land Sdn Bhd - Member	FIABCI Malaysia has grown since 1975 with its objective to foster goodwill and understanding with international organisations and promote progress in developments through better systems.

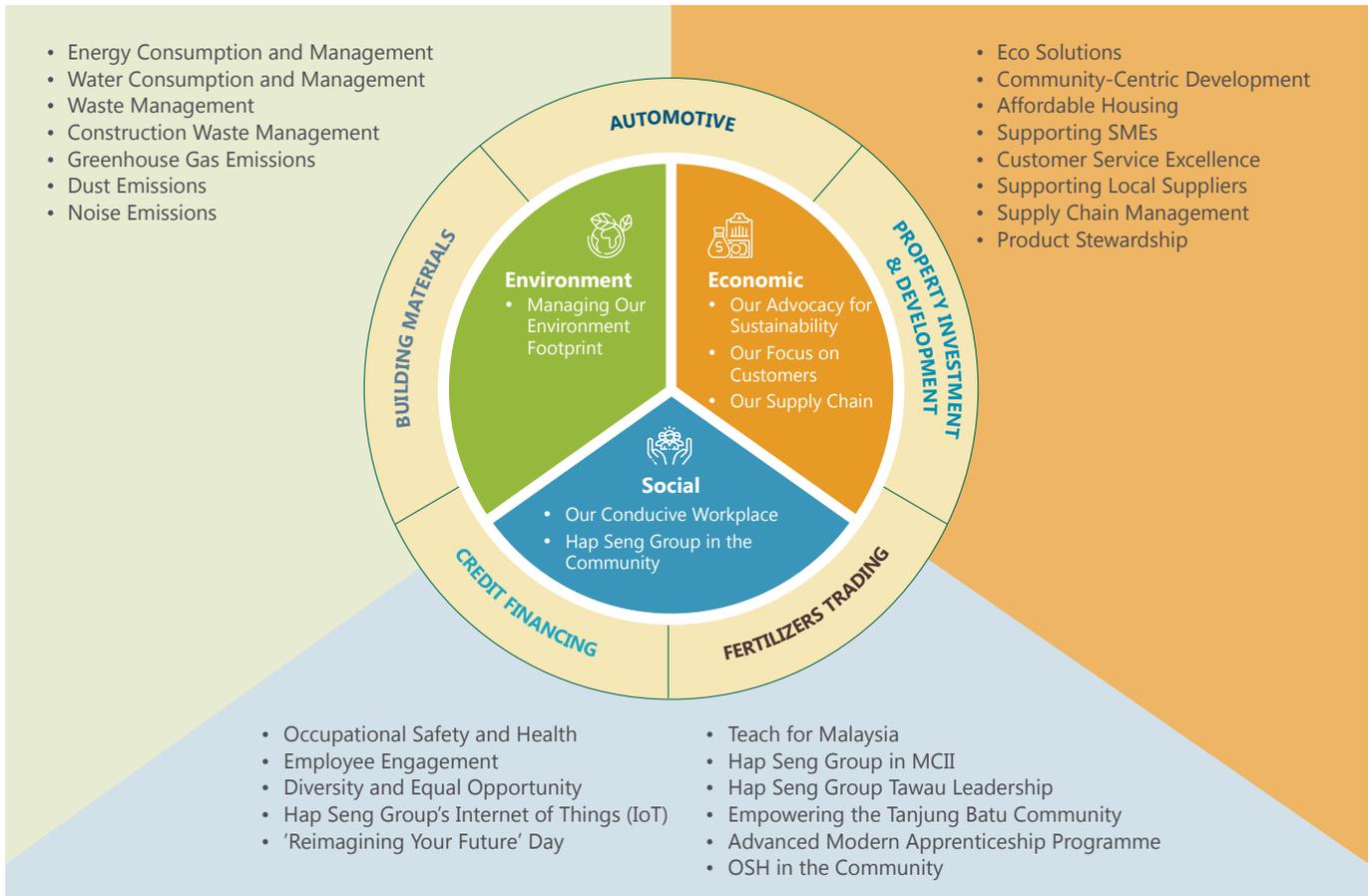
MATERIALITY

The Group's material sustainability issues were first identified in 2016 during a two-day materiality discussion with key management and data owners. The key sustainability issues and aspects identified through the session were tabled and approved by Executive Directors and disclosed in the 2016 Sustainability Statement.

In subsequent years, material issues have been reviewed and updated based on analysis of global trends, industry-specific issues, key internal and publicly available documents and changes to the risk register. During this process, Group CSR discusses, evaluates and selects possible new material issues and opportunities, aided by a gap assessment of the most recent annual sustainability statement.

In 2018, our material issues were updated as a result of multiple engagement processes with different levels of internal stakeholders, including key management and data owners. The update illustrated the inclusion of Supply Chain Management and Product Stewardship as key impact areas under the Supply Chain category, by showing how we manage products and sourcing in a sustainable manner. Additionally, Industrialised Building System (IBS), was grouped under Green Buildings and no longer stood as a standalone topic. The Hap Seng Star Mercedes-Benz Advanced Modern Apprenticeship Programme is now reported under Hap Seng Group in the Community as it provides opportunities and training for students. Lastly, Labour Management is absorbed under Employee Engagement to streamline the topics covered under Our Conducive Workplace.

OUR MATERIAL ISSUES



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



HAP SENG GROUP AND THE SDGs

Fast-moving global trends such as climate change, urbanisation, demographic change and globalisation are rapidly reshaping our planet and society. Ensuring a sustainable future in the face of these trends will require a concerted international effort, something the United Nations hopes to guide with their SDGs. These 17 Goals provide a framework for action towards peace and prosperity by targeting the most salient economic, social, environmental and governance concerns across the globe. By nature, the goals are universal and interconnected and will require contributions from all levels of society in order to be realised.

As a diversified group with businesses spanning multiple sectors, we are uniquely positioned to make contributions across a wide range of SDGs through our products and solutions, environmental efforts, community engagement activities and the responsible operation of our business. Consequently, in 2018 we aligned our sustainability actions with the relevant SDGs in order to both demonstrate our commitment to sound corporate citizenship and ensure that we are delivering solutions that are in line with global priorities.



ECONOMIC

Responsible business practices in the marketplace.

OUR ADVOCACY FOR SUSTAINABILITY

As a conglomerate, we aim to ensure that our wide range of business activities is economically, environmentally and socially sustainable. From the products we make to the buildings we build, we strive for greener, more efficient and longer-lasting solutions.



Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Advocacy for Sustainability	Eco-solutions	<ul style="list-style-type: none"> • Property Investment and Development • Automotive • Building Material
	• Green Buildings	
	• Green Mobility	
	• Green Products	
	Community-Centric Development	<ul style="list-style-type: none"> • Property Investment and Development
	Affordable Housing	
	Supporting SMEs	<ul style="list-style-type: none"> • Credit Financing

KEY ACHIEVEMENTS IN 2018:



BSI was awarded the **Best Township Award** by the SHAREDA

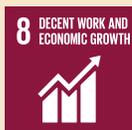


1,737 units of affordable housing was launched



5.3 million m² tiles were manufactured using waste materials

LINK TO UN SDGs:



ECO-SOLUTIONS



Property Investment and Development



Automotive



Building Materials

Our mission is to deliver products and solutions that meet the demands of the current market with minimal environmental impacts. In this way, we hope to sustainably and profitably create value for our stakeholders.

GREEN BUILDINGS

We adhere to the Leadership in Energy and Environmental Design (LEED) and/or Malaysia’s Green Building Index (GBI) certification requirements for all our new developments in Kuala Lumpur. In 2018, the Nadi Bangsar Service Residence was awarded GBI certification in July, bringing the Group’s total number of LEED and GBI certified projects to five. The project design maximises the use of natural lighting through the use of glass panels and includes a green wall for aesthetic and air purifying purposes.

In recognition of our work, Hap Seng Land was awarded The BrandLaureate Signature Brand Award 2017-2018 in the Real Estate - Property category while HSCB was a finalist in the MalaysiaGBC Leadership in Sustainability Awards 2018.

Additional projects for which the Group intends to apply for GBI and/or LEED certification include:

- The Aria Luxury Residences
- Mixed Development at KL Metropolis Plot 5A
- Menara Hap Seng 3
- Jalan Kia Peng Service Residence



Industrialised Building System (IBS)

IBS is a construction technique in which individual components are manufactured in a controlled environment, either on or off-site, before being incorporated into construction works. This technique allows high-quality projects to be constructed more quickly with smaller impact on the natural environment and requires only a few skilled workers for the installations. IBS remains one of the main focus areas of the Malaysian construction sector under the Construction Industry Transformation Programme (CITP) 2016-2020. Our projects, current and in the immediate future, that employ IBS are:

- The Aria Luxury Residences
- Mixed Development at KL Metropolis Plot 5A
- Menara Hap Seng 3
- Jalan Kia Peng Service Apartment

GREEN MOBILITY

We promote sustainability in the automotive industry through Hap Seng Star, which offers hybrid solutions. To promote the uptake of these vehicles in the Malaysian society and for our customers' convenience, we provided a total of 31 charging stations spread across all of our dealerships.

We further strengthened our commitment towards sustainability through the certification of Hap Seng Star Sdn Bhd for ISO 9001 and ISO 14001. Other methods by which we promote sustainability in our automotive division include:

- Eco-friendly water-based paint instead of chemical solvents
- Machines and equipment that recycle solvent waste
- Air-conditioner recycling equipment that prevents harmful gases from being released into the atmosphere while also reducing costs and lessening the generation of waste
- The installation of rainwater harvesting systems
- Installation of solar panels at our Kinrara dealership
- Disposal of used oil through authorised recycle firm
- Scrap metal recycling

We use the fully automated Drester Gun Cleaner, which has the ability to collect all used solvent, thinner and water for recycling and reuse purposes. This functionality greatly reduces solvent and thinner wastage, overall pollution and cost while also increasing productivity by allowing staff to attend to other work during the self-cleaning process.

GREEN PRODUCTS

We are committed to producing high-quality, durable and environmentally-friendly products such as our breakthrough green tile, that meets our business and sustainability goals. All of the products produced from MMSB's Plant 3 (MMSB3) are now certified with Standard and Industrial Research Institute of Malaysia's (SIRIMs) Eco Label and Singapore Environment Council's Green Label. Furthermore, all of MMSB's processes adhere to a zero-waste policy which includes the harvesting of rainwater for use in production practices and the recycling of waste heat from kilns to dryers. In 2018, 35,009 MMbtu waste heat was recovered at MMSB3, representing savings of approximately RM1.1 million per annum from heat recovery at this facility.

In 2018, the group produced a total of 5.3 million m² of green products, representing revenue of RM110.0 million, or 36% of total revenue. A further RM837,000 was saved through the use of recycled material for the creation of these tiles, which are produced from recycled powder, dust powder, green tiles and filter cakes.

These innovations have not gone unrecognised by the industry as MML tiles continue to garner various awards. MMSB was awarded the World Branding Awards - Brand of the Year 2018-2019 as well as Enterprise Asia's Asia Responsible Enterprise Awards 2018 under the Green Leadership Category for implementing the waste heat recovery system.

Number of Green Products Produced

Types of Green Products	2016	2017	2018
Number of recycled ceramic materials produced (m ²)	5.5 million	6.1 million	5.3 million
Number of bricks which use waste materials produced (m ²)	16.1 million	59.8 million	54.2 million

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



Our green products extend beyond tile manufacturing to include the production of bricks using waste materials by Hap Seng Clay Products Sdn Bhd. These bricks are manufactured at our Sedenak Brick Factory in Johor and 10% of its contents are from ceramic materials recovered from the polishing wastewater treatment plant and other powder waste that is not viable for ceramic tile production. Further to this, our Sedenak Brick Factory also uses coffee waste in the production of common bricks, with coffee waste accounting for approximately 6% of the raw production material for the bricks. Due to the calorific value of coffee waste, the bricks would require less fuel consumption to fire the bricks, thus enabling us to reduce fuel usage. In 2018, we produced approximately 155.4 million bricks, of which 54.2 million or 35%, were bricks which were produced using waste materials. We also used approximately 1.4 million litres of recycled fuel oil for the firing of our bricks.

COMMUNITY-CENTRIC DEVELOPMENT



Property Investment and Development

Our townships are designed and developed to meet the needs of the communities by creating townships with easy access to transportation and amenities within a clean and comfortable environment. One successful example of this integrative approach is the Bandar Sri Indah (BSI) development, which was designed to ensure that the area's natural topography is protected, while also providing well-balanced infrastructure and amenities for a vibrant and self-contained community.

With this development strategy in mind, we continued to enhance the residential experience at BSI in 2018. To do so, we added the BSI Orchid Garden to the Bandar Sri Indah Eco Park and constructed a petrol station for residents' convenience. These new features are in addition to the Southern Central Lake Garden that was developed for BSI in 2017, which was designed to meet



the needs of the community and includes amenities such as a jogging track and a gazebo. Upon its completion, BSI will serve as a benchmark for excellence in integrated living and sustainable development, with an extensive education hub, wet and dry market, community sports complex, religious complex, and intercity bus terminal.

In recognition of our excellence in contributing towards the growth and development of the state, BSI was awarded the Best Township Award by SHAREDADA at the 2018 SHAREDADA Excellence Awards ceremony.

AFFORDABLE HOUSING



Property Investment and Development

We endeavour to create housing solutions that are accessible to all levels of society and are committed to developing properties that are affordable for low and middle-income households. Whenever feasible, we support the government's aspirations to provide affordable housing through Sistem Perumahan Penjawat Awam Malaysia (PPAM) and MyHome schemes.

In 2018, the last phase of the D'Alpinia Integrated Development (D'Alpinia) was launched, which comprised 472 units of affordable apartments in the 76-acre Puchong South township under the Rumah Selangorku scheme. In addition to this, we also launched 493 units of affordable single-storey landed residential units in Ria Heights and 772 units of affordable terrace houses within the BSI mixed development in Tawau. This brings the total number of affordable housing units launched under the BSI development to over 3,000.

Approximately 512 units of affordable low-rise units and double-storey terrace houses are scheduled to be launched in the coming years.

SUPPORTING SMEs



Credit Financing

We recognise that Small and Medium Enterprises (SMEs) play an important role in promoting economic growth and creating opportunities for employment in the country. To support this critical part of the Malaysian economy, 77% of all Hap Seng credit financing division's financial services are in support of SMEs. In 2018, we recorded approximately 17.9% repeat customers for our financial services. To increase our customer base in the SMEs category in 2018, we focused on increasing our Industrial Hire Purchase (IHP) business by widening our vendor network marketing and by targeting the manufacturing, transportation, construction and infrastructure sectors.



ECONOMIC

Responsible business practices in the marketplace.

OUR FOCUS ON CUSTOMERS

Maintaining positive customer relationships promotes customer satisfaction and by extension, customer loyalty, which are crucial to our business success. We are therefore focused on delivering the best possible customer experience from our relevant business divisions to ensure each and every customer is left with a lasting positive impression.



Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Focus on Customers	Customer Service Excellence	<ul style="list-style-type: none"> Property Investment and Development Credit Financing Automotive

KEY ACHIEVEMENTS IN 2018:



80% of the customers surveyed for Phase 1 of Kingfisher Putatan Development would recommend Hap Seng Land's products to their friends and/or family



'Champion Ranking' for three out of five categories in the 2018 Mercedes-Benz SEA II Skills Competition



5% increase in customers subscribing to the extended warranty programme for automotive

CUSTOMER SERVICE EXCELLENCE



Property Investment and Development



Automotive



Credit Financing



Excellent customer service is emphasised throughout the Group's operations. We welcome customer feedback and make the effort to ensure that such feedback is collected, reviewed and appropriately acted on. For a positive customer experience and to protect the security of customers' personal data, Personal Data Protection Act (PDPA) forms are distributed to relevant customers.

PROPERTY INVESTMENT AND DEVELOPMENT

We conduct customer surveys for both our property investment as well as property development sections. In 2018, we surveyed the Phase 1 properties of our Kingfisher Putatan Development located in Sabah, where 81 out of 120-unit owners participated in the survey. The results were extremely positive, showing that 80% of respondents would recommend Hap Seng Land's products to their friends and/or family.

In our property investment section, we conduct annual surveys to gauge tenants' level of satisfaction towards our facilities. Some of the topics covered in the survey included the appearance and condition of the property, the performance of the leasing and management team, the customer service team at the main lobby, building and maintenance team as well as the security and safety team.

We aim to maintain our high-performing position and good reputation by constantly improving our customer service and delivering greater tenant satisfaction. To help us achieve this goal, our sales and customer service staff regularly receive training to further develop their interpersonal skills so that they are able to provide an enhanced customer experience before, during and after sales. We also have initiatives to improve our tenants' satisfaction through events and activities which boost the traffic flow at our investment properties.

We look highly upon the feedback collected from the surveys and focus on obtaining a high response rate from our investment properties. All three of our investment properties have a response rate greater than 90%. In order to obtain feedback from the tenants, we apply constructive approaches to tenants who do not return the survey form by:

- providing tenants with extra forms when the tenants misplaced them and personally collecting the completed forms from them;
- following up closely with the tenant's Department Head via call and visits until the form is submitted;
- provide assistance in explaining the form's content and guiding the tenants on how to fill the form; and
- for tenants who are reluctant to fill up the form, we will explain to the tenant the purpose of the survey form to encourage them to provide feedback.

Customer Satisfaction Survey Results for Property Investment

Investment Properties	Response Rate	Tenant Satisfaction Rate
Menara Hap Seng	97%	79%
Menara Hap Seng 2	91%	80%
Plaza Shell	100%	76%

CREDIT FINANCING

In our credit financing division, we offer innovative products to ensure customer satisfaction. We cater to clients’ evolving needs through the provision of customised and innovative term loan products that are specifically tailored to customers. The addition of these new products to our secured term loan portfolio has contributed to a 41% increase in the total amount of loans distributed since the products’ introduction mid-2017, indicating that we are accurately meeting the needs of the market.

AUTOMOTIVE

We are committed to meeting the growing needs of customers and have invested in expanding our automotive dealership networks to meet that goal. We strive to continuously provide value to our customers before and after-sales, with the aim of retaining our customers via various programmes such as extended warranties and the Star Care Maintenance Package. In 2018, we offered two different extended warranty programmes and one Hybrid Extended Warranty to suit our customers’ various needs. We recorded an increase of 5% in the number of customers subscribing to the extended warranty programmes this year.

For customers’ convenience, we also provide flexible maintenance and repair services at select dealerships, including door-to-door service and free shuttle service for customers who elect to have their vehicles serviced at our facilities.

We ensure high quality customer service across the division through our Customer Satisfaction Index (CSI) assessment, which provides a framework for assessing performance and measuring progress. The CSI, which guides all aspects of customer service, helps to ensure customer satisfaction and promote customer loyalty. In 2018, our automotive division reached 86% in the customer loyalty index survey.

Customer Satisfaction Results

Indicator	2016	2017	2018
Average CSI result (%)	95%	96%	97%
After-sales CSI (%)	88%	91%	94.9%
Customer Loyalty Index (%)	N/A*	83%	86%

Note:
Data covers all branches
* Tracking commenced in 2017

The data reflects our automotive division’s continuous improvements in meeting customers’ expectations.

Securing the highest qualified technicians and after-sales support staff is paramount in delivering quality service and maintaining high levels of customer satisfaction. For this reason, we partner with the Mercedes-Benz Malaysia Training Academy to ensure our continued access to knowledgeable and skilled personnel while also sponsoring students enrolled in the Advanced Modern Apprenticeship programme.



Capacity Building for Dealers

Our technicians' skills and qualifications are made evident by the awards we secured in the 2018 Mercedes-Benz SEA II Skills Competition. The competition, which has been held biennially since 2008, brings together Mercedes-Benz dealers from Malaysia and surrounding countries to test their on-the-job skills and competence. The competition was split into five categories: Qualified Maintenance Technician (QMT), Qualified System Technician (QST), Certified Diagnostic Technician (CDT), Certified Service Advisor (CSA) and Qualified Parts Process Specialist (QPPS). Of the 25 finalists, Hap Seng Star claimed 'Champion Ranking' for three out of five categories and was placed in the top spots in four out of five of the categories.



In 2018, Mercedes-Benz Malaysia also held the Dealer of the Year Awards Programme, aimed at recognising the services provided by its 35 dealerships across the country. The programme marks Mercedes-Benz Malaysia's efforts to recognise and reward dealerships for operational excellence and commitment to customer service. During the event, Hap Seng Star's Kota Kinabalu dealership was awarded the most prestigious award, Mercedes-Benz Malaysia Dealer of the Year 2018, in recognition of their achievement in scoring the overall highest scores in all aspects of sales, after-sales, customer satisfaction index, customer loyalty index, business excellence and financial services.

Hap Seng Star's network of dealerships also clinched top position for eight other categories including:

AWARD	CHAMPION	1 st RUNNER UP	2 nd RUNNER UP
DEALER OF THE YEAR 2018	Kota Kinabalu	Bukit Tinggi	Kinrara
CSI NO. 1 (SALES) - DELIGHTFUL CUSTOMER CARE	Iskandar	Balakong	-
CLI - LOYALTY FIRST	Kota Kinabalu	Kuching	Kinrara
BEST IN BUSINESS EXCELLENCE 2018	Kota Kinabalu	-	-
BEST IN FINANCIAL SERVICES 2018	Bukit Tinggi	-	-
BEST IN CSI & CLI 2018	Kota Kinabalu	Bukit Tinggi	Kuching
BEST IN CUSTOMER SERVICES 2018	Balakong	Kinrara	-
BEST IN SALES 2018	Bukit Tinggi	Jalan Ipoh	Balakong



ECONOMIC

Responsible business practices in the marketplace.

OUR SUPPLY CHAIN

We recognise that in order to fully achieve sustainability in our operations, we must consider the larger system in which they occur. For that reason, we continue to promote sustainability through all levels of our supply chain with focus on the support of local vendors and Group-wide labour management. In 2018, we identified 2 new key impact areas - Supply Chain Management and Product Stewardship - for this material aspect in order to enhance disclosure in specific areas of our supply chain. We have also identified new areas of focus in order to provide assurance to stakeholders with regards to our compliance of local laws and regulation, labour practices, and health and safety.



Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Supply Chain	Supporting Local Suppliers	• Building Materials
	Supply Chain Management	• Fertilizers Trading
	Product Stewardship	• Fertilizers Trading

KEY ACHIEVEMENTS IN 2018:



100% local suppliers in the Building Materials - Trading Operations



All divisions adhere to local laws and regulation in their supply chain management

LINK TO UN SDGs:



SUPPORTING LOCAL SUPPLIERS



Building Materials

Our diverse range of business operations mean that we are in a position to partner with a variety of local suppliers. In this aspect, we continuously prioritise partnerships with local suppliers in our procurement practices. Through this, we ensure that we are securing the highest quality goods in a timely and cost-effective manner, while also delivering positive benefits to the local economy. Within our building materials trading operations, 100% of our procurement was spent on local suppliers.

Local Supplier Data

Division	Percentage of local suppliers (%)	Percentage of procurement spent on local suppliers (%)
Building Materials - Trading Operations	100	100

PRODUCT STEWARDSHIP



Fertilizers Trading

Our fertilizers are repacked at our Nitrogen, Phosphorus and Potassium (NPK) compaction plant in Lahad Datu and traded and distributed through Hap Seng Fertilizers Sdn Bhd. The plant operation adheres to all local environmental, and health and safety regulations. We ensure that our entire value chain, from material sourcing and procurement, to storage, packaging, mixing and distribution follows all regulations. Care taken during the transportation of our fertilizer products has ensured that less than 1% of material is wasted, presenting no direct impact on the environment.



The fertilizers trading division conducts a Chemical Health Risk Assessment (CHRA) every five years, in accordance to the Occupational Safety and Health Regulation 2000. The CHRA is conducted to identify hazardous chemicals which are stored and handled on the premises, to identify employees who come into contact with the chemicals, to evaluate the efficiency of workplace controls for managing chemicals and to identify any potential health risks due to chemical exposure. The last CHRA was conducted in 2018.



ENVIRONMENT

Conserving our resources for future generations.

MANAGING OUR ENVIRONMENTAL FOOTPRINT

Our commitment to minimising the negative environmental impacts of our operations is a key component of our responsibility as a good corporate citizen. We have been actively monitoring our environmental footprint since the release of our first sustainability statement, and the data we collected through this process is crucial in helping us understand our impacts and identify areas for improvement. Our Board is committed to taking proactive steps towards reducing the Group's energy consumption. Priority activities outlined in the Board Charter include improving energy management in office buildings, promoting environmental awareness among our stakeholders and reducing overseas travel.

We set clear environmental targets for electricity consumption, water consumption and emissions associated with the ceramic tile operations within our building materials division. These targets allow us to measure our environmental impacts and remain crucial in light of the subsidy rationalisation plan by the government on the price of natural gas and electricity. Tracking our water usage also directly improves our ability to manage periods of dry weather in the region where our ceramic tile factories are located.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Managing Our Environmental Footprint	Energy Consumption and Management	• Group
	Water Consumption and Management	• Group
	Waste Management	• Automotive • Building Materials
	Construction Waste Management	• Property Investment and Development
	GHG Emissions	• Building Materials
	Dust Emissions	
	Noise Emissions	

KEY ACHIEVEMENTS IN 2018:



Approximately **477,000 kWh** reduction of electricity sourced from Tenaga Nasional Berhad due to self-generation via the solar panel project at Kinrara Autohaus



219.2 million litres of water saved due to rainwater harvesting practices at Building Materials division



Reduced approximately **555 tonnes** of carton usage at MMSB

LINK TO UN SDGs :



ENERGY CONSUMPTION AND MANAGEMENT



Group

Natural gas and electricity are crucial inputs for our building materials, amounting to 27% of each tile's production costs. Lowering our energy consumption is therefore a priority for the reduction of both our environmental impacts and our business costs as we constantly seek new technological solutions. To date, electricity consumption per unit tile production has decreased.

Electricity Consumption by MMSB

Indicator for per unit tile production	2018				
	2016	2017	2018	Target	Achieved
Electricity consumption (kWh/m ²)*	5.75	5.89	5.56	<6.10	☑

Note:

* Based on energy utilised in factories only.

Ceramic Tile Operations Energy Reduction Initiatives

- Machines that consume high amounts of electricity have been fitted with energy meters
- Soft starters and inverter motors are in place to reduce current surges and to regulate voltage when powering up machines and equipment
- Rooms are temperature-controlled
- Compressed air is utilised and maintained such that wastage and leakage is prevented
- Skylights, transparent roofs and LED high bay lights are used for energy-efficient lighting
- A dedicated Energy Committee is in place to plan, manage and closely monitor energy consumption



Our automotive division's solar panel project for Kinrara Autohaus commenced in May 2018. The savings obtained in 2018 from the project were around RM250,000 (approximately 477,000 kWh of electricity).

Electricity Consumption Data for All Divisions

Division	2018 electricity consumption (kWh)
Property Investment and Development	15,608,451*
Credit Financing	335,469**
Automotive	3,815,106***
Fertilizers Trading	642,413**
Building Materials	
• Quarry, asphalt and brick operations	25,032,824**
• Ceramic tile operations	53,637,108
Total	77,059,547

Note:

* Data takes into account Menara Hap Seng (MHS), Menara Hap Seng 2 (MHS2) and Plaza Shell, covering the consumption of HSCB and its subsidiaries, as well as common areas. Consumption arising from the usage of the centralised air-conditioning by all tenants is included.

** Data covers all Malaysian branches. For quarry, asphalt and brick operations, the data covers only plants and quarry equipment but not the office.

*** Covers 11 branches including Kinrara Pre-Owned Centre opened in October 2018.

NATURAL GAS AND DIESEL

Natural Gas Consumption by MMSB

Indicator for per unit tile production	2016	2017	2018	2018 Target	Achieved
Natural gas consumption (mmBtu/m ²)*	0.11	0.11	0.10	<0.12	☑
Diesel consumption (litres/m ²)*	0.04	0.04	0.04	<0.05	☑

Note:

* Based on energy utilised in factories only.

Initiatives by MMSB to reduce consumption of natural gas and diesel include:

- The use of waste heat recovery at kilns to direct heat back into the dryer and spray dryer.
- The use of improved formulas that allow tiles to be fired faster, increasing production output while maintaining product quality.
- The replacement of all gas burner nozzles with improved high-efficiency alternatives.
- Scheduled maintenance of facility infrastructure and equipment to prevent fuel wastage through leaks and promote the efficient use of burners.

The Benefits of Smart Warehousing

Through the implementation of an Automated Storage and Retrieval System (ASRS) in MMSB, we have reduced our diesel and electricity consumption by decreasing the number of manned forklifts used in our operations. Under this system, in which a computer-controlled robotic system stores, sorts and retrieves loads from shelves, stacks and other inventory locations, the efficiency and accuracy of stock retrieval have also improved.

WATER CONSUMPTION AND MANAGEMENT



Group

Water conservation has been a priority for the Group since the early stages of our building materials division, when a lack of water infrastructure made rainwater harvesting a business imperative. Although most of our operations are not water-intensive, a culture of water conservation remains a key part of our organisation, and we take a zero-water waste approach across all our factories. The systems we have in place to reduce water usage are supported by close monitoring of consumption in order to track our efforts and make changes where necessary.

Water Consumption Per Tile Production by MMSB

Indicator for per unit tile production	2016	2017	2018	2018 Target	Achieved
Water Consumption (m ³ /m ²)*	0.018	0.017	0.016	≤0.018	☑

Note:

* Based on water utilised in factories only.

Water Consumption Data for All Division

Division	2018 Water consumption (m ³)
Credit Financing	889*
Automotive	37,229**
Fertilizers Trading	16,351*
Building Materials (quarry, asphalt and brick operations)	237,415
• Surface water	187,667
• Piped water	49,748
Ceramic tiles operations	152,020
• Surface water and groundwater	31,493
• Piped water	120,527
Total	443,904

Note:

* Covers operations in Malaysia. For credit financing division, data covers all Malaysian branches except for water utility payment which is covered via rental and fixed charges.

** Covers 11 branches including Kinrara Pre-Owned Centre opened in October 2018.

(Water consumption at property division is not included as it consists of tenants' water consumption.)

We implement rainwater harvesting in both our building materials and automotive divisions. In our quarry, asphalt and brick operations, rainwater is collected from water pits that also serve as sediment basins to protect the water quality of nearby water sources. As a result of our rainwater harvesting efforts, 79% of the water consumed by the quarry, asphalt and brick operations, and 21% of the water consumed by MMSB was from surface water. We also implement Dry Mono technology for chamfering and squaring at MMSB2 and MMSB3, a process that does not require water or chemicals.

Surface Water Usage Data

Building Materials Division	Percentage of surface water usage (%)
Quarry, asphalt and brick operations	79
Ceramic tiles operations	21

WASTE AND EFFLUENT MANAGEMENT



Automotive



Building Materials

Managing solid wastes and effluents in accordance with regulatory requirements is a priority for our business division. We adhere to the Environmental Quality (Scheduled Waste) Regulations 2005 for waste management. Our quarry business also complies with the Department of Environment's (DOE) waste management guidelines.

In addition to properly disposing of waste, we make concerted efforts to reduce or recycle all types of waste generated within our facilities, from office paper to quarry effluents. One example of this is MMSB's Zero Waste Policy, under which waste and rejected materials along the production process are recovered for recycling. MMSB also has a closed loop water management system that collects and treats wastewater to be recycled for use within the plant, meaning that no wastewater is discharged to municipal drains.

At MMSB, waste associated with the packaging of our products is just as significant to us as the waste generated during their production. Our products use only unbleached recycled and recyclable paper cartons for packaging. We reuse our wooden pallets and encourage our customers to return them to be reused. We also recycle packaging materials and have established agreements within our purchase orders and contracts so that rejected MMSB packaging material is collected by vendors for recycling.

At MMSB, we strive to reduce the resources used by purchasing cartons as well as other paper products made from recycled paper. We revised the packaging of our products by increasing the quantity of tiles packed per carton, resulting in a 20% decrease in the number of cartons used in 2018 (approximately 555 tonnes of cartons).

Scheduled Waste At Our Business Divisions*

Division	2016	2017	2018
Automotive (tonnes)	-	123.0**	190.1
Building Materials - Ceramic tile operations (tonnes)	106.1	97.4	83.3
Total	106.1	220.4	273.4

Note:

* Handled by DOE-approved vendors for treatment and/or recovery.

** Data covers seven major after-sales centres

Waste Data From Our Business Divisions*

Division	Waste landfilled	Waste recycled
Automotive (tonnes)	Not available	21,134.0**
Building Materials – Ceramic tile operations (tonnes)	192.4	12,101.0***
Total	192.4	12,122.1

Note:

* Handled by DOE-approved vendors for landfilling and recycling.

** Data covers seven major after-sales centres and consists of scrap metals, carton boxes, oil drums, paper and spent plastic.

*** Data consists of cartons, plastic, metal and filter cake. No filter cake data was recorded for the final quarter as MMSB2 stopped operations in October 2018.

HSCB, via its in-house green initiative committee parked under Hap Seng Land, has partnered with XUsed to introduce a pilot recycling programme at the Group’s Menara Hap Seng and Menara Hap Seng 2 buildings.

XUsed is a waste recycling social enterprise that connects people, schools and organisations with waste buyers. The selling of the waste such as used cooking oil, old newspapers, aluminium cans and bottles will create financial value. Through the collaboration with XUsed, the Group has been able to streamline the recycling process at Menara Hap Seng and Menara Hap Seng 2.

Hap Seng Land’s Mobile e-Waste Campaign

Hap Seng Land has been operating their Mobile e-Waste: Old Phone, New Life recycling programme in collaboration with the Malaysian Communications and Multimedia Commission (MCMC) for over two years. Its success led MCMC to name it one of the best performing collection points in the Klang Valley and prompted MCMC to request Hap Seng Land to accept other forms of electrical devices for collection.

CONSTRUCTION WASTE MANAGEMENT



Property Investment and Development

Construction Waste Data

Division	Waste Disposed	Waste Recycled
Property Investment and Development (tonnes)	664*	639*

Note:

* Data covers waste at the construction site of The Aria Luxury Residences, Menara Hap Seng 3, Akasa Cheras South, Jalan Kia Peng service apartment and mixed development at KL Metropolis Plot 5A projects only

We are conscious that our property development operations generate substantial volumes of waste and have incorporated proper waste disposal including monitoring and reporting in our operations. We encourage our contractors to contribute to our waste management efforts by requiring construction sites in Peninsular Malaysia to complete a Waste Data Collection Report. Contractors are required to separate waste into three separate bins: recyclable timber, recyclable steel/metal and non-recyclable waste. Contractors are required to document the tonnage of materials sent for recycling. We engage in regular communication with external contractors for the purpose of waste tracking.

GHG EMISSIONS



Building Materials

We define our GHG emissions in terms of Scope 1 and Scope 2 emissions, where Scope 1 emissions are deemed to be from sources directly owned by the Group and Scope 2 emissions are produced from the consumption of purchased electricity and natural gas.

GHG Emission Data for Ceramic Tile Operations

Indicator for per unit tile production	2016	2017	2018	2018 target	Achieved
Scope 1 GHG Emission (tCO ₂ /m ²)*	0.00011	0.00011	0.00011	< 0.00012	✓
Scope 2 GHG Emission (tCO ₂ /m ²)*	0.0102	0.0105	0.0096	< 0.0108	✓

Note:

* Based on energy utilised in factories only.

Air quality checks are also conducted for the automotive division twice a year via an air quality sampling session. This session includes samples taken at the body and paint works areas of service centres and an inspection of the bay exhaust vents.

DUST EMISSIONS



Building Materials

Dust emission by our quarry operations is managed using enclosed conveyors and dust suppression systems that trap airborne dust to ensure that our dust emissions remains within the permissible limits according to Environmental Impact Assessment (EIA) regulation. The quarry, asphalt and brick operations also complies to the new Malaysia Ambient Air Quality Standards.

In our tile making factory, we have installed a vacuum system to trap dust particles, which are then used as recycled materials in MMSB. In 2018, our quarry, asphalt and brick operations once again engaged an external expert to conduct biennial assessments on dust emissions, noise pollution and water contamination - a process which will facilitate better management of our emissions. Our dust emission assessment results showed that our facility adhered to the limits of the regulation.

NOISE EMISSIONS



Building Materials

We are conscious of the environmental and operational noise generated by the blasting and crushing activities at our quarries and actively work to reduce such noise impact. For example, our Environmental Management Plan has guided the installation of bund walls that reflect noise generated by blasting rocks where applicable. We also comply with the Malaysian Minerals and Geoscience Department's regulatory requirements as well as the limits of the EIA regulations and engage environmental consultants to conduct quarterly assessments of our quarries' noise generation to ensure that is within regulatory stipulations. At MMSB, noise levels are assessed through yearly boundary noise monitoring to ensure compliance to the Environmental Quality Act 1974.



SOCIAL

Building healthy and inclusive communities and workplaces.

OUR CONDUCTIVE WORKPLACE

We place great importance on providing a safe and inclusive workplace to ensure the comfort and productivity of our staff. Employee satisfaction is a priority for the Group and we offer a variety of training, workshops and knowledge-management practices to promote continuous staff learning and opportunities for career advancement.

We also recognise that individuals of all backgrounds make valuable and unique contributions to our operations and we aim to foster diversity and equal opportunity in all our workplaces. We make a point to engage with our employees regularly to collect feedback to ensure their ongoing health, safety and comfort.



Material Economic Aspect	Key Impact Areas	Focus in 2018
Our Conductive Workplace	Occupational Safety and Health (OSH)	• Group
	Employee Engagement	• Group
	Diversity and Equal Opportunity	• Group

KEY ACHIEVEMENTS IN 2018:



Zero fatalities recorded

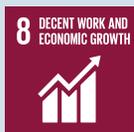


RM268,092 spent on training and development



20 participants sponsored for Mercedes-Benz Advanced Modern Apprenticeship 2018-2021 programme cohort

LINK TO UN SDGs:



OCCUPATIONAL SAFETY AND HEALTH



Group

Creating safe and healthy working conditions ensures the wellbeing of our staff and the uninterrupted operation of our business divisions. We have OSH regulations in place throughout the Group and we are continuously seeking to improve our policies and procedures to ensure the safest possible operations. Such policies also extend to the contractors and local communities who participate in or are affected by our operations.

Safety Data in Our Business Divisions

Division	LTIFR* 2017	Number of fatalities for 2017	LTIFR* 2018	Number of fatalities for 2018
Property Investment and Development**	0	0	0	0
Automotive***	-	-	5.44	0
Fertilizers Trading	1.31	0	2.56	0
Building Materials - quarry, asphalt and brick operations	0.48	0	1.16	0
Building Materials - ceramic tile operations	3.6	0	3.27	0

Note:

* LTIFR = Lost Time Injury Frequency Rate, which is the number of lost time injuries occurring in a workplace per 1 million man-hours worked per year.

** Data covering construction sites at The Aria Luxury Residences, Pangsapuri Alpina, Akasa Cheras South, Menara Hap Seng 3, Jalan Kia Peng service apartment and mixed development at KL Metropolis Plot 5A.

*** Data covers two major after-sales centres (Kinrara and Balakong).

SNAPSHOTS OF SAFETY PROGRAMMES AT HAP SENG GROUP

Property Investment and Development	<ul style="list-style-type: none"> Conducted 313 toolbox briefings and 31 safety training sessions in 2018 Conducted 332 fogging exercises at our construction sites in 2018 417 participants took part in our 2018 safety and health campaign which included talks, exhibitions and safety demonstrations
Automotive	<ul style="list-style-type: none"> Developed an OSH policy to supplement the safety and health guidelines for after-sales operations
Fertilizers Trading	<ul style="list-style-type: none"> Conducted a CHRA in accordance with OSH requirements every five years. The last CHRA was conducted in 2018
Building Materials	<ul style="list-style-type: none"> Our quarry, asphalt and brick operations have conducted 117 safety walks where Health, Safety and Environment (HSE) officers observe ground operations and identify opportunities for improved safety and site housekeeping, were held in 2018 Our quarry, asphalt and brick operations continues to follow a specific Safety and Health policy Under our commitment to minimise employee risks and ensure workplace safety, MMSB have achieved full compliance with OHSAS 18001:2007 and are certified by SIRIM and IQNet accordingly

EMPLOYEE ENGAGEMENT



Group

Employee feedback provides valuable insight into how we can make our workplace more comfortable, safe and productive. We regularly create opportunities for our employees to be heard. We encourage staff to speak up on any matter of concern, and encourage communication and discussion through our “Open Door” policy. Under this policy, staff are invited to convey any discontent to the next supervisory level, after which unresolved grievances are escalated to the Group Human Resource Department.

We implement the Balanced Scorecard system to ensure that activities executed across all divisions are in line with the Group goals and interests. The Scorecard tracks the measures, targets and initiatives through which we aim to achieve our strategic objectives in the Financial, Customer and Markets, Internal Processes as well as Learning and Growth dimensions. In order to promote a performance-driven culture that drives business growth within our Group, compensation rewards for each performance period are awarded based on the results of the Scorecard.

In 2018, one of our business divisions conducted a restructuring exercise which saw 423 employees participating in a voluntary separation scheme while another 23 were retrenched. As a responsible employer, the business division collaborated with 14 potential employers, the local labour office (Jabatan Tenaga Kerja), Social Security Organisation (SOCSO) and other relevant organisations to organise a job fair on the 24 and 25 September 2018 for these employees. The Union has reported that approximately 55% of the displaced workers found jobs after a month whilst some 10% decided to opt for early retirement.



MANAGEMENT OF OUR FOREIGN WORKERS

Foreign workers, hired directly or via agents, are employed by some of our divisions in accordance with the rules and regulations set by the Immigration Department in relation to the management of foreign workers. Our labour management practices are adherent to the requirements of the Employment Act 1995 and the Industrial Relations Act 1967 and incorporate human rights policies such as freedom of association and collective bargaining as well as the prohibition of child labour and forced or compulsory labour. Within our property division, internal stakeholders are engaged in discussions related to immigration rulings and regulations pertaining to the division’s foreign workers.

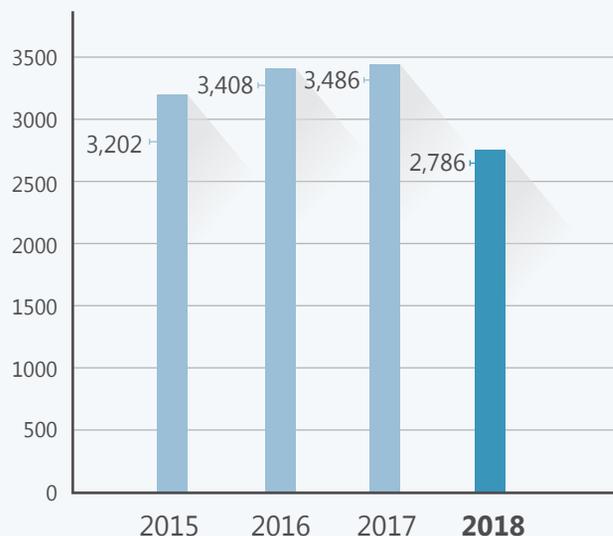


Average hours of training per employee per year: **15 hours**



Percentage of employees receiving regular performance and career development reviews: **100%**

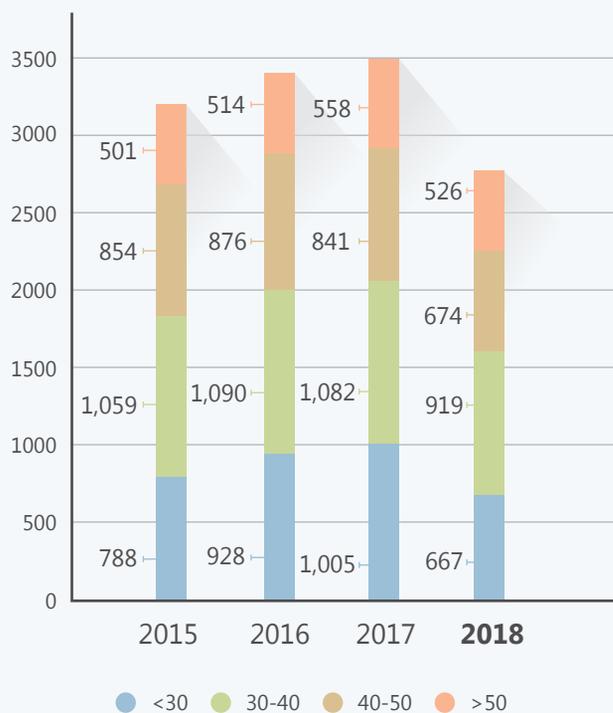
Total Number of Employees



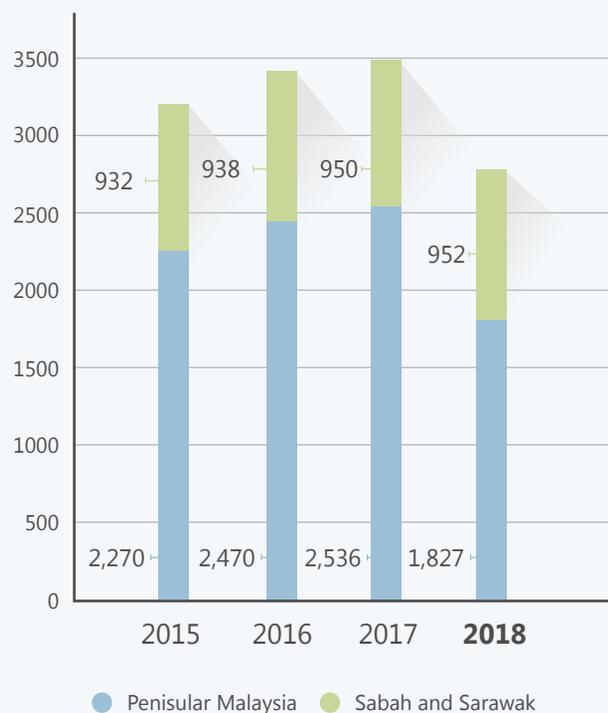
Number of Employees, by Gender



Number of Employees, by Age Group



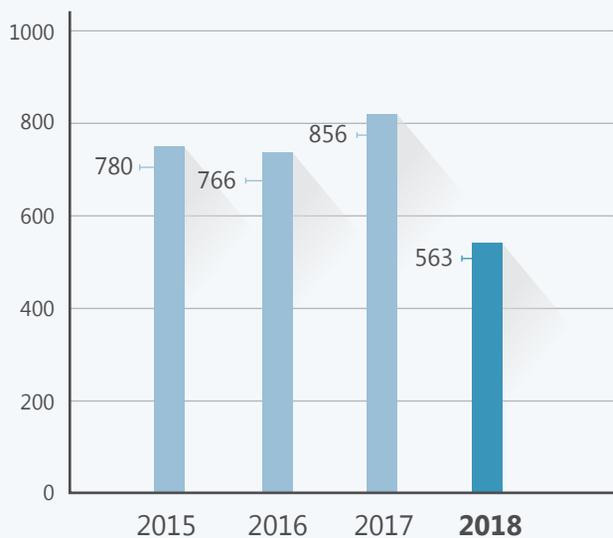
Number of Employees, by Region



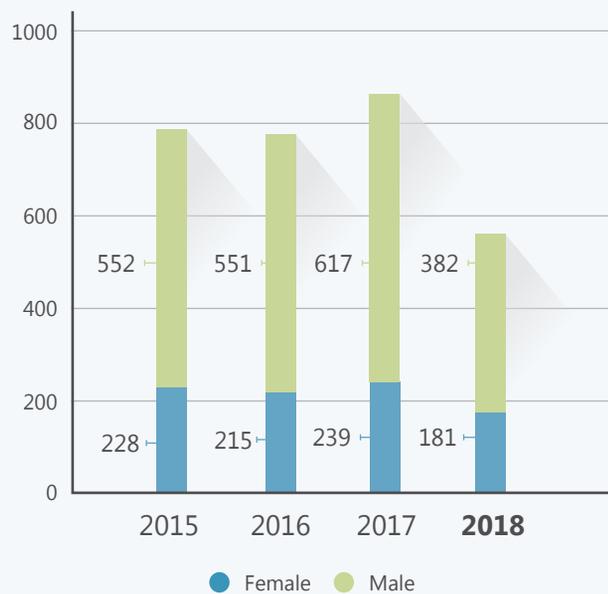
Percentage of Women in Management

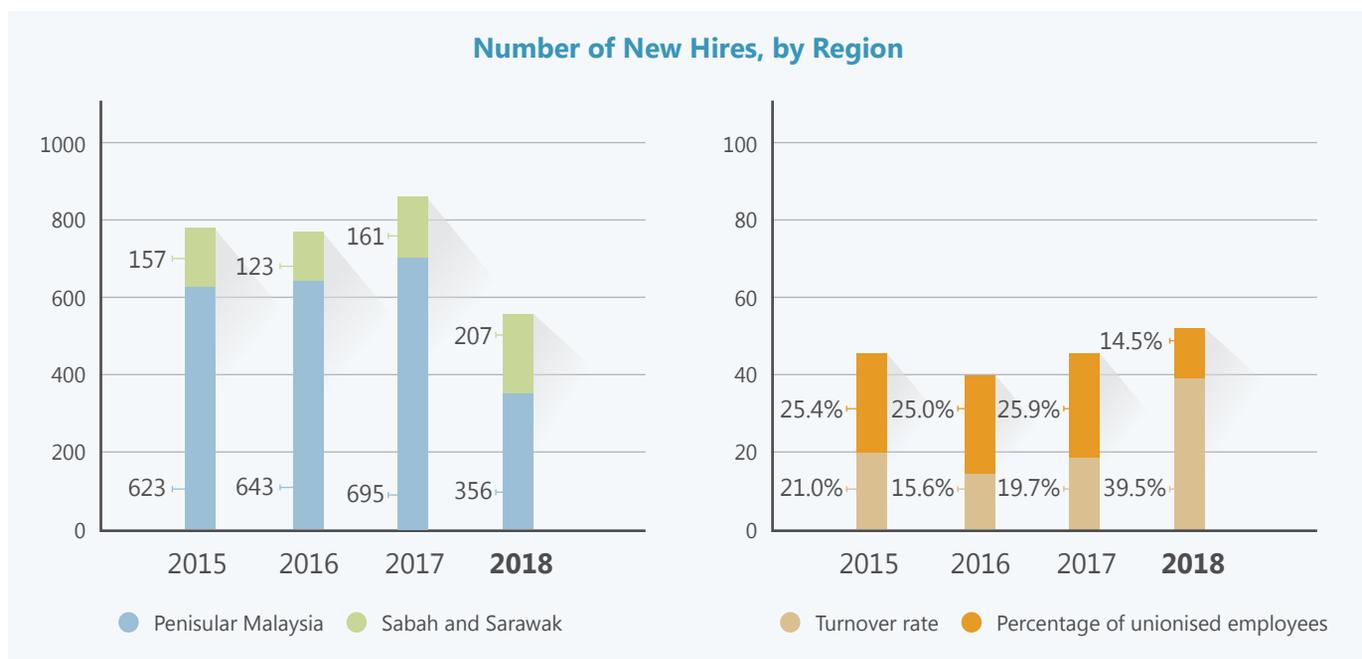
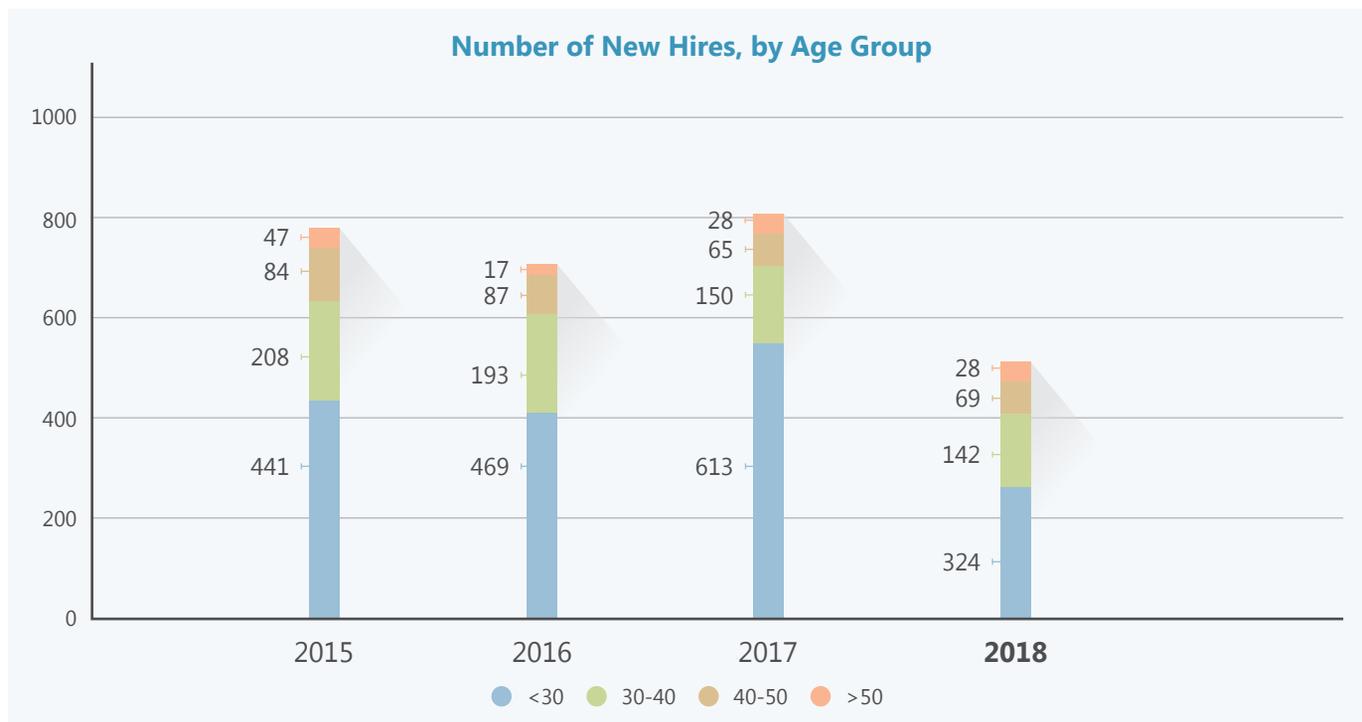


Total Number of New Hires



Number of New Hires, by Gender





DIVERSITY AND EQUAL OPPORTUNITY



Group

Diversified perspectives and experiences are key drivers in creating an innovative and productive organisation. We therefore encourage equal opportunity in our workplaces, welcoming all genders, ages, ethnicities, races, nationalities and professional backgrounds. Opportunities for advancement are awarded based on merit and are made in line with our commitments to shareholders and the communities in which we work.



SOCIAL

Building healthy and inclusive communities and workplaces.

HAP SENG GROUP IN THE COMMUNITY

We strongly believe in giving back to the communities in which we operate by delivering a variety of initiatives and programmes targeting a wide range of beneficiaries. These programmes, which are overseen by Group CSR across all business divisions, primarily focus on building the capacity of younger generations in rural areas.

We have made efforts to move beyond basic sponsorship and volunteering in our communities - our long-term programmes have outcome-based strategies which yield tangible results and have a multiplier effect in the community. Starting from our efforts in initiating the Sabah Education Roundtable in 2016, we have constantly been involved in the shaping of multi-stakeholder strategies which would bring change to the system itself. As a result of our work within the community, the Group is recognised as a valued corporate participant in multi-stakeholder panels for comprehensive sustainability dialogue and plans.

Material Economic Aspect	Key Impact Areas	Focus in 2018
Hap Seng Group in the Community	Hap Seng Group's Internet of Things (IoT)	• Group
	Reimagining Your Future Day	
	Teach for Malaysia	
	Hap Seng Group in MCII	
	Hap Seng Group Tawau Leadership	
	Empowering the Tanjung Batu Community	
	Advanced Modern Apprenticeship programme	
	OSH in the Community	

KEY ACHIEVEMENTS IN 2018:



RM1,108,512 invested in community initiatives



98 teachers from **48 rural schools in 5 districts** in Sabah involved in the Hap Seng Group's IoT Programme

LINK TO UN SDGs:



HAP SENG GROUP'S INTERNET OF THINGS (IoT)

Hap Seng Group's IoT Programme aims to develop teachers' ability to deliver 21st century learning in their classroom through the development of both technical and soft skills, with particular focus on mentoring and project-based learning. The programme, which is delivered in partnership with Chumbaka, began in 2017 and reached 24 secondary schools in rural Sabah during its first year. Through workshops, teachers learn about embedded systems, electronics and coding, and soft skills such as mentoring, pitching, design thinking and 21st century learning methods. At the end of the programme, teachers run a bootcamp to introduce students to what they have learned, and guide students to join the state and national level innovation competition, Young Innovate Challenge (YIC).

In 2018, this programme was expanded to include Semporna and a programme for primary school students, Junior Innovate, was introduced. By implementing IoT programmes at the junior level, the Junior Innovate programme seeks to instil digital understanding among students in the early stages of their education to better prepare them for Industry 4.0. In the second year of the IoT programme, benefits began to show in both teachers and students in terms of building confidence, improving communication and English language skills, increasing teamwork and collaboration efforts, building resilience and extensive usage of high-order thinking skills. The programme has encouraged collaboration between schools to share ideas and garnering further interest in teachers and school leaders in growing IoT awareness among students. The success of the programme in 2017 also prompted the adoption of the programme by another funder for its delivery in secondary schools throughout Perlis.

MILESTONES

Year	Location	Results
2017	Keningau, Tenom, Nabawan and Tambunan	<ul style="list-style-type: none"> Built the capacity of 48 teachers from 24 schools 19 schools with 89 teams and 263 students participated in the YIC Sabah. One team qualified for the national level YIC.
2018	Keningau, Tenom, Nabawan and Tambunan	<ul style="list-style-type: none"> Built the capacity of 48 teachers from 24 schools – impacted approximately 300 students 19 schools with 72 teams and 219 students participated in the YIC Sabah. Four team qualified for the national level YIC. Number of IoT clubs: 13 schools are fully committed SMK Tambunan became one of #mydigitalmaker Champion Schools under Malaysia Digital Economy Corporation (MDEC) <p><u>Junior Innovate</u></p> <ul style="list-style-type: none"> Built the capacity of 40 teachers from 20 schools – impacted approximately 210 students 19 schools with 101 teams and 202 students participated in the YIC Sabah. Two team qualified for the national level Junior Innovate.
	Semporna	<ul style="list-style-type: none"> Built the capacity of 10 teachers from 5 schools – impacted approximately 15 students 2 schools with 5 teams and 15 students participated in the YIC Sabah. Two schools worked together and successfully crowdfunded their YIC Sabah trip through an online crowdfunding platform

SUSTAINABILITY AT HAP SENG GROUP
CREATING VALUE FOR ALL



'REIMAGINING YOUR FUTURE' DAY

In 2018, Hap Seng Group partnered with several organisations to deliver a multi-session career day in Sabah entitled 'Reimagining Your Future Day'. The first session of the day, which was delivered in partnership with Chumbaka, was a 'Reimagining Your Future Seminar' held for state and district education officers along with school leadership, teachers and secondary school teachers from 24 schools in Keningau, Tenom, Nabawan and Tambunan. The seminar offered a discussion of career opportunities in the modern digital industrial industry as well as the support, skills and education students require in order to successfully enter the workforce. Close to 100 participants attended the session.



Following the seminar, a public lecture on 'Reimagining Your Future' was held in collaboration with Sabah Techpreneur Association (SATA) and the Ministry of Education and Innovation. This session, which was aimed at the broader community in Keningau, was attended by more than 60 community leaders, business community members, parents and interested professionals. During the lecture, participants learned about career challenges and opportunities in the 21st century marketplace, with reference to valuable skill sets and modern technology.



SPONSORING TEACH FOR MALAYSIA

Teach For Malaysia is a capacity-building programme delivered in collaboration with Teach For Malaysia that runs from 2018 until 2020. Under the programme, four English teachers are placed in four secondary schools in Semporna, Sabah where they share knowledge and best practises among themselves and within their respective school to improve students' English. The programme is expected to reach approximately 600 students within the selected four schools, contributing to vital rural development.

Mercedes-Benz Advanced Modern Apprenticeship (AMA) Programme

Hap Seng Star is a supporter of the Mercedes-Benz AMA Programme, which provides hands-on experience and specific training on the mechanics and electronics of Mercedes-Benz. The division offers both scholarships and on-the-job training for students enrolled in the programme, helping to promote youth skills development while also ensuring the availability of well-trained technicians for our business needs. We currently sponsor 20 participants in the 2018-2021 programme cohort and sponsored a total of 85 graduates since 2013.

HAP SENG GROUP IN MCII

The Malaysian Collective Impact Initiative (MCII), of which Hap Seng Group is one of the founding members and a member of the steering committee, is a collaborative education initiative aimed at achieving systemic educational and social change in Malaysia. MCII works with various corporate players to match schools and communities with suitable literacy and career aspiration intervention programmes to meet their needs. These programmes, which are delivered in line with the Malaysia Education Blueprint 2013-2025, are currently implemented in 12 schools in Pandamaran and Kapar, Klang.

These programmes aim to raise youth who are conscientious, multi-skilled, and independent lifelong learners who will go on to become globally competitive thought leaders. These programmes allow the school (leaders, teachers and students) to work with the local community (parents and local authorities) to solve social issues among youths. Students also gain better access to information, are able to communicate more effectively in both English and the Malay language and are more engaged in identifying career goals.



Sponsoring Global School Leadership

In 2018, the Group co-funded a programme by Global School Leaders which ran leadership workshops in ten schools under MCII in Pandamaran and Kapar, Klang. The programme aimed to increase the students' leadership skills and overall school performance in addition to improving students' learning experience and educational achievements.

Achievements of the programme include:

- Eight workshops were delivered throughout the year.
- 55 members of the school leadership teams participated including headmasters, principals and senior assistants.
- At least 50% implementation of action steps was achieved by all schools, including setting school vision and conducting classroom as well as school walkthroughs by November 2018.

As a result of the programme, school leaders agreed that their school management is more structured, practicable and data-oriented while teachers felt that their classroom lessons are more organised and purposeful. Schools are now more aware of the characteristics and strategies for good leadership. The strategies recommended in the workshops are implemented to improve school learning experience, motivate teachers and manage daily school operations.

HAP SENG GROUP TAWAU LEADERSHIP

Hap Seng Group contributes to the youth development in Tawau through a comprehensive Hap Seng Group Tawau Leadership programme. Following the success of the 2017 leadership-based Hap Seng Tawau Summer Camp, Hap Seng Group, together with our implementation partner Leaderonomics, continue to run the leadership development programme throughout 2018 which included various monthly activities such as 'train the trainer' trainings, community leadership club, parents engagement sessions and year-end camps.

The programme aimed to instil leadership, confidence and good interpersonal skills in youths, especially among the 18 high potential youths who were selected from the 2017 camp. They were further groomed as leaders with the involvement of their parents and community volunteers. At the end of the year, they were able to exercise their newly developed leadership skills as facilitators' assistants at the Hap Seng Super Micro Leader Camps.

The Hap Seng Super Micro Leader Camps aimed to develop leadership character and skills among youth aged seven to 14 with the goal of bringing about positive change in the Tawau community. The camps encouraged personal growth through self-discovery and character development and exposed participants to four main values in 2018: Determination, Decisiveness, Forgiveness and Truthfulness. More than 160 young leaders participated in the year end camps.



EMPOWERING THE TANJUNG BATU COMMUNITY

We continued to support life-long learning and the development of essential employment skills in the Tanjung Batu community. We partnered with the award-winning humanitarian organisation SOLS 24/7 along with UPPM Tanjung Batu and Pusat E-Desa Tanjung Batu to deliver English and IT proficiency classes for participants aged seven to 50 years old. In addition to providing valuable skills, the programme also seeks to build local capacity for community-based initiatives and encourage collaborative community efforts to address local social and environmental issues.

The 16 community programmes delivered through this partnership reached a total of 675 attendees. Of the 234 students who participated in English classes, 77% saw an improvement in their grade from entry to final assessment, and 80% of the adult students reported greater confidence in speaking English.

OSH IN THE COMMUNITY

Health and safety are important to the Group in the workplace and our communities. At Hap Seng, we always believe that safety is a culture. For that reason, it is part of our CSR mission to create value together with trusted OSH partners by promoting safety culture in the surrounding community.

In line with this approach, we continued our collaboration with the National Institute of Occupational Safety and Health (NIOSH) on our OSH in School programme in 2018. We have successfully delivered three OSH in School programmes in Papar and Tawau since its inception in 2015, while helping to foster greater understating in school citizens of safety culture and careers. In 2018, the programme was conducted at the Vision School in Tawau, where 270 students, 47 teachers and 10 Hap Seng volunteers participated in the event. Students and teachers learned about health, safety and hazards in a school environment, and gained understanding about incident reporting and hazard control measures. We hope that participants will be able to implement and share these lessons at school and at home.

In 2018, to further promote safety culture in the community, Hap Seng Building Materials hosted a Quarry Operators Safety Programme event for operators in the quarrying industry in Sabah. The event, which was delivered in collaboration with the Sabah Owner Quarry Association and Department of Occupational Safety and Health, provided an opportunity for quarry operators to share, discuss and learn from each other's HSE best practices for the improved wellbeing of all staff. A total of 160 individuals participated in the event, which was held across two sessions to reach operators in both eastern and western Sabah.



2018 ACHIEVEMENTS & RECOGNITIONS

Business Division	Awards	Purpose of Awards	Date of Receipt
Group	The Edge Billion Ringgit Club Corporate Awards 2018 – Industrial Products & Services for the Highest Return on Equity over three years	To celebrate Corporate Malaysia's best-performing companies and top responsible organisations	December 2018
Hap Seng Land	SHAREDA Excellence Award 2018 – Township Property Development	BSI was recognised as an integrated satellite township that incorporated the fundamental principle of long-term sustainability, ecological and liveable township.	August 2018
Hap Seng Land	The BrandLaureate Signature Brand Award 2017-2018 – Real estate - property category	The BrandLaureate Awards represents the very best that the world of branding has to offer.	May 2018
Hap Seng Consolidated Berhad	Finalist in MalaysiaGBC Leadership in Sustainability Awards 2018 (The Business Leadership in Sustainability Award Category).	This award recognises companies who are truly integrating sustainability into their business models and contributing to the transition towards a sustainable built environment.	May 2018
Hap Seng Star	Winners for Mercedes-Benz Malaysia Skills Competition 2018	Mercedes-Benz's after-sales competition is to honour and recognise the best technician, service advisor and process specialist	September 2018
Hap Seng Star	Champion, Mercedes-Benz Malaysia Dealer of the Year Awards 2018	Mercedes-Benz Malaysia Dealer of the Year Awards is aimed at recognising the services provided by its 35 dealerships across the country. The programme marks Mercedes-Benz Malaysia's efforts to recognise and reward dealerships for operational excellence and commitment to customer service.	March 2019
Malaysian Mosaics Sdn Bhd	World Branding Awards – Brand of the Year 2018-2019	The premier awards of the world branding forum. The Awards sees some of the world's best brands recognised for their work and achievements	October 2018
Malaysian Mosaics Sdn Bhd	Enterprise Asia's Asia Responsible Enterprise Awards 2018 – Green Leadership Category	This award recognises and honours Asian businesses for championing sustainable and responsible entrepreneurship	June 2018
Malaysian Mosaics Sdn Bhd	Malaysian Society for Occupational Safety and Health, MSOSH OSH Award 2017* – Gold Class I for MMSB 1,2 & 3	An annual award presented to organizations in Malaysia with proven outstanding OSH performance. Short-listed companies are subjected to stringent document and site verification audits by MSOSH panel of qualified and dedicated auditors in order to be considered by the MSOSH Technical Committee for the respective awards.	July 2018

* The awards were presented in 2018