

# SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

## ABOUT THIS STATEMENT

Hap Seng Consolidated Berhad (“the Group” or “Hap Seng”) is proud to present its annual sustainability statement for the financial year 2020 (“FY2020”). This statement aims to communicate initiatives undertaken by the Group to manage our governance, economic, environmental, and social risks and opportunities that arise from our operations. Through these initiatives, we aim to sustain long-term value creation today to create a better tomorrow.

Our sustainability statement encompasses our sustainability performance for FY2020, commencing 1<sup>st</sup> January 2020 to 31<sup>st</sup> December 2020, across our corporate headquarters in Kuala Lumpur and five business divisions operating within Malaysia: Property Investment & Development (“Property”), Credit Financing, Automotive, Trading and Building Materials. This year, we have restructured our divisions. Malaysian Mosaics Sdn. Bhd. was moved from the Building Materials division to the Trading division.

Divisions	Company Name
<b>Corporate Headquarters</b>	Hap Seng Consolidated Berhad
<b>Property</b>	Hap Seng Land Development Sdn. Bhd. Hap Seng Properties Development Sdn. Bhd. Hap Seng Land Sdn. Bhd.
<b>Credit Financing</b>	Hap Seng Credit Sdn. Bhd.
<b>Automotive</b>	Hap Seng Star Sdn. Bhd. Hap Seng Trucks Distribution Sdn. Bhd. Hap Seng Trucks Sdn. Bhd.
<b>Trading</b>	General Trading • Hap Seng Trading (BM) Sdn. Bhd. • Hap Seng (Oil & Transport) Sdn. Bhd. Hap Seng Fertilizers Sdn. Bhd. • Hap Seng Chemicals Sdn. Bhd. Malaysian Mosaics Sdn. Bhd.
<b>Building Materials</b>	Hap Seng Building Materials Sdn. Bhd. Hap Seng Clay Products Sdn. Bhd.

Apart from the divisions mentioned above, Hap Seng operates Hap Seng Plantations Berhad (“Hap Seng Plantations”), a public listed entity which publishes a standalone Sustainability Report. The report can be found at: <https://www.hapsengplantations.com.my/sustainability-report.html>. Hap Seng Plantations’ key sustainability achievements for the reporting period can be found on page 88 of this statement. Additionally, sustainability performance for Hafary Holdings Limited, a subsidiary of the Group listed on the Singapore Exchange Limited (SGX), can be found in its Annual Report, which is available at: [https://www.hafary.com.sg/investor\\_relations/annual\\_reports](https://www.hafary.com.sg/investor_relations/annual_reports).

To ensure best reporting practices, we prepared our sustainability statement in accordance with Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Main Market Listing Requirements, with guidance from Bursa Malaysia’s Sustainability Reporting Guide (2nd Edition) and the Global Reporting Initiative (“GRI”) Standards – Core Option.

## Feedback

If you would like to submit feedback about this statement or request further clarification, kindly contact:

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Listed below are the Group's key sustainability highlights for FY2020:



Established  
**TEN**  
Key Performance Indicators



Established a groupwide  
Anti-Bribery and  
Corruption Policy



**100%**  
of the Hap Seng Star, Hap Seng  
Trucks and General Trading's  
procurement budgets were spent  
on local suppliers



Generated  
**16,175.81 tCO<sub>2</sub>**  
across the Group



**ZERO**  
workplace fatalities



**12%**  
reduction in water  
consumption across  
the Group

Reached out to  
local communities  
through development  
programmes



Recovered  
**36%**  
of non-scheduled waste  
generated by Building Materials  
and Property divisions

Conducted virtual employee  
engagement programmes via  
Microsoft Teams



Hap Seng Plantations' Sustainability Highlights for FY2020

In FY2020, Hap Seng Plantations has continued to develop and implement measures to enhance sustainability performance. Despite the challenges arising from the COVID-19 pandemic, we continue to execute our sustainability strategies to generate long-term value for our organisation and stakeholders.

Hap Seng Plantations' sustainability achievements are highlighted below:



Obtained  
**Makanan Selamat  
Tanggungjawab  
Industri (MeSTI)**  
certification for all mills



Lost-time accidents  
decreased by  
**68%**

Biogas facility  
commissioned at  
**Bukit Mas Palm  
Oil Mill (BPOM)**



Awarded  
**Best Quality CPO Supplier  
Award for Group Category** and  
**Highest Quantity  
CPO Supplier Award  
(Individual Mill Category)**  
by IOI Edible Oils



Contributed  
**RM998,506.93**  
to the community

Reduced carbon  
emissions per tonne of  
CPO produced by  
**5%**



Invested  
**RM6,948,292.25**  
in workers welfare

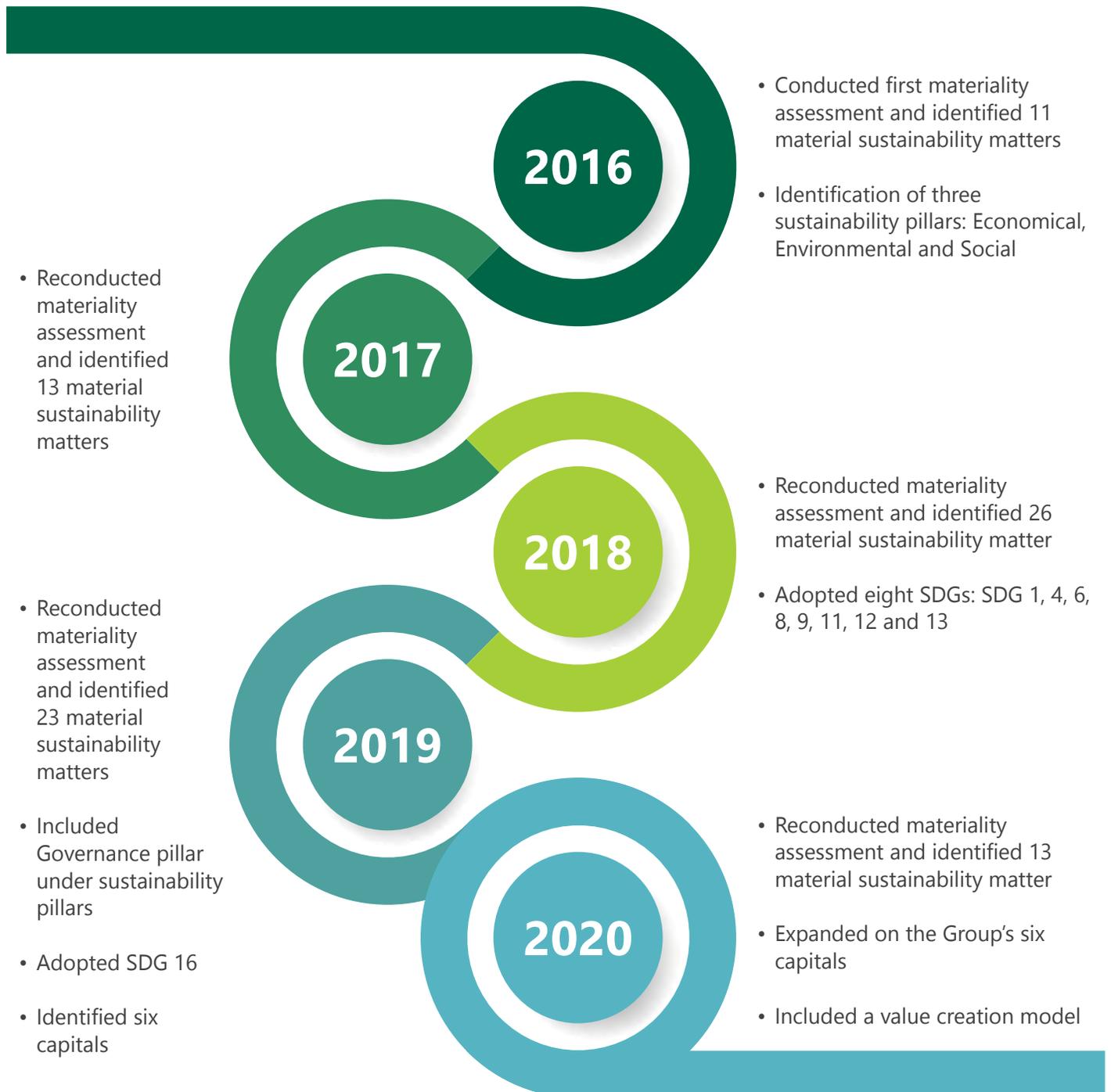
Created  
**1,056.74  
hectares**  
of riparian buffer area



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### HAP SENG'S SUSTAINABILITY JOURNEY

Since 2016, Hap Seng has sought to improve sustainability performance across its divisions. This year, we reconducted our materiality assessment and further enhanced our sustainability reporting by elaborating on our six capitals and our value creation model.



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## AWARDS AND RECOGNITION

This year, the Group has been recognised for our performance in the automotive industry; our Hap Seng Star Sdn. Bhd. dealerships received 15 awards this reporting period.

Dealership	Award	
<b>Balakong</b>	Global Customer Experience Challenge	First Runner-Up
<b>Bukit Tinggi</b>	Best in Customer Service Index 5-Star Rater	Champion
<b>Iskandar</b>	Best in Customer Service	Second Runner-Up
<b>Kinrara</b>	Best in Financial Services	Champion
	Global Customer Experience Challenge	Champion
	2020 Mercedes-Benz 5 Star Rater Sales	First Runner-Up
	Dealer of the Year	First Runner-Up
<b>Kota Kinabalu</b>	Best in Customer Service Index 5-Star Rater	First Runner-Up
<b>Kuching</b>	Best in Customer Service Index 5-Star Rater	Second Runner-Up
<b>Melaka</b>	2020 Mercedes-Benz 5 Star Rater Sales	Champion
	Best in Sales	Second Runner-Up
<b>Setia Alam</b>	Most Improved Dealer	Second Runner-Up
	Best in Financial Services	Second Runner-Up
	Dealer of the Year	Second Runner-Up
	Global Customer Experience Challenge	Second Runner-Up

## MEMBERSHIP OF ASSOCIATIONS

The Group is a member of various industry associations and trade groups. Through these associations, we regularly engage with key industry players, keeping us updated with the latest industry developments and best practices. This year, there was an addition; Hap Seng Trucks Sdn. Bhd. became a member of the Kuantan Chinese Chamber of Commerce and Industry.

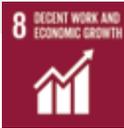
Division	Entity	Association
<b>Corporate</b>	Hap Seng Consolidated Berhad	Federation of Public Listed Companies ("FPLC")
		Malaysian-German Chamber of Commerce ("MGCC")
<b>Property</b>	Hap Seng Land Development (Puchong) Sdn. Bhd.	Real Estate and Housing Developers' Association ("REHDA") Malaysia
	Hap Seng Properties Development Sdn. Bhd.	Sabah Housing and Real Estate Developers' Association ("SHAREDA")
	Hap Seng Land Sdn. Bhd.	International Real Estate Federation ("FIABCI") Malaysia
<b>Credit Financing</b>	Hap Seng Credit Sdn. Bhd.	Asset Financing and Leasing Association of Malaysia ("AFLAM")
<b>Automotive</b>	Hap Seng Star Sdn. Bhd.	Malaysian Retail Chain Association ("MRCA")
		Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor ("KLSCCCI")
		Malaysian Automotive Association ("MAA")
	Hap Seng Trucks Sdn. Bhd.	Kuantan Chinese Chamber of Commerce and Industry ("KCCCI")
<b>Trading</b>	Hap Seng Fertilizers Sdn. Bhd.	Fertiliser Industry Association of Malaysia ("FIAM")
	Malaysian Mosaics Sdn. Bhd.	Federation of Malaysian Manufacturers ("FMM")
	Hap Seng Trading (BM) Sdn. Bhd.	Building Materials Distributors Association of Malaysia ("BMDAM")
		Master Builders Association Malaysia ("MBAM")
		Malaysia Steel Association ("MSA")

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**OUR RESPONSIBILITY TOWARDS SUSTAINABLE DEVELOPMENT**

**Our Contribution to the Global Agenda**

As part of our commitment to the global agenda for sustainable development, we have adopted nine of the 17 United Nations Sustainable Development Goals (“SDGs”) outlined by Agenda 2030. We align our practices with these SDGs and look to contribute to alleviating economic, environmental, and social disparities within Malaysia.

 <ul style="list-style-type: none"> <li>• Provided employment opportunities to 236 persons in FY2020</li> <li>• Improved accessibility to housing through the construction of affordable housing units</li> <li>• Provided financier services to 3,961 SME businesses in FY2020</li> </ul>	 <ul style="list-style-type: none"> <li>• Sponsored 18 students to complete technical and vocational education</li> <li>• Provided 145 students with character development and project management learning opportunities through the 10 G.I.L.A Days programme</li> <li>• Raised over RM4,000 in school supplier for 104 children under the “Back-To-School Donation Drive”</li> </ul>	 <ul style="list-style-type: none"> <li>• Reduced water withdrawal by 12%</li> <li>• Recycled used water for dust suppression, lorry washing and housekeeping at our quarry crushing plants</li> <li>• Equipped Hap Seng Land buildings with rain water harvesting tanks and water-efficient fittings (i.e. dual flush toilets)</li> </ul>
 <ul style="list-style-type: none"> <li>• Exercise non-discriminatory hiring practices</li> <li>• Financed 3,961 SME businesses</li> <li>• Employed 2,107 Malaysians in FY2020</li> </ul>	 <ul style="list-style-type: none"> <li>• Incorporated eco-friendly fittings in properties constructed</li> <li>• Utilised solar panels for electricity generation at our Hap Seng Star Kinrara Sdn. Bhd. Dealership</li> </ul>	 <ul style="list-style-type: none"> <li>• Constructed 1,024 units of affordable housing at Southville Apartments</li> <li>• Constructed properties in line with requirements of green building certification schemes and obtained green building certification</li> </ul>

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 <ul style="list-style-type: none"> <li>• Reduced paper consumption by 14% through the digitisation of processes at Hap Seng Star Sdn. Bhd.</li> <li>• Implemented 3R (Reduce, Reuse and Recycle) measures to reduce resource consumption and waste generation</li> <li>• Recovered 37% of non-scheduled waste at our Building Materials and Property divisions</li> </ul>	 <ul style="list-style-type: none"> <li>• Disclosed greenhouse gas emissions in tonnes of CO<sub>2</sub></li> <li>• Incorporated energy-efficient fittings and sustems in properties to reduce unnecessary electricity consumption</li> </ul>	 <ul style="list-style-type: none"> <li>• Established a groupwide Anti-Bribery and Corruption policy in June 2020</li> <li>• Provided channels to report incidents of malfeasance in the organisation</li> </ul>
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**Sustainability Governance**

The Board of Directors (“the Board”) is the ultimate decision-making authority to determine the sustainability direction of the Group.

At the divisional level, the division heads are tasked with managing sustainability initiatives across their respective business divisions and report any sustainability matters that arise to the group managing director.

**Our Approach**

At Hap Seng, our approach to sustainable development is multifaceted. We recognise that to achieve overall sustainability, we need to address governance, economic, environmental and social risks and opportunities in an integrated manner.

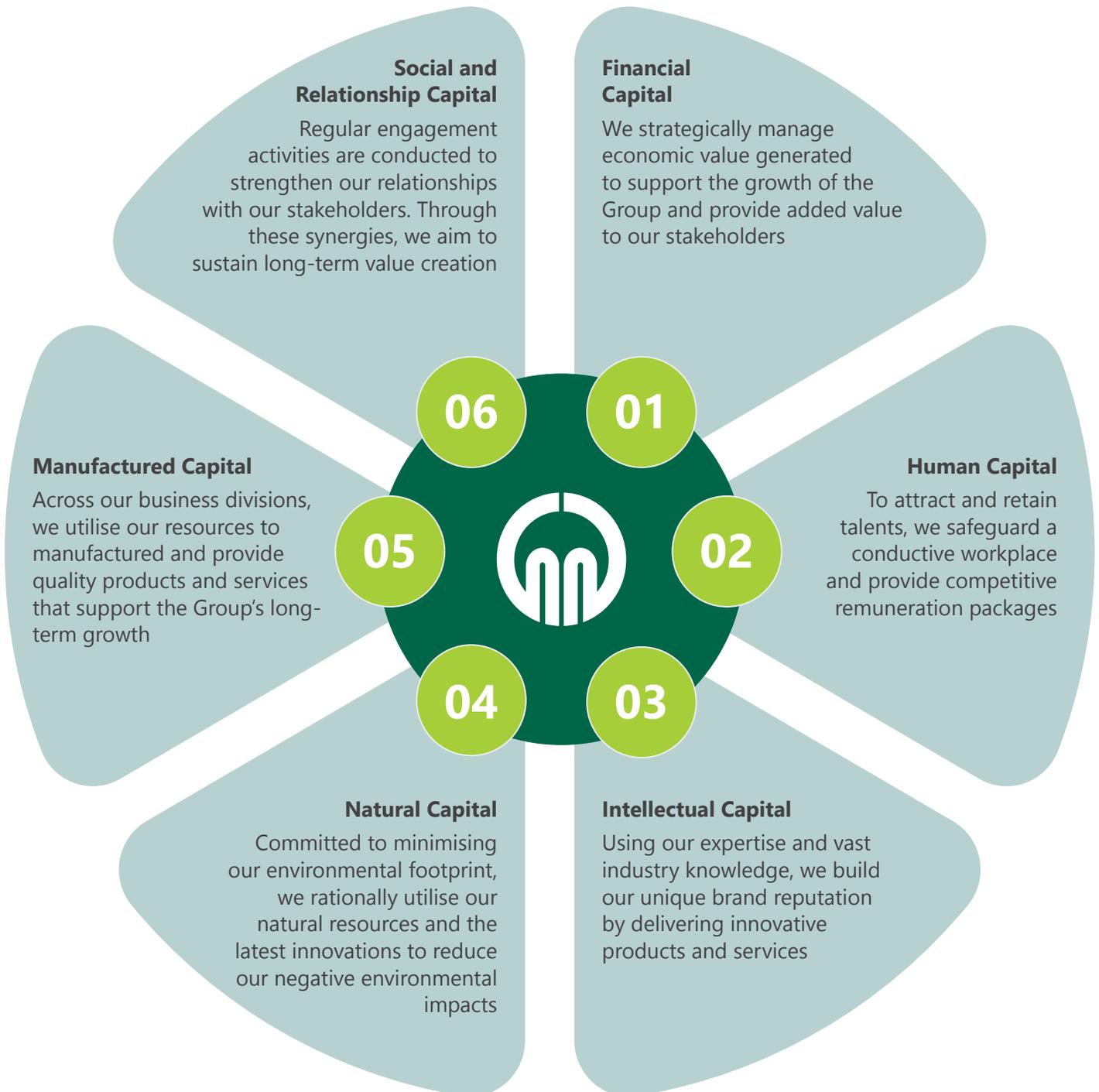
Below are the Group’s sustainability pillars, upon which we structure our approach to build a sustainable business.

<p><b>People and Community Development</b></p> <p>Safeguarding a conducive workplace retains and attracts talents that contribute to the achievement of our strategies and goals. We also contribute to the community outside the workplace through development programmes to alleviate socio-economic hardships within our surrounding communities</p>	<p><b>Environmental Protection</b></p> <p>Limiting our environmental footprint is crucial for preserving natural resources for future generations and mitigating adverse impacts resulting from climate change</p>	<p><b>Responsible Governance</b></p> <p>Strong governance is needed to ensure the Group continues to operate in an ethical manner, thus fostering trust among our stakeholders</p>	<p><b>Economic Resilience</b></p> <p>Stable economic growth supports the development of the Group, contributing to long-term value creation for our stakeholders</p>
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### The Capitals

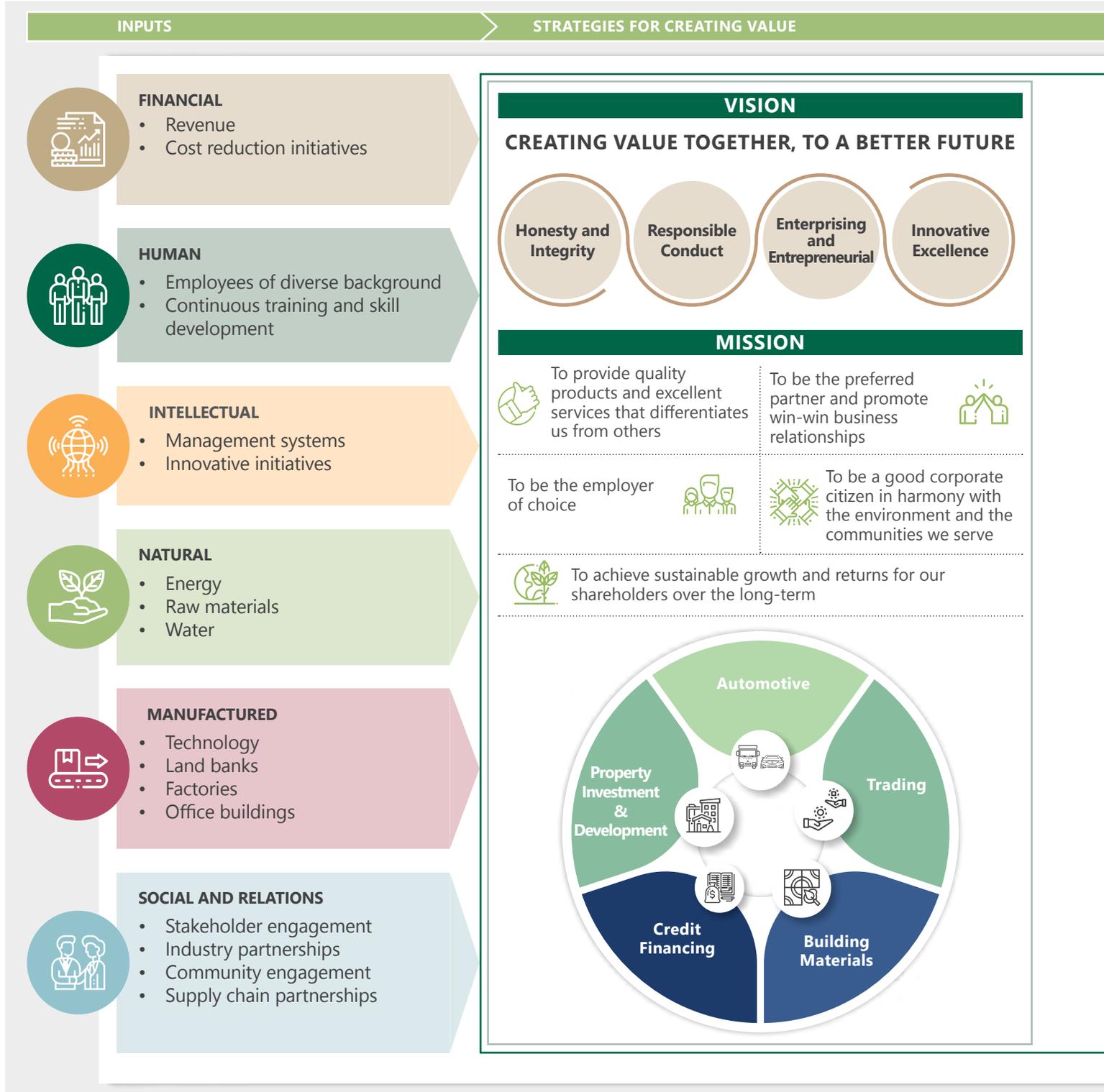
Through strategic management of the Group's tangible and non-tangible resources, we generate outputs that provide value to our stakeholders and the organisation in the short, medium and long-term. These assets are classified under six capitals: financial, human, intellectual, natural, manufactured, and social and relationship.



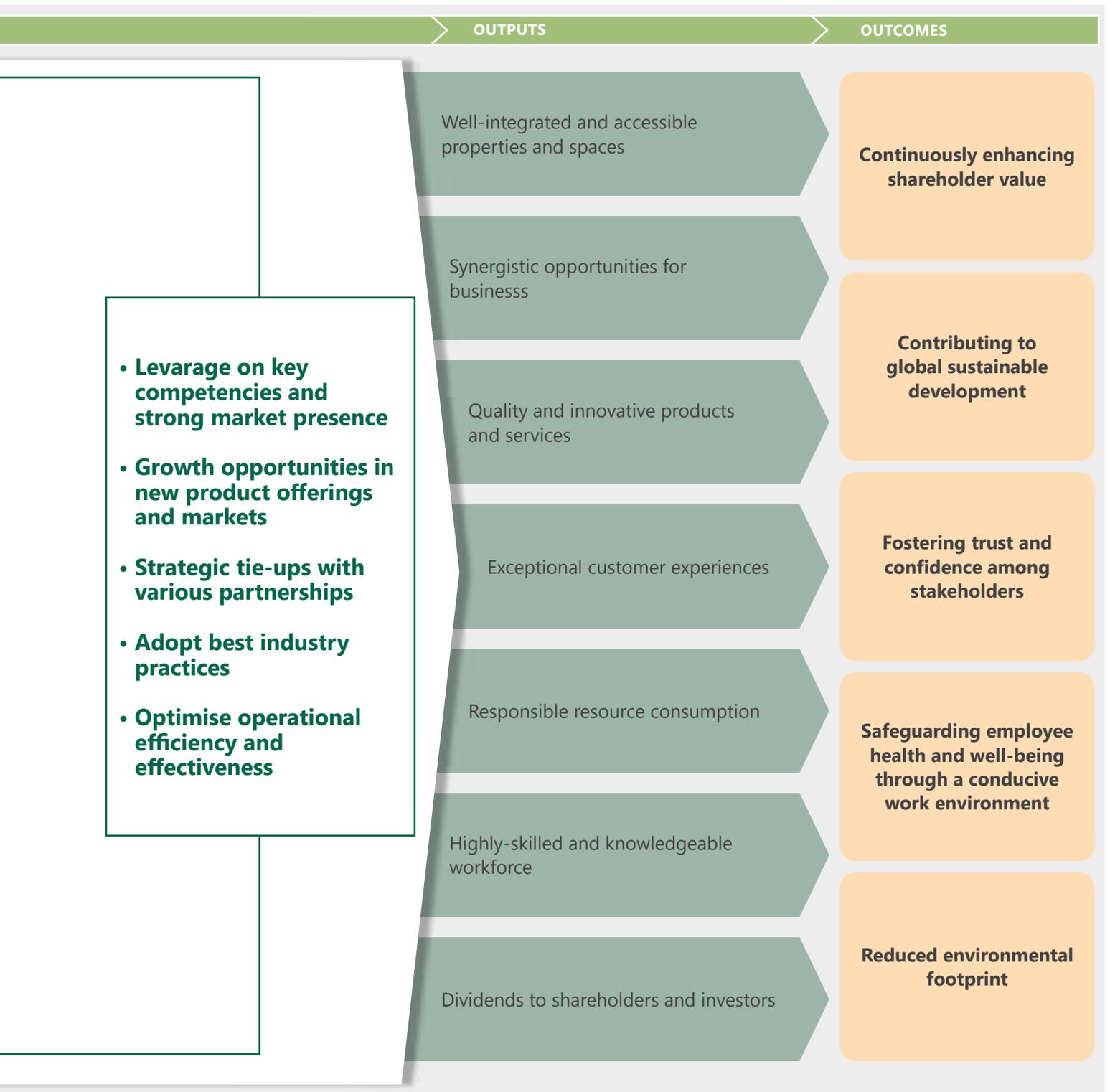
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**Value Creation**

Hap Seng looks to facilitate long-term value creation by effectively managing our capitals. Below, we illustrate how we utilise our tangible and non-tangible inputs and transform them into value for the business and our stakeholders.



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**Key Performance Indicators**

This year, we strengthened our commitment to sustainable development through the establishment of key performance indicators (“KPI”). We have developed ten KPIs which vary across the different operating divisions and corporate office. As a result of the Group’s unwavering commitment and good governance, we achieved all of our ten KPIs.

Division	Material Sustainability Matter	Key Performance Indicator	Achievements
<b>Corporate</b>	Talent Management	100% employees to undergo performance appraisals	<b>ALL</b> employees underwent performance appraisals in FY2020
<b>Automotive</b>	Occupational Safety and Health	Zero workplace fatalities	<b>No workplace fatalities</b> recorded in FY2020
	Quality Products and Services	To achieve a Customer Satisfaction Index score of 4 stars	Achieved an average Customer Satisfaction Index score of <b>4.88</b>
	Supply Chain Management	80% of Hap Seng Star Sdn. Bhd.’s procurement budget spent on local suppliers	<b>100%</b> of Hap Seng Star Sdn. Bhd.’s procurement budget was spent on local suppliers
<b>Building Materials</b>	Occupational Safety and Health	Zero workplace fatalities	<b>No workplace fatalities</b> recorded in FY2020
<b>Credit Financing</b>	Supporting SMEs	70% customers are SMEs	<b>86%</b> customers in FY2020 were SMEs
<b>Property</b>	Eco-Solutions	To incorporate eco-friendly features in all properties	Achieved
	Supply Chain Management	80% of procurement budget spent on local suppliers	<b>94.4%</b> of procurement budget was spent on local suppliers
<b>Trading</b>	Occupational Safety and Health	Zero workplace fatalities	<b>No workplace fatalities</b> recorded in FY2020
	Quality Products and Services	0.5% justified complaints	Recorded 0.5% justified complaints in FY2020

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## STAKEHOLDER ENGAGEMENT

Hap Seng regularly conducts engagement activities to keep abreast of stakeholder concerns and expectations. In the table below, we have listed our key stakeholder groups along with their concerns and how we respond.

Stakeholder group	Areas of Concern	Our Response
<b>Shareholders, Investors and Analysts</b>	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Risk management</li> <li>• Compliance</li> <li>• Good business conduct</li> <li>• Corporate values</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meetings are organised every year to update shareholders, investors and analysts on the Group's performance and strategy for the year</li> <li>• Analyst briefings are conducted quarterly or as and when required to discuss the financial status of the Group and forecasts of future performance</li> <li>• Press releases are published as and when required to communicate the latest developments within the Group</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employee safety and health</li> <li>• Talent development</li> <li>• Attractive remuneration benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Performance reviews are conducted annually to evaluate employees' performances at the workplace</li> <li>• Internal meetings, conferences and interviews are conducted as and when required to discuss matters that arise at the workplace</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Quality of products and services</li> <li>• Engagement opportunities and experience</li> </ul>	<ul style="list-style-type: none"> <li>• Suggestion boxes are available daily for customers to submit feedback and suggestions for improvement of products and services</li> <li>• Social media platforms are used daily to promote and communicate our latest product and service offerings</li> <li>• Newsletters are published as and when required to communicate updates and promotions</li> <li>• Customers visits to our sales offices occur as and when queries arise</li> <li>• Feedback surveys are distributed as and when required to obtain feedback on products and services offered</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Legal compliance</li> <li>• Fair procurement practices</li> <li>• Quality of goods</li> <li>• Continuous collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings are organised as and when required for discussion</li> <li>• Phone calls and messages are also sent as and when required to discuss matters that arise</li> </ul>

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Stakeholder group	Areas of Concern	Our Response
<b>Regulators and Government Bodies</b>	<ul style="list-style-type: none"> <li>Compliance to laws, regulations and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Annual professional courses are organised to ensure the Group remains updated of the latest legal and regulatory requirements</li> <li>Conferences, meetings, briefings, and in-house seminars are conducted as and when required to communicate changes in the regulatory environment</li> <li>Site visits by officers are conducted to ensure that the Group continues to abide by legal and regulatory requirements</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>Local community development and investment</li> <li>Impacts of the Group's operations on the surrounding communities</li> </ul>	<ul style="list-style-type: none"> <li>Community development programmes are organised monthly to contribute to the socio-economic development of the surrounding communities</li> <li>Press releases and meetings are conducted as and when required to address issues relating to local communities surrounding the Group's operations</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>Business reputation</li> <li>Product offerings</li> <li>Market presence</li> <li>Corporate responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Annual press releases are circulated to communicate the Group's latest developments and updates</li> <li>Advertisements are issued as and when required to market our latest product and service offerings</li> </ul>

## MATERIAL SUSTAINABILITY MATTERS

### Materiality Assessment

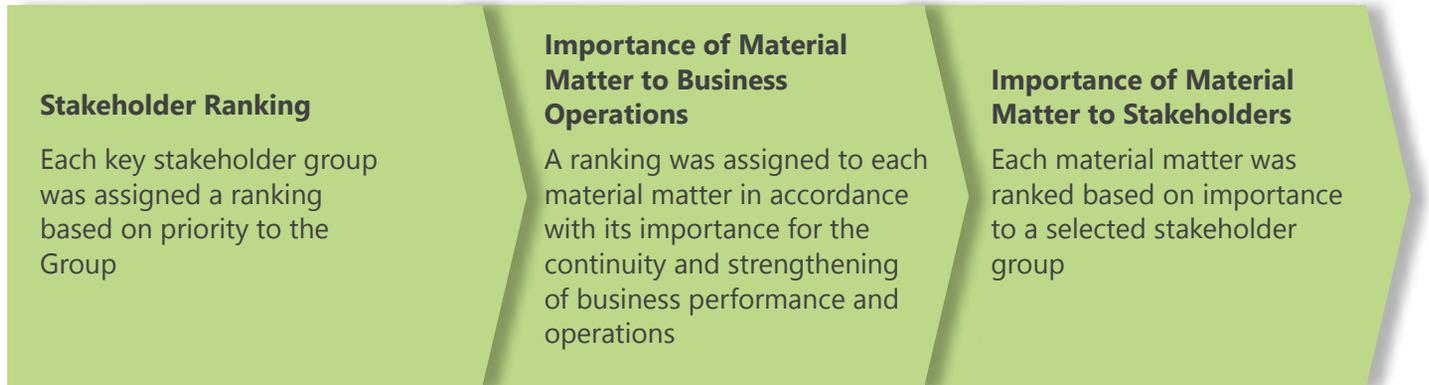
By conducting regular materiality assessments, Hap Seng is aware of key governance, economic, environmental and social factors that largely influence the decision-making process of stakeholders and the business' ability to sustain short, medium and long-term value creation. As we keep track of our key material sustainability matters ("material matters"), we are able to develop and effectively execute business strategies.

The nature of businesses across international markets have been largely affected by the COVID-19 pandemic and business priorities have shifted. Therefore, we have decided to re-assess our material matters in this reporting period in light of this.

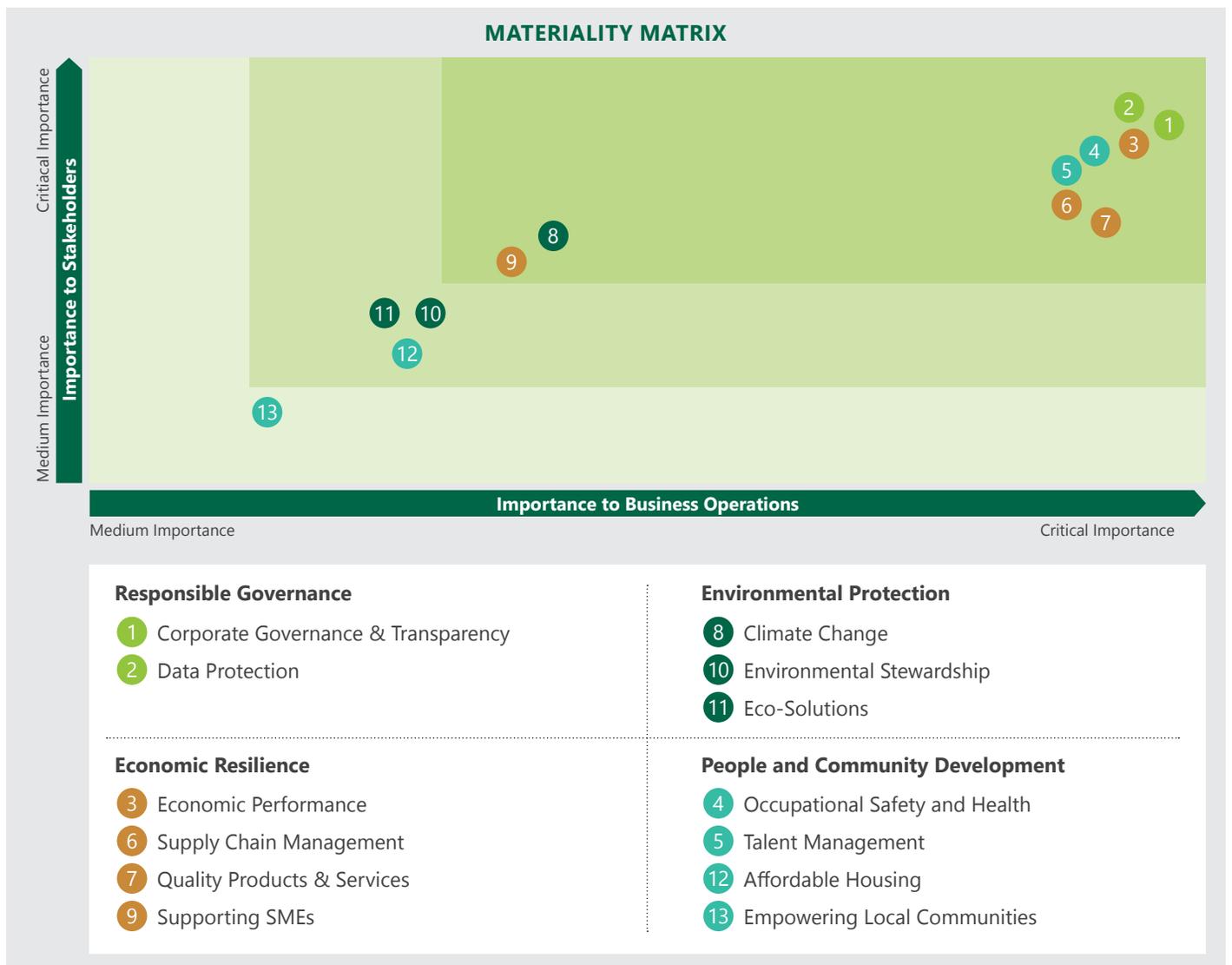
Upon deliberation among key personnel across the Group and divisions, we consolidated our 23 material matters from FY2019 to 13 material matters to be reported on this year. Once consolidated, the material matters were selected and ranked through a three-step process that was conducted on an online survey platform to minimise physical contact.

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**Materiality Assessment Process**



As a result of the assessment, we have generated our first groupwide materiality matrix that illustrates the importance of all 13 material matters.



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Mapping Our Material Sustainability Matters

Material Sustainability Matter	Description	Capitals	SDGs
<b>Responsible Governance</b>			
Corporate Governance & Transparency	The Group exercises strong corporate governance and transparency to safeguard ethical practices and organisational integrity.	<ul style="list-style-type: none"> <li>Human</li> <li>Social and Relationship</li> </ul>	 
Data Protection	We uphold stringent data protection practices to ensure personal data is kept secure and not misused in any way.	<ul style="list-style-type: none"> <li>Social and Relationship</li> </ul>	
<b>Economic Resilience</b>			
Economic Performance	The Group sustains economic growth to support long-term value creation for our stakeholders.	<ul style="list-style-type: none"> <li>Financial</li> </ul>	
Supply Chain Management	We appoint the best suppliers and vendors throughout our value chain in order to provide quality products and services to our customers.	<ul style="list-style-type: none"> <li>Social and Relationship</li> </ul>	
Quality Products & Services	By ensuring we continue to provide quality products and services, the Group continues to attract and retain customers, providing financial growth and stability.	<ul style="list-style-type: none"> <li>Manufactured</li> </ul>	
Supporting SMEs	We provide opportunities for SMEs to grow their businesses through financing products and services, consequently supporting the local economy.	<ul style="list-style-type: none"> <li>Social and Relationship</li> </ul>	
<b>Environmental Protection</b>			
Climate Change	We implement energy-saving practices to reduce our carbon footprint and mitigate climate change.	<ul style="list-style-type: none"> <li>Natural</li> </ul>	
Environmental Stewardship	To minimise our impact on the environment, we undertake measures to restrict our contribution to environmental degradation.	<ul style="list-style-type: none"> <li>Natural</li> </ul>	  
Eco-Solutions	We utilise our industry-specific knowledge and skills to develop products and services that mitigate our environmental impacts.	<ul style="list-style-type: none"> <li>Intellectual</li> <li>Natural</li> </ul>	  

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Material Sustainability Matter	Description	Capitals	SDGs
<b>People and Community Development</b>			
Occupational Safety and Health	We undertake measures to maintain a safe workplace to safeguard employee health and well-being.	• Social and Relationship	
Talent Management	The Group ensures employees are satisfied by providing a conducive workplace and competitive remuneration and benefits.	• Human	
Affordable Housing	We continue to develop affordable housing to provide opportunities for home ownership across our developments.	• Manufactured • Social and Relationship	
Empowering Local Communities	Using our resources, we aim to eradicate socio-economic issues by organising community-centred programmes and providing donations to those in need.	• Social and Relationship	

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# RESPONSIBLE GOVERNANCE

## CORPORATE GOVERNANCE & TRANSPARENCY

### Support by SDG:



At Hap Seng, we instil good governance as guided by the principles of the Malaysian Code of Corporate Governance (“MCCG”). By upholding these principles, we aim to promote confidence among our stakeholders and safeguard our position as a trusted conglomerate.

The Group is led by the Board, who oversees the management of the Group and the fulfilment of objectives and goals, including our commitment to sustainability. Therefore, it is pertinent that we use stringent and non-discriminatory selection procedures when appointing Directors.

The duties and responsibilities of the Board are explained in the Board Charter, which is available on the Group’s corporate website. Further information on the Board can be found on pages 50 to 60 of this Annual Report and in our Corporate Governance Report.

### ETHICS AND INTEGRITY

Maintaining a culture of ethics and integrity within our organisation helps sustain long-term business growth. We communicate the expected standards of behaviour to employees in the Employee Handbook and the Group’s Code of Conduct (“Code”), which is built on five core principles.



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The Employee Handbook is distributed to employees upon joining Hap Seng as part of the induction programme. Refresher courses are also conducted, when necessary, to update employees on changes that have been made.

The grievance procedure at Hap Seng provides employees a channel to report unethical behaviour or incidents to an immediate supervisor for resolution. However, if the grievance is unresolved, it is to be brought up to the Group Human Resource Division for further investigation. The grievance procedure is detailed in the Employee Handbook to ensure employees are made aware of the channel provided. In FY2020, the Group recorded one incident that was submitted using the grievance procedures mentioned.

### ANTI-CORRUPTION

A groupwide Anti-Bribery and Corruption Policy (“ABC Policy”) was implemented in June 2020, in line with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. It outlines the expected standards of conduct when engaging on behalf of or with the Group. Employees, business associates and external providers are required to sign an integrity declaration form to confirm their adherence to the policy.

Training and briefings conducted by the Legal and Compliance Department on the policy had 654 employees attending, including senior management. The policy was also communicated to employees via email.

An Integrity Management Committee (“IMC”) was formed to oversee the implementation of the ABC Policy and to evaluate its adequacy and effectiveness in protecting the Group from bribery and corruption risks.

A corruption risk assessment is conducted annually in order for the Group to develop and implement updated corruption-related controls. This year, we conducted a corruption risk assessment of our entire operations, and found that it was of low risk.

Violation of the ABC Policy should be reported using the whistle-blowing channel. The report can be sent by email or letter to the Employee Relations Manager for incidents concerning employees, or the Senior Independent Director for incidents concerning the Board or Management. The anonymity of the whistle-blower shall be protected to prevent reprisal. This year, two reports were submitted through the whistle-blowing procedure are currently under investigation.

### REGULATORY COMPLIANCE

The Group has an in-house Legal and Compliance Department that monitors all applicable laws and regulations for changes and ensures established operating procedures continue to adhere to them.

Laws and regulations that we adhere to include:

Companies Act 2016

Employment Act 1955

Personal Data Protection Act 2010 (“PDPA”)

Capital Markets and Service Act 2007

Environmental Quality Act 1974

Occupational Safety and Health Act 1994

Children and Young Persons (Employment) Act 1966

Malaysian Anti-Corruption Commission (Amendment) Act 2018

In the event of non-compliance, we undertake corrective measures to remediate the matter and avoid recurrence.

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## RISK MANAGEMENT

Hap Seng's Risk Management Committee is responsible for conducting robust risk assessments annually as well as implementing and managing risk mitigation measures for identified risks.

Identified risks are categorised according to low, moderate, significant and high net risk ratings. Upon completion of the risk assessment, the Group puts in place additional controls and procedures to ensure that the risks are managed appropriately.

More information on Hap Seng's approach to risk management can be found on pages 82 to 86 of this Annual Report.

## DATA PROTECTION

### Support by SDG:



**Our data protection approach is built on the trust our stakeholders have placed in us. With the rise of process digitisation, we have become increasingly dependent on technology to manage and store data. However, this has led to greater information and cybersecurity risks. To ensure data is protected to the best of our abilities, we exercise prudence by adhering to the requirements of the PDPA 2010.**

Only authorised personnel are allowed to access customer personal data on our business systems. For further security, annual reviews are conducted by Group IT to evaluate user access to these business systems across all divisions. Each division has a designated PDPA officer, responsible for managing and resolving matters related to data privacy and security.

Additionally, we have established data management policies and procedures across our operations. An Employee Personal Data Privacy Policy was adopted to ensure employees' data is managed accordingly.

In view of our rigorous data protection initiatives, we have recorded zero cases and complaints of data mismanagement this year. Nonetheless, we have set up corrective measures for scenarios of data breaches which are outlined in the Group's Data Breach Policy.

For incidents of data breach, the Group's IT Department is responsible for conducting an investigation within 24 hours of occurrence. A risk assessment is also performed to determine the impacts of the breach on the affected individuals and the Group. Upon investigation, remedial measures are developed and undertaken to contain the breach and resume operations. The investigating team will then present recommendations to the Group's Chief Information Officer for approval and implementation to prevent reoccurrences of such incidents.



# ECONOMIC RESILIENCE

## ECONOMIC PERFORMANCE

### Support by SDG:



This year, the spread of COVID-19 has posed a great threat to the financial stability of businesses everywhere, including Hap Seng. To rectify the lowered economic performance brought upon by the pandemic, the Group implemented various fiscal measures across our business divisions.



Information on the Group's overall financial performance this reporting period can be found on pages 3 to 5 of this Annual Report.

### CREDIT FINANCING

As a result of slowed national economy due to the COVID-19 pandemic, the Credit Financing division adopted a prudent stance in managing its liquidity and business procurement. Hence, the Credit Financing division recorded a reduction in business volume during the reporting period. Furthermore, cashflow constraints faced by businesses affected by the pandemic and its lockdown saw collection challenges increase during this reporting period.

To mitigate these negative economic impacts, the Credit Financing division provided, on a case-to-case basis, loan moratoriums for those with cash flow difficulties. In addition, Hap Seng Credit Sdn. Bhd. restructured customer accounts, where feasible, to ease loan repayment. The division has also focused on strengthening the Group's synergies by financing business opportunities between the different divisions (i.e. Property and Automotive).

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**SUPPLY CHAIN MANAGEMENT**

**Support by SDG:**



**Engaging with the right suppliers is crucial for the provision of quality products and services across our divisions. Hence, we undertake measures to ensure that we continuously procure from the best suppliers available.**

Prior to appointment, shortlisted suppliers undergo a tender process. The process varies in each division and is guided by requirements outlined by division-specific policies and procedures.

Appointed suppliers are subject to half-yearly and annual reviews. These reviews are conducted based on a set of criteria which differ from division to division. For example:

**AUTOMOTIVE**

- Price
- Quality
- Delivery
- Capacity
- Terms & Conditions
- Commitment

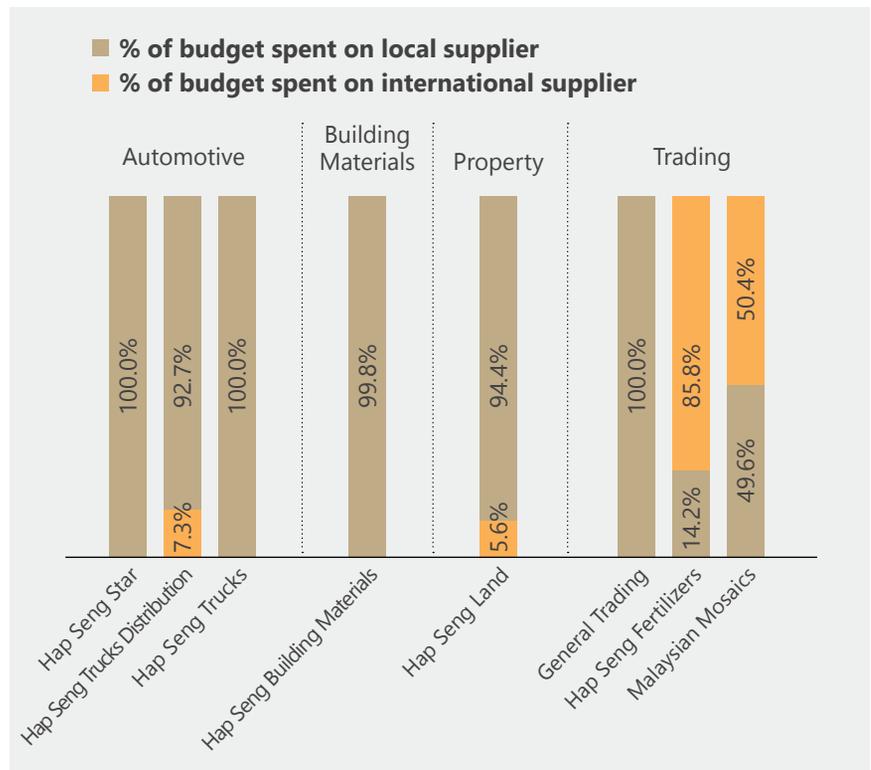
**TRADING**

- Price
- Quality
- Delivery
- Product Suitability
- Service

**Hap Seng Star (Kinrara Dealership) suppliers are evaluated annually as per ISO9001:2018 Quality Management System requirement**

To support the local economy, we aim to procure from local suppliers when possible. In the year under review, 100% of Hap Seng Star Sdn. Bhd., Hap Seng Trucks Sdn. Bhd. and General Trading's procurement budgets were expended locally.

**Procurement budget expenditure**



## QUALITY PRODUCTS & SERVICES

### Support by SDG:



We are committed to delivering quality products and services that meet customer needs, drive customer satisfaction and ultimately uphold our reputation as a reliable organisation.

### Property Investment and Development

Through the implementation of an internal Quality Management System, we regulate the quality of our properties. We conduct customer satisfaction surveys for both investment and development properties.



Our customer satisfaction surveys for property development include the following criteria:

#### Helpfulness of the customer service representative

#### Rating of the development in these areas:

- Lobby
- Security
- Cleanliness
- Landscape
- Architecture Design
- Innovation & Product Concept
- Uniqueness & Practicality of Common Property
- Defect Rectification

#### Overall satisfaction with the vacant possession experience

#### Rating of the internal quality of finishing and fitting in unit:

- Floor tiles finishing
- Wall finishing
- Sanitary finishing
- Door finishing
- Window finishing
- Electrical Switch Fittings

#### Likelihood of recommending Hap Seng Land products to friends and/or family

#### Aspect of the product/service they are most satisfied with:

- Quality
- Cleanliness
- Purchase Experience
- Customer Service

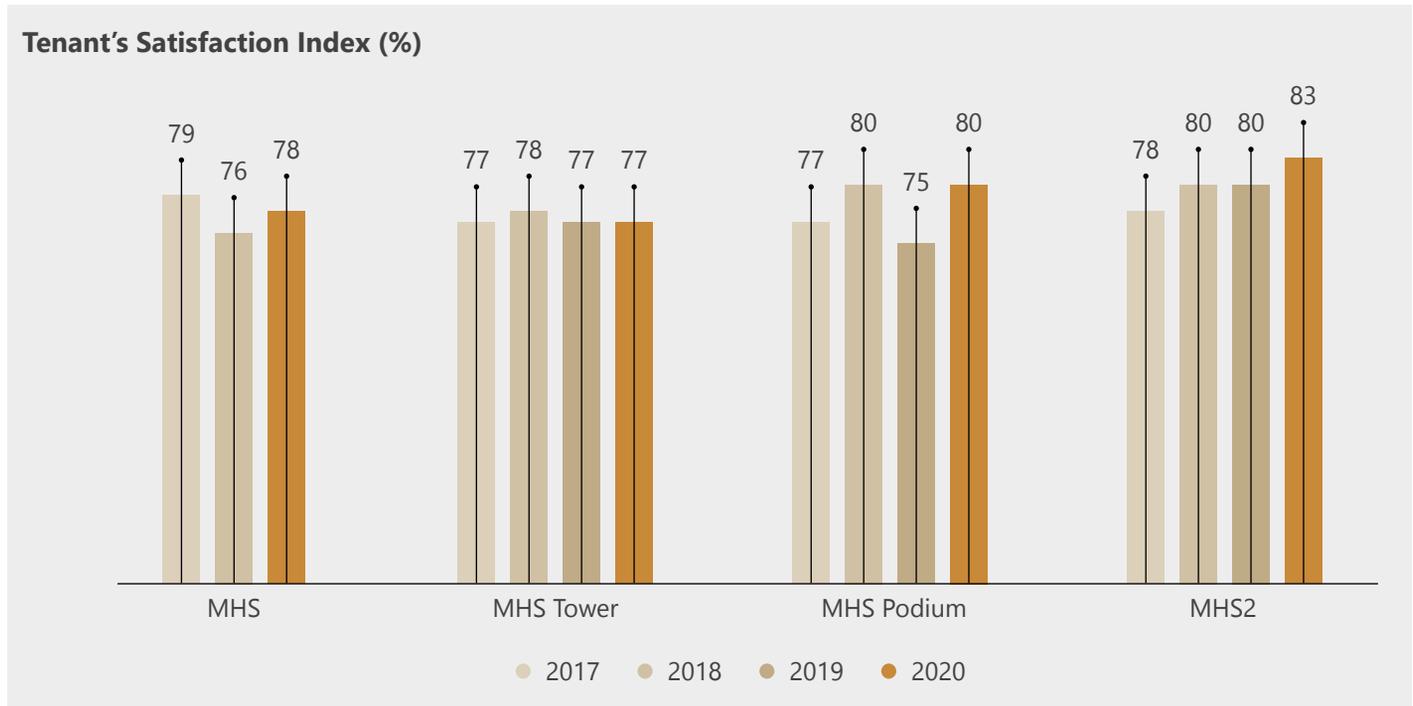


96% of respondents rated the overall units 'Good' and 'Very Good' upon handover

Upon receiving a customer complaint, a sales consultant or customer service officer is assigned to resolve the matter. We efficiently manage complaints and ensure they are addressed within three working days.

For property investment, we utilise a 'customer management' approach to understand what quality means to our customers, rather than only a 'product management' approach. We distribute Tenant Satisfaction Survey forms to tenants physically and via email to gauge feedback. This is conducted annually in June.

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL



	MHS	MHS Tower	MHS Podium	MHS2
<b>FY2017</b>	N/A	77	77	78
<b>FY2018</b>	79	78	80	80
<b>FY2019</b>	76	77	75	80
<b>FY2020</b>	78	77	80	83

Furthermore, selected buildings are evaluated based on the Quality Assessment System in Construction ("QLASSIC"). Through this system, our buildings are evaluated based on criteria outlined in the Construction Industry Standards for quality of structural, architectural, mechanical and electrical, and external works.

Urgent rectification matters that do not require external contractors are addressed within 24 hours of receiving the complaint. For matters that require external assistance, we aim to resolve them as soon as possible.

**QLASSIC Score of Our Buildings**

- Nadi Bangsar Service Residence: 83%
- Aria Luxury Residence KLCC: 81%

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**Automotive**

Hap Seng Star Sdn. Bhd. strives to maintain high levels of customer satisfaction by continuously assessing and improving our products and services. All vehicles and products undergo a stringent inspection process when received from suppliers and before delivery to customers.

We conduct Customer Satisfaction Index (“CSI”) surveys annually to assess our performance and identify areas for improvement. These surveys are sent to customers three days after the delivery of the vehicle to gauge feedback on their experience. This year, we targeted to achieve an average national CSI score of 4 and are proud to disclose that we have exceeded our target by achieving an average CSI score of 4.88.



**The criteria assessed include:**

- Overall buying experience
- Showroom greetings
- Interaction with sales executive
- Whether test drives were offered
- Overall delivery experience
- Follow-up call after delivery

By recognising our shortcomings, we develop effective and updated measures to improve the quality of our products and services. As a result of our efforts to deliver quality and excellence to our customers, Hap Seng Star Sdn. Bhd. was awarded Most Improved Dealer as well as first and second runner-up for Dealer of the Year in FY2020.



**Trading**

Providing customers with quality products and services establishes brand reliability, and secures customer confidence. As such, careful quality control of raw materials purchased, production processes and final products are conducted by the departments. Our operations at Malaysian Mosaics Sdn. Bhd. comply with the requirements of Quality Management System ISO9001:2015 and Product Certification ISO13006:2014 to provide expected standards of products and services.

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

We collect feedback on products and services using a customer satisfaction survey, and using the feedback provided we develop improvement actions to close identified gaps.

**Survey Criteria**

- Meet quality specifications
- Aesthetics feature and design
- Availability of product variance
- Sales representative services
- Salesman product knowledge
- Response to inquiry and complaint
- Price
- Payment terms
- Order Completion

**Customer Satisfaction Scores**

Domestic Customers		
FY2018	FY2019	FY2020
16.00%	33.33%	<b>88.89%</b>

International Customers		
FY2018	FY2019	FY2020
71.43%	94.44%	<b>71.43%</b>

At Malaysian Mosaics Sdn. Bhd., customer complaints are managed through a digital system which is operated under the purview of the Total Quality Management (“TQM”) Department. Upon receiving a complaint, an investigation is launched by the TQM department and a report is produced within seven working days.

**SUPPORTING SMALL AND MEDIUM-SIZED ENTERPRISES (“SMES”)**

**Support by SDG:**



**SMEs play an integral role in supporting local economic growth and during this challenging period, it has become increasingly important that we support them to sustain their businesses.**

Hap Seng Credit Sdn. Bhd. continues to support SMEs through the provision of capital under our Industrial Hire Purchase and Term Loan financing schemes. Through these schemes, we hope to facilitate the growth of SMEs, indirectly contributing to the expansion of the Malaysian economy.

This year, our Credit Financing division served 4,628 customers of which 86% were SMEs. We provide optimal financing solutions that allow our customers to improve their businesses. In FY2020, we achieved a 13% customer return rate among our SME clientele.





# ENVIRONMENTAL PROTECTION

## CLIMATE CHANGE

### Support by SDG:



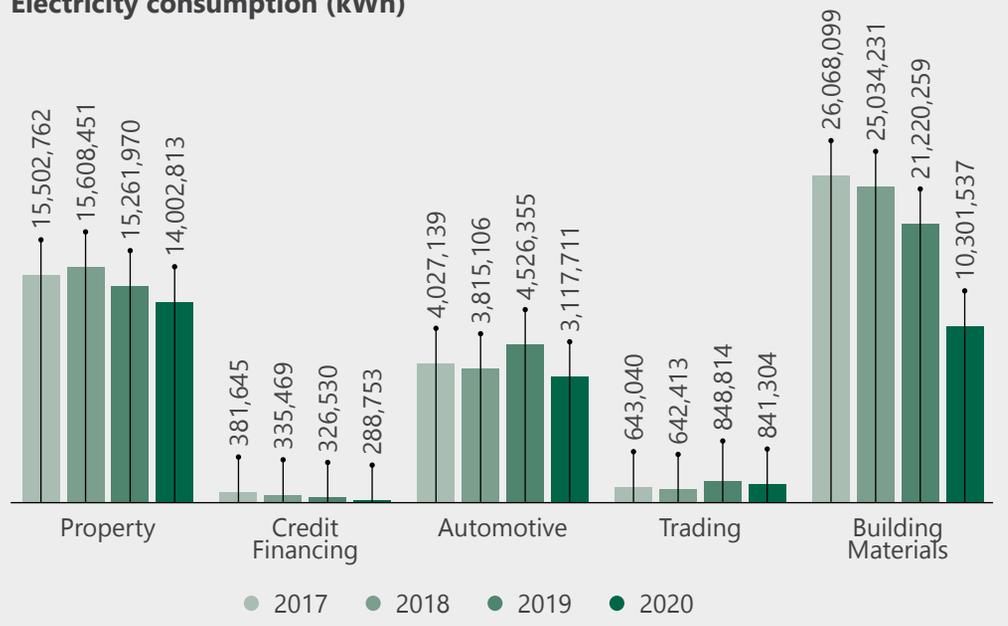
Our objectives are to minimise the Group's contribution to climate change and to reduce the direct physical impacts thereof on our operations and communities, while also improving disclosure.

### ELECTRICITY CONSUMPTION

This year, the Group consumed 28,552,117 kWh across all five divisions. This is a 32% decrease when compared to the 42,183,928 kWh that was consumed in FY2019. This is attributed to reduced business operations during COVID-19 government-imposed lockdowns and the closures of non-viable operations in the Building Materials division.



Electricity consumption (kWh)



The Building Materials division's electricity consumption data for FY2019 has been restated due to changes in calculation methodology.

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**Property Investment and Development**

Hap Seng Land Sdn. Bhd. incorporates energy-saving features and systems in building design to minimise energy consumption. These include double-layer laminated façade glass to reduce heat transfer, passive designs to increase penetration of natural light into the building, and the Building Management System (“BMS”) / Building Automation System (“BAS”) to centralise the building’s heating, venting, AC and other interrelated systems.

**Energy-efficient features implemented by Hap Seng Land Sdn. Bhd.**



**Menara Hap Seng**

- Replaced incandescent light bulbs with LED light bulbs
- Standardised AC temperatures
- Implemented the BMS



**Menara Hap Seng 2**

- Utilised double-layer laminated facade glass for reduced heat penetration
- Installed LED light fittings
- Standardised AC temperatures
- Implemented the BMS



**Menara Hap Seng 3**

- Utilised double-layer laminated facade glass for reduced heat penetration
- Installed LED light fittings
- Introduced a green wall and glass panel in air well to facilitate natural light penetration into offices
- Standardised AC temperatures
- Implemented the BMS

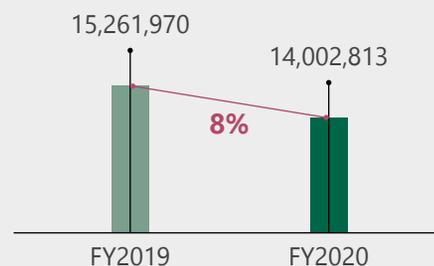


**Plaza Shell**

- Installed LED light fittings
- Standardised AC temperatures
- Implemented the BAS

In FY2020, despite the inclusion of Menara Hap Seng 3 in Hap Seng Land Sdn. Bhd.’s portfolio, the division saw a 8% reduction in electricity consumption from FY2019 due to the effectiveness of our energy saving initiatives and reduced operations during the Movement Control Order (“MCO”) enforced by the Government of Malaysia.

**Electricity consumption (kWh) by Hap Seng Land Sdn. Bhd.**

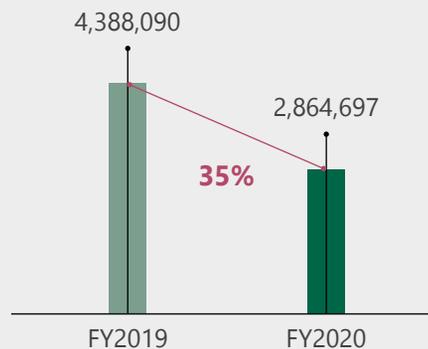


SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**Automotive**

Hap Seng Star Sdn. Bhd. dealerships and service centres are highly reliant on the use of electricity. To minimise energy consumption, LED light fittings were installed across the dealerships and service centres, place timers were fitted to switch off air-conditioning (“AC”) units at 6pm on a daily basis and annual reduction targets of 10% were established. We also continue to utilise solar panels to generate electricity at our Kinrara Dealership, which were installed in FY2017. Through these efforts, we achieved a 35% reduction in purchased electricity consumption across our Hap Seng Star Sdn. Bhd. operations in comparison to FY2019, surpassing our initial target.

**Electricity consumption (kWh) by Hap Seng Star**



At Hap Seng Trucks Sdn. Bhd., measures undertaken to reduce energy consumption include standardisation of AC temperatures and switching off 50% of AC units and lights during non-peak hours (e.g., lunch hour). Furthermore, LED light fittings were installed at new branches and Hap Seng Trucks Sdn. Bhd. invested in energy-efficient appliances.

**Greenhouse Gas (“GHG”) Emissions**

We have embarked on reporting GHG emissions as part of our efforts to monitor and reduce our environmental footprint. Our reporting covers scope 2 emissions, which are indirect GHG emissions derived from the consumption of purchased electricity.

This year, we emitted 16,702.99 tonnes of CO<sub>2</sub> (tCO<sub>2</sub>) scope 2 emissions across the five divisions. When compared to FY2019, this represents a 32% reduction in GHG emissions, resulting from temporary cessation of business activities during the MCO and the closures of non-viable operations in the Building Materials division.

**Scope 2 GHG Emissions (tCO<sub>2</sub>)**

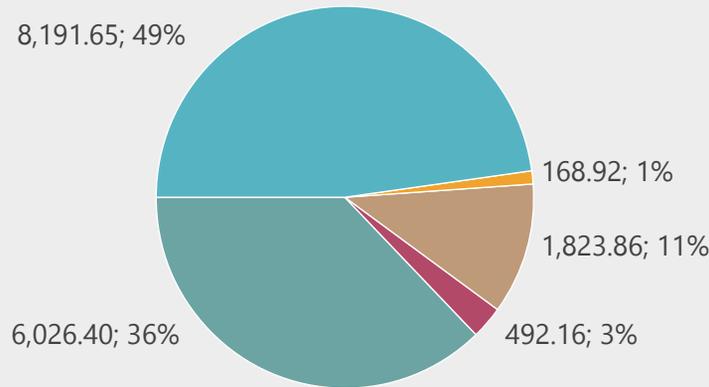


Emission Factor Source: 2017 CDM Electricity Baseline for Malaysia (Malaysian Green Technology Corporation, 2017)

48% of the Group’s GHG emissions in FY2020 derive from the Property division, followed by Building Materials, Automotive, Trading, and Credit Financing.

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

Scope 2 GHG Emissions (tCO<sub>2</sub>) FY2020



● Property ● Credit Financing ● Automotive ● Trading ● Building Materials

ENVIRONMENTAL STEWARDSHIP

Support by SDG:



**At Hap Seng, we seek to minimise and manage our environmental impact and have undertaken measures to protect the natural biodiversity of the areas where we operate.**

Air Quality

By minimising emissions, we mitigate environmental pollution and reduce its impact on public health. Hap Seng complies with the air quality standards stipulated by the Environmental Quality (Clean Air) Regulations 2014 as well as the Malaysia Ambient Air Quality Standards (MAAQS) 2020.



Automotive

Hap Seng Star Sdn. Bhd. operations emit sulphur dioxide from painting and workshop activities, conducted at its service centres. To ensure these emissions are limited to our operating boundaries, we installed air filters in painting booths to limit the transmission of paint particles to the external environment. We also conduct biannual monitoring to ensure the air emissions are within the permissible limits as stated in relevant standards and regulations.

Our operations are subject to annual environmental audits by external parties to verify compliance with requirements stated under certification schemes such as the ISO 14001:2015 Environmental Management System.

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

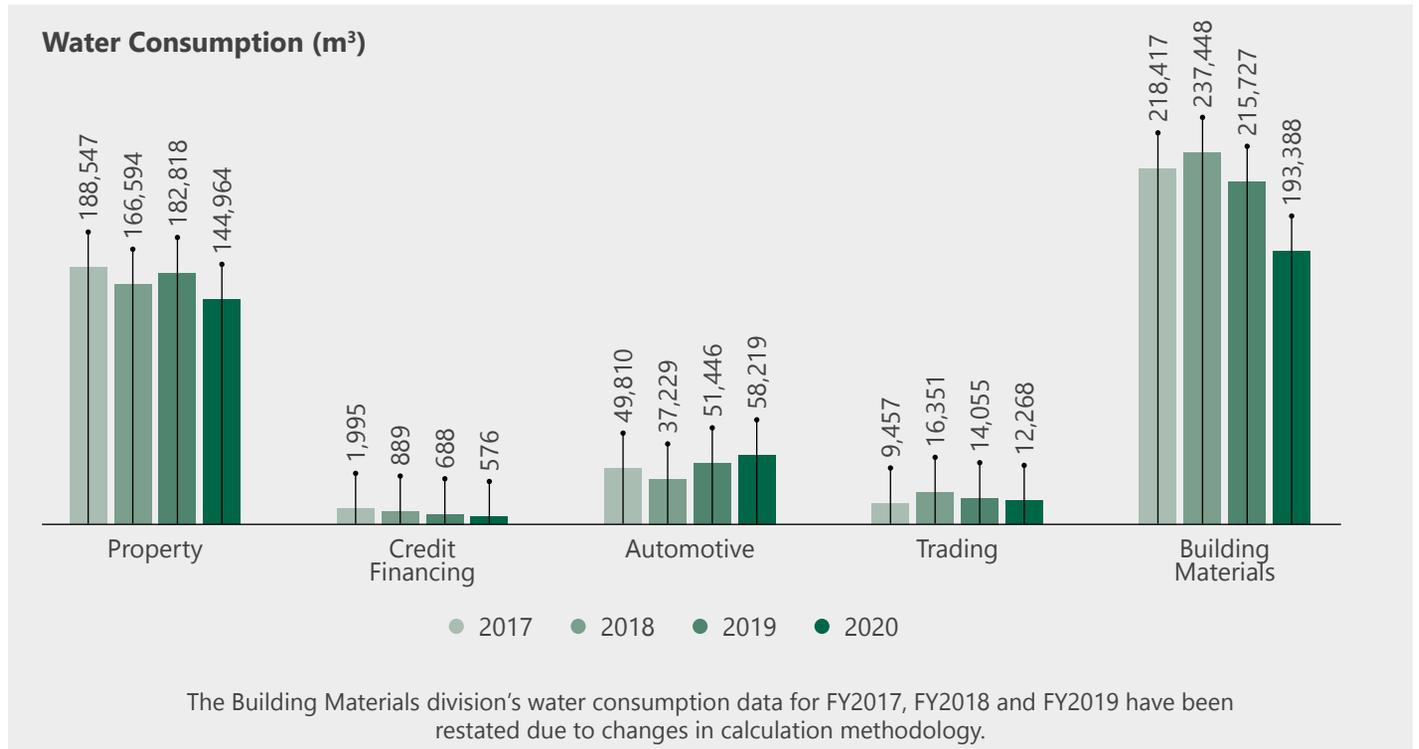


**Building Materials**

At Hap Seng Building Materials Sdn. Bhd., our primary air emission is suspended particulate matter in the form of dust. To effectively manage our dust emissions, we installed water sprinklers at sources of emissions and transfer points. Regular dust emission monitoring is carried out by external consultants to monitor dust levels at quarry sites and the surrounding areas to ensure that we do not exceed the permissible limits stipulated under the MAAQS 2020 standards.

**Water Management**

With increasing threats of water scarcity and disruptions, Hap Seng looks to responsibly consume and manage our water resources. To ensure we do so, we have implemented extensive measures across our divisions.



In the year under review, the Group consumed 409,415 m<sup>3</sup> of water as opposed to 464,734 m<sup>3</sup> in FY2019. This represents a 12% decrease in water consumption in FY2020. The reduction in water consumption across the Group can be attributed to prudent water consumption practices and initiatives implemented across the divisions, as well as disruptions to business activities throughout the year as a result of the MCO.

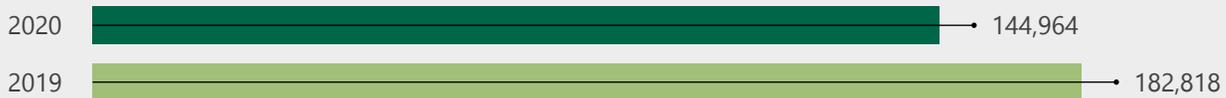
SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**Property Investment and Development**

At Hap Seng Land Sdn. Bhd., water is primarily utilised in common areas for cleaning and landscaping, and in the washrooms. In Menara Hap Seng 2 and 3, we have installed rainwater harvesting tanks to minimise reliance on piped water. Additionally, we have also fitted water-efficient dual flush toilets across all our properties to reduce unnecessary consumption.

These initiatives have resulted in a 21% decrease in water consumption for the financial year. This year, 144,964 m<sup>3</sup> of water was consumed as opposed to 182,818 m<sup>3</sup> in FY2019.

**Water Consumption (m<sup>3</sup>) by Hap Seng Land Sdn. Bhd.**

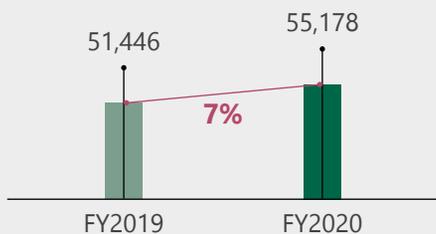


**Automotive**

The main use of water at Hap Seng Star Sdn. Bhd. is for cleaning and maintenance. To safeguard responsible consumption, we manage our water consumption according to ISO14001:2015 requirements and regularly monitor water usage across our operations. Furthermore, we have installed automatic faucets to prevent unwarranted wastage of water and continue to harvest rainwater for car washing and landscaping purposes.

This reporting period, we observed a 7% increase in piped water consumption across Hap Seng Star Sdn. Bhd. operations when compared to FY2019. The increase is attributed to the inclusion of our new Melaka Dealership.

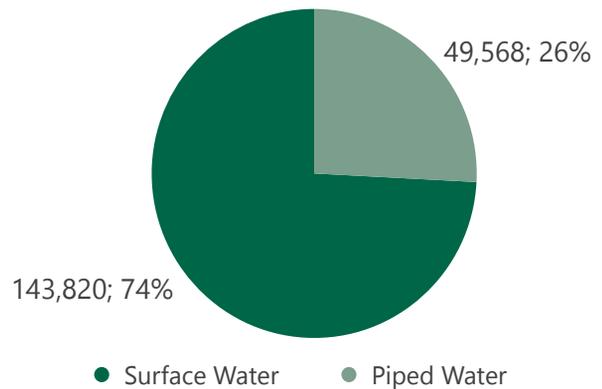
**Water Consumption (m<sup>3</sup>) by Hap Seng Star Sdn. Bhd.**



**Building Materials**

Water is predominantly used by Hap Seng Building Materials Sdn. Bhd. for dust control measures and cleaning. We keep our reliance on piped water to a minimum by withdrawing water from surface water bodies – this year, we withdrew 143,820 m<sup>3</sup> of surface water, constituting 74% of our total withdrawal in FY2020.

**Water withdrawn by source**



To minimise unnecessary consumption, we reuse water withdrawn for dust suppression, housekeeping at quarry crushing plants and lorry washing.

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

## Waste Management

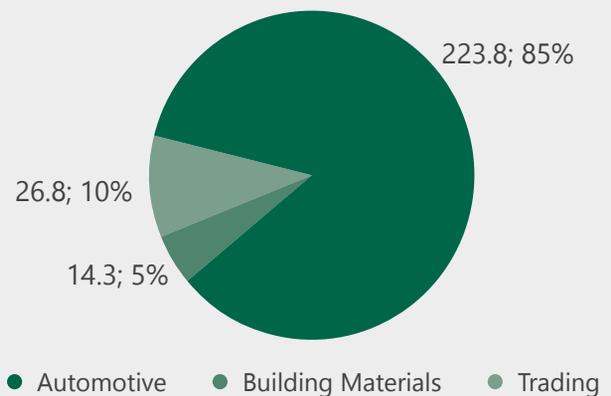
Proper management and disposal of waste is crucial in safeguarding the natural environment and public health. Therefore, we uphold best practices pertaining to waste management and adhere to the requirements of all applicable laws and regulations.

### Scheduled Waste

All scheduled waste generated by the Group is managed in accordance with Environmental Quality (Scheduled Wastes) Regulations 2005 as prescribed by the Department of Environment (“DOE”). We ensure that the hazardous waste is stored in durable containers that are explicitly labelled, and are regularly collected by licensed contractors for treatment and disposal.

This year, we generated 264.9 tonnes of scheduled waste, deriving from business activities of our Automotive, Trading and Building Materials divisions.

Total scheduled waste generated (tonnes)



The types of scheduled waste generated across the three divisions include, but are not limited to:

**SW102:**  
Waste of lead acid batteries in whole or crushed form

**SW305:**  
Spent lubricating oil

**SW311:**  
Waste oil or oily sludge

**SW327:**  
Waste of thermal fluids (heat transfer such as ethylene glycol)

**SW110:**  
e-Waste

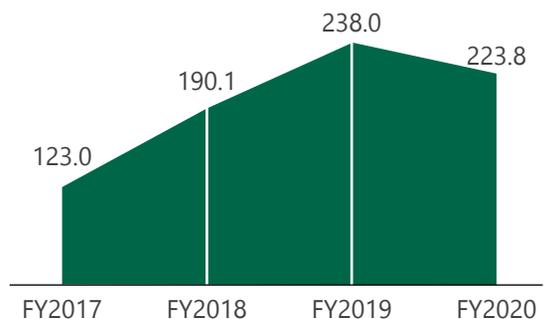
**SW410:**  
Rags, plastics, papers or filters contaminated with scheduled wastes

### Automotive

Hap Seng Star Sdn. Bhd. produces scheduled waste as a result of vehicle maintenance and servicing operations undertaken at our dealerships and service centres. All scheduled waste produced are collected by DOE-approved contractors for further treatment and disposal.

This year, Hap Seng Star generated 6% less scheduled waste than in FY2019 attributable to reduced operations due to MCO restrictions.

Total scheduled waste generated (tonnes)



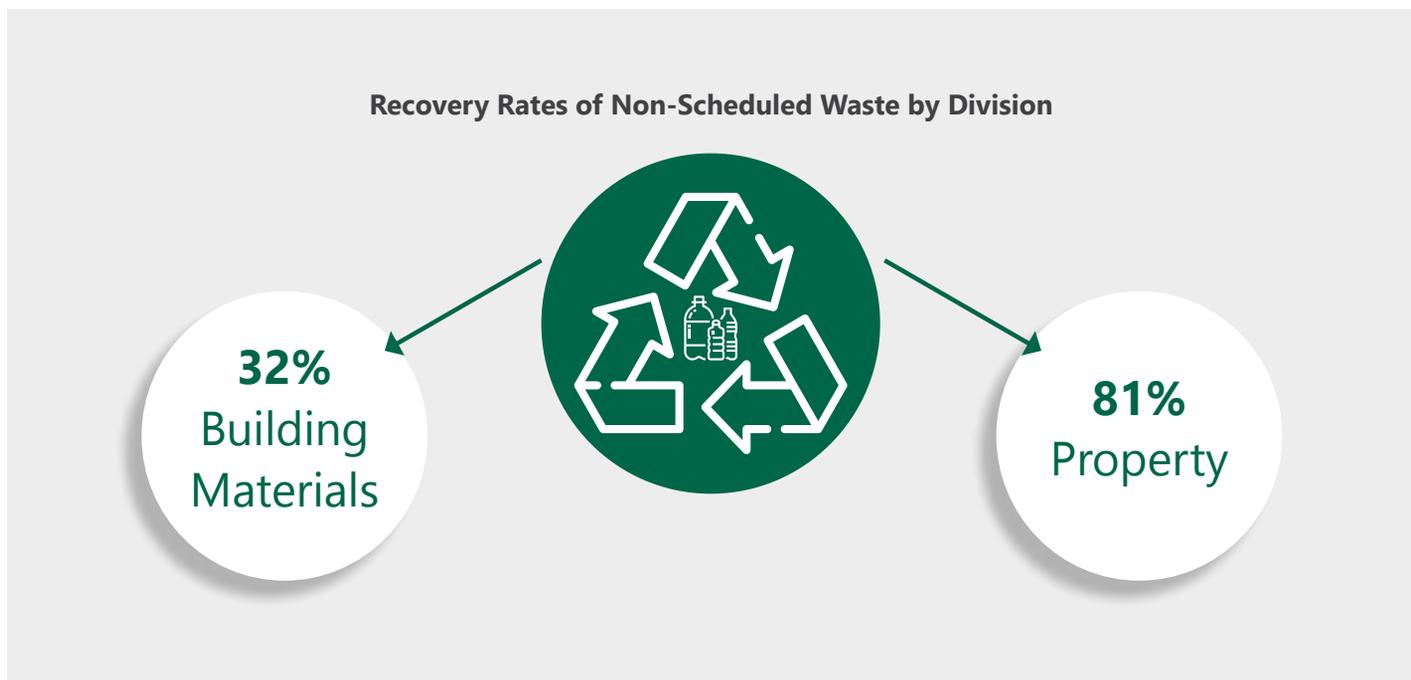
SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**Non-Scheduled Waste**

The Group strives to minimise its impact on the environment by optimising resource consumption and implementing 3R (Reduce, Reuse and Recycle) measures where possible. In order to reduce waste entering the landfills and disposal sites, we have undertaken the following initiatives to reduce resource consumption as well as minimise waste output:

Property Investment and Development	Automotive	Building Materials
<ul style="list-style-type: none"> <li>Digitisation of processes to reduce paper consumption:                             <ul style="list-style-type: none"> <li>e-Procurement System &amp; e-Approval System</li> <li>e-Contract &amp; License Monitoring System</li> <li>e-Billing System</li> <li>e-Tenancy System</li> <li>Facilities management application (ServeDeck)</li> </ul> </li> <li>Cloud-based information sharing system for employees in the same department</li> </ul>	<ul style="list-style-type: none"> <li>Recycle paper boxes for repackaging</li> <li>Reuse printed papers for non-official documents</li> <li>Encourage two-sided printing to reduce paper consumption</li> </ul>	<ul style="list-style-type: none"> <li>Employ equipment maintenance plans to minimise unplanned plant and equipment breakdowns</li> </ul>

Out of the 3,028.5 tonnes of non-scheduled waste generated across our Building Materials and Property divisions, 37% was diverted from landfill.



## Biodiversity

Biodiversity is vital to the ecosystem and therefore, it is crucial we continue to conserve it and ensure our operations do not adversely impact flora and fauna in any way.

### Property Investment and Development

Business activities under the Property division were found to have minimal impact on local biodiversity. Risks are assessed in the design stages of developments through site-specific assessments. These assessments consider factors such as vegetation, human use, waste management, topography, and hydrology.

To ensure we do not adversely impact biodiversity, mitigation efforts have been implemented. These efforts include:

Enhanced site-specific ecological capacity by the creation of new habitats (i.e., native vegetation, softscape, hardscape, water features) that support local flora and fauna.

Avoidance of sewage pollution, erosion, and sedimentation during construction to minimise impact on aquatic habitats and plant life.

Implementation of a construction waste management plan – salvaged materials are to be reused or recycled to minimise impact on off-site habitats.

### Building Materials

Hap Seng's quarry operations involve the stripping of topsoil and earth, potentially impacting local biodiversity. To assess the magnitude of the impact, an environmental impact assessment ("EIA") was carried out during the developmental stages of our operations by expert consultants. As part of the EIA approval process, we are required to rehabilitate our quarries by ensuring adequate landscaping, replanting and re-turfing of the quarry lands.

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**ECO-SOLUTIONS**

**Support by SDG:**



**We continue to utilise our intellectual capital to develop eco-solutions and incorporate latest industry innovations for our products and services wherever feasible. Our efforts can be noted across three divisions: Property, Automotive, and Building Materials.**

**Property Investment and Development**

Our Property division subscribes to green building rating tools to ensure that we continue to construct sustainable buildings that meet industry standards. As of FY2020, we have obtained green building certifications from the Green Real Estate (“GreenRE”), Green Building Index (“GBI”) and Leadership in Energy and Environmental Design (“LEED”) rating tools. Hap Seng buildings within this division that are certified for GreenRE, GBI and LEED are shown beside.

- Menara Hap Seng 3 - LEED Gold certified GBI certified**
- Autohaus Setia Alam - GreenRE Bronze certified**
- Hap Seng Business Park - Provisional GreenRE Gold obtained**

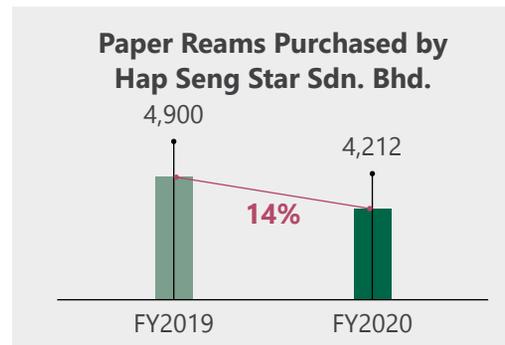
To obtain green building certifications, we have incorporated the following features in our buildings:

- Rainwater harvesting system for landscape irrigation
- Use of low volatile organic compound paints
- LED bulbs for interior lighting fixtures and street lights
- Fume extraction system installed in car parks to filter toxic fumes
- Passive design for optimised natural ventilation
- Roofing materials with low Solar Reflectance Index to reduce absorption of solar radiation

**Automotive**

An eco-solution that we introduced in FY2017 was the installation of solar panels at the Hap Seng Star Sdn. Bhd. Kinrara dealership to reduce its dependency on electricity supply from non-renewable sources.

With process digitisation, resource consumption has reduced across Hap Seng Star Sdn. Bhd. operations. As a result of this initiative, there has been a 14% decrease in paper ream purchases made in FY2020 compared to FY2019.



**Building Materials**

We convert quarry dust through a washing process to produce manufactured sand (“m-sand”). The m-sand is sold in the market as an alternative material for river sand, thus reducing the need for river sand and protecting river ecosystems.



# PEOPLE AND COMMUNITY DEVELOPMENT

## OCCUPATIONAL SAFETY AND HEALTH

### Support by SDG:



The Group takes health and safety matters seriously and endeavours to allay conditions and behaviours that may contribute to workplace injuries. We strive to achieve zero accidents across all our operating divisions.



### Responsibilities of the Safety and Health Committees

- Assist in the development of safety and health rules and systems of work
- Review their effectiveness
- Carry out studies and investigations on dangerous occurrences, injuries or accidents at the workplace

We conduct Hazard Identification, Risk Assessment and Risk Control ("HIRARC") and Chemical Health Risk ("CHRA") assessments to identify and manage potential workplace hazards and risks. Upon completion of these assessments, we develop a risk register to list and organise the types of hazards and risks based on their severity and likelihood of occurrence. Through these processes, we carefully develop measures to prevent risks and hazards and to secure the safety of our employees.

Malaysian Mosaics Sdn. Bhd. is OHSAS 18001:2007 certified, to better manage the safety and health of employees. Policies are reviewed regularly and training is conducted throughout the year along with safety refresher courses. Safety and health training programmes conducted this year include:

### Health & Safety Training FY2020

#### Trading

- Basic Awareness and Understanding on ISO 45001:2018 for Steering Committee
- Emergency Spillage Training
- Contractor Safety & Health Briefing
- Internal Auditor Skill Training on ISO 45001:2018

#### Building Materials

- Noise Management Training
- Handling Heavy Machineries
- Safety Data Sheet (SDS)
- Lock Out Tag Out (LOTO)
- Fire Extinguisher Training

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

**Noise Monitoring**

At our Automotive, Building Materials, Property and Trading divisions, we implement noise management measures to protect our employees from noise pollution. We comply with applicable laws and regulations, notably the Occupational Safety and Health (Noise Exposure) Regulations 2019 and the Industry Code of Practice for Management of Occupational Noise Exposure and Hearing Conservation 2019.

**Measures undertaken include:**

**Noise Risk Assessment (NRA)**

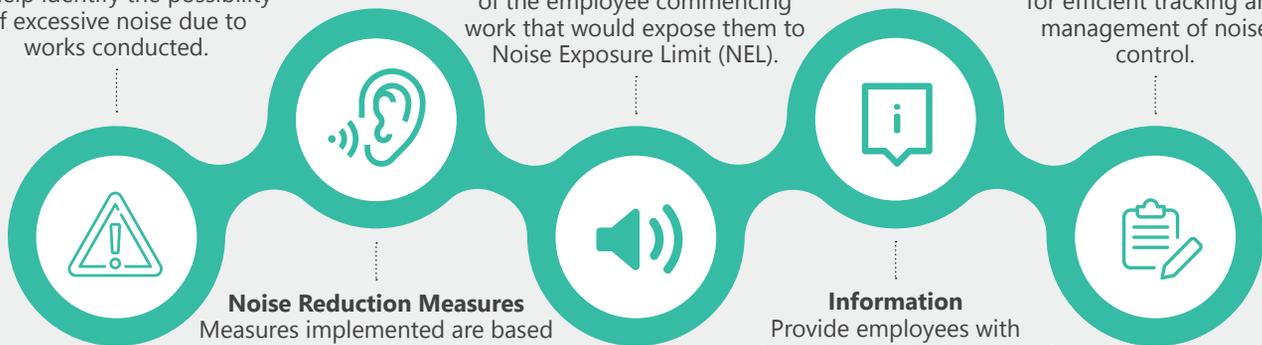
Employees complete a checklist that ask questions to help identify the possibility of excessive noise due to works conducted.

**Audiometric Testing**

A baseline audiogram will be carried out within three months of the employee commencing work that would expose them to Noise Exposure Limit (NEL).

**Record Keeping**

Ensure that all assessments corrective measures and policies are kept properly for efficient tracking and management of noise control.



**Noise Reduction Measures**

Measures implemented are based on results of NRA and include:

- Engineering control: controlling distance between noise source and receiver, acoustic bunds in quarries
- Administrative control: arrange work shift/rotation in noisy areas; and
- Personal hearing protectors (PHP): these include ear plugs or ear muffs

**Information**

Provide employees with information on the dangers of improper noise management. Set out clear instructions and conduct training programmes to ensure safety of staff.

**COVID-19 Response**

To reduce the impact of COVID-19 and safeguard the health of our employees and stakeholders, the Group has implemented standard operating procedures (“SOPs”) and policies, aligned with the recommendations of the government, including:



Temperature scanning



Social distancing



Provision of facemasks & hand sanitizers



Implementation of MySejahtera QR Code for contact tracing



Work-From-Home arrangements



Staggered working hours at Menara Hap Seng



Use of virtual meeting facilities (i.e. Microsoft Teams)



Implementation of government-imposed SOPs

SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

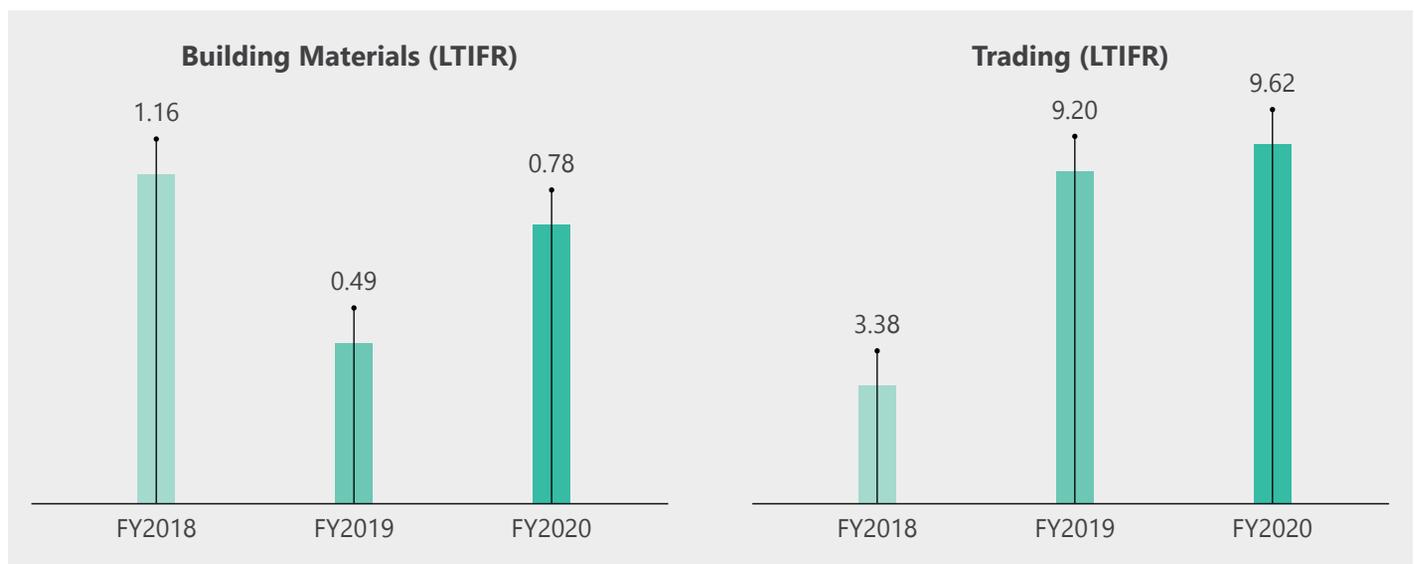
All procedures are communicated via email and memos issued by the Group Human Resource Department on a regular basis. The respective heads of divisions and departments are responsible for the implementation of SOPs and management of operations, centrally coordinated by the Group Directorate office.

Furthermore, the Group developed its own operational guidelines in May 2020 to provide employees with a document that explains the COVID-19 virus comprehensively, dangers of exposure, and the safety measures to prevent and limit the spread of the contagion.

As a result of effective implementation and measures above, the Group recorded zero fatalities in FY2020. However, as shown in the graphs below, we observed a 59% and 5 % increase in Lost Time Injury Frequency Rate (“LTIFR”) at our quarry, brick, and asphalt operations (Building Materials) and Malaysian Mosaics Sdn. Bhd. (Trading), respectively. The significant increase in LTIFR at Hap Seng Building Materials Sdn. Bhd. is attributable to the decreased man-hours recorded due to a reduction in average number of employees within the division.

**Steps in the Management of any case of Detection of a Transmission case at the workplace**

- Contact the Health Ministry’s Crisis Preparedness and Response Centre
- Sanitisation of the workplace



**TALENT MANAGEMENT**

**Support by SDG:**



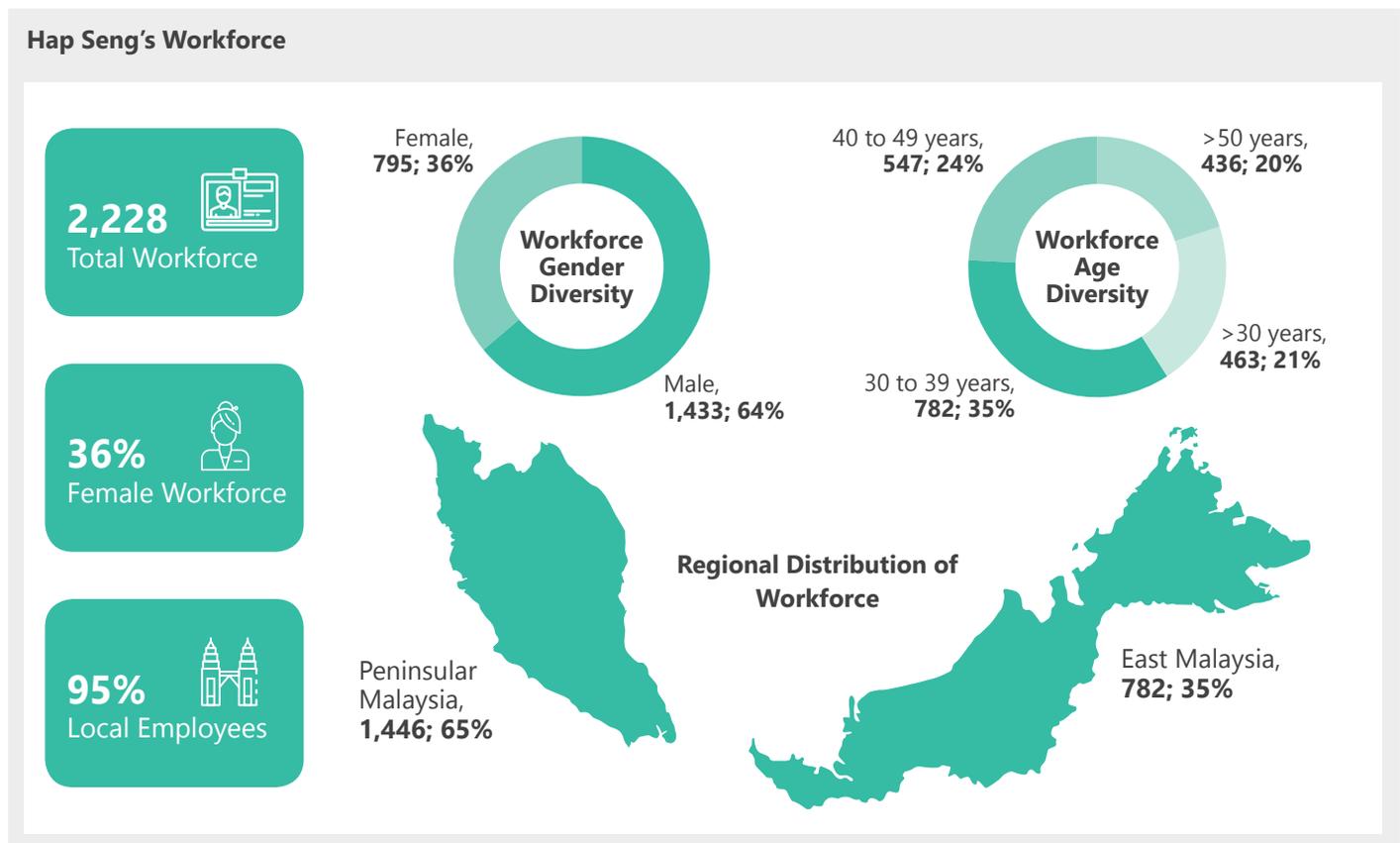
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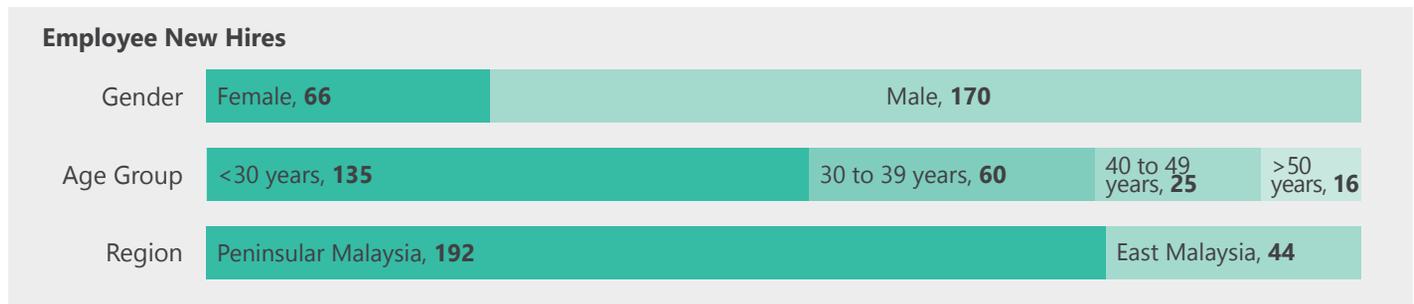
SUSTAINABILITY AT HAP SENG GROUP  
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**Diversity and Inclusion**

Promoting a diverse, safe, inclusive and productive work environment is essential to build a strong team and for employees to realise their full potential.



Hap Seng exercises fair hiring practices and provide employment opportunities strictly based on merit. Due to the COVID-19 pandemic, talent recruitment and retention have been challenging. We hired 236 new employees and the employee turnover rate increased from 17.5% in FY2019 to 34.4% in FY2020 due to the rationalization of operations amid the COVID-19 pandemic.



SUSTAINABILITY AT HAP SENG GROUP  
CREATING VALUE FOR ALL

## Employee Benefits

We are committed to protecting the well-being of our employees and provide fair remuneration packages. Through this, we encourage them to excel at the workplace and are able to maintain a competitive position in the market. Hap Seng employees enjoy a range of benefits including inpatient and outpatient medical benefits, personal insurance, housing allowance, and annual leave among others.



### Fringe Benefits

- Medical and Hospitalisation Benefits
- Groups Personal Accident Insurance
- Long Service/Retirement Awards
- Outstation Meal, Accommodation and Travel Allowances



### Leave Entitlement

- Annual Leave
- Examination Leave
- Medical Leave
- Marriage Leave
- Compassionate Leave
- Maternity Leave



## Employee Engagement

Each business division conducts various employee engagement activities throughout the year, such as team lunches and birthday celebrations.

On 3 February 2020, Hap Seng Land Sdn. Bhd. held its Prosperity Chinese New Year Dinner. 130 staff attended the dinner to celebrate the special occasion. During the event, we organised games, a fashion show for the best dressed male and female, and lucky draw sessions. At the end of the night, goodie bags were distributed to employees as a token of the Group's appreciation.

With the MCO, engagement activities are now conducted virtually using online platforms (i.e., Microsoft Teams), and through the distribution of quarterly Hap Seng Group bulletins as well as posters.

SUSTAINABILITY AT HAP SENG GROUP  
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### Capacity Building

We provide our employees opportunities to learn and develop necessary skillsets and knowledge to excel in their careers. By investing in our employees, we maintain a competitive advantage in the marketplace.

A Training Needs Analysis is conducted at the end of each year to determine training programmes to be prioritised and organised for the upcoming year. These programmes are conducted by the respective divisions and address identified skill gaps. Training programmes conducted during the reporting period by respective divisions are listed below.

**Automotive**

- Product Quality Training
- Customs Regulation
- Preventive and Predictive Maintenance
- Assembly and Product Familiarisation

**Trading**

- ISO 14001:2015 Requirements, Risk and Opportunities, Aspect Impact and Internal Auditor
- Course for Certified Environmental Professional
- Basic Awareness and Understanding on ISO 45001:2018 for Steering Committee
- Emergency Spillage Training
- ISO 45001:2018 Awareness and Understanding Training for Management Team
- Internal Audit/Auditors Skill on ISO 45001:2018 (OHSMS)
- National Tax Conference 2020
- Impact of the Current pandemic on Malaysian Financial Reporting Standards
- Anti-Bribery and Corruption Policy
- M3 Training
- MTP Level 3 User Adaption Training 1 & 2
- Malaysia Tax Summit 2020

**Building Materials**

- Sustainable Development Johor Quarry
- Seminar on Amendment on IR ACT 1967
- Konvokesyen Perburuhan Sabah
- Seminar on Employment Act 1655 & Regulations
- Environmental Certification Course – Workshop (CEPSWAM)
- IT Security Audit
- Anti-Bribery & Corruption Policy
- Malaysia Budget 2021

Furthermore, employees undergo annual performance appraisals to evaluate performance for the year. In FY2020, we conducted performance appraisals for all employees.

### AFFORDABLE HOUSING

**Support by SDG:**

**In the current economic climate, buying a house has become increasingly difficult. We build homes that support the needs of low-income families**

Our affordable housing projects in Sabah include Phase 5C Block 2A of Astana Height, launched in 2019 and 1,024 units constructed this year at Southville Apartment in Bandar Sri Indah Tawau. This initiative is important as it promotes inclusivity within our society and ensures that all are provided access to homes.

Many units built for affordable housing remain unsold as they do not meet the expectations or needs of homebuyers, such as connectivity to public transport and amenities. Addressing these issues, Hap Seng redesigned and reshaped the housing landscape so residents have access to a host of amenities, including long haul bus terminals, new water reservoirs, and recreational facilities.

## EMPOWERING LOCAL COMMUNITIES

### Support by SDG:



Hap Seng strives to create a positive long-term impact on society, beyond operating boundaries. Through a range of CSR programmes, we aim to improve the well-being and quality of life of local communities.

### Christmas Bazaar for St. Theresa Hostel, Kota Marudu



In December 2019, Hap Seng organised a Christmas Charity Bazaar along with caroling activities at Plaza Shell. The event raised approximately RM3,000 which was used to purchase electric water purifiers, stationery and linens for St. Theresa Hostel. In addition to the funds raised, pre-loved items such as clothes, books and toys were collected for the children of the Hostel.

St. Theresa Hostel houses 66 children between seven and 19 years of age. The children are from homes with domestic issues, some are orphans and some victims of abuse. At the Hostel, the children receive education, accommodation, and religious and moral education.

### Technical and Vocational Education and Training Sponsoring

In partnership with DreamCatcher, a technical training provider, Hap Seng Star Sdn. Bhd. financially contributed and sponsored physical classrooms for 18 students to undergo technical and vocational education. The programme aims to upskill and equip SPM graduates with the necessary professional knowledge and abilities.

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### Back-to-School Donation Drive



Hap Seng Land Sdn. Bhd. organised a “Back-to-School Donation Drive” to raise funds for Rumah Kasih Harmoni Paya Jara orphanage to secure school items for the children. Through this initiative, school items worth over RM4,000 were collected over one month and distributed, supporting 104 children.

### Virtual CSR Programmes



Despite restrictions enforced by the Government of Malaysia to combat the spread of the contagion, we were proactive and proceeded with our capacity building programmes for youth in Sabah. Unable to meet face-to-face, we conducted a series of online sessions to engage with the participants.

We organised the 10 G.I.L.A (Growing in Leadership Action) Days programme for 145 students. The aim of the programme is to focus on the students’ character development and project management. Using the 49-trait model, the Group looked to instill positive social behaviour, curb social ills, and drive improvement in leadership and performance.

### Malaysian Collective Impact Initiative

As a member of the Malaysian Collective Impact Initiative (“MCII”), Hap Seng is committed to addressing education needs and creating an impact in schools and communities. This reporting period, the Group collaborated with other members of the MCII to sponsor three programmes: MYReaders programme, Science, Technology, Engineering, and Mathematics (STEM) Education, and Rite Education programme. These programmes aim to enhance student literacy and support learning across Malaysia.

Through these programmes, we have reached out to over 380 students and teachers across 20 schools. We have also seen participation from 563 parents and guardians from 13 schools. Despite the movement restrictions, these programmes were successfully organised virtually through online discussion platforms, publications and podcasts.

90% of teachers mentioned that these programmes have been helpful to schools during this period and have resulted in more positive learning attitudes among students. These programmes have also fostered leadership qualities among students that have participated.

SUSTAINABILITY AT HAP SENG GROUP  
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### Collaboration with Teach for Malaysia

In collaboration with Teach for Malaysia, a not-for-profit organisation which aims to provide quality education to children in Malaysia, Hap Seng organised a capacity building programme aimed at improving English education for students in Semporna, Sabah. Under the programme, four English teachers were placed in schools and reached out to a total of 600 students across these four schools.

### Hap Seng Rise Up! 2020 e-Convention

The Hap Seng Rise Up! 2020 e-Convention was held on 8<sup>th</sup> August 2020 to connect with students and their families in Tawau through YouTube Live. Sharing sessions were conducted throughout the night by a series of speakers sharing on topics such as Servant Leadership, Creative Expression, Words of Wisdom and Gratitude.

The Convention included an awards ceremony for winners of the G.I.L.A programme and High Potential Hap Seng Club Students and Student Facilitators, recognised for their continuous efforts and growth.

It was well-coordinated by the emcees, with entertainment and activities such as songs, dances, and more. Highlights of the evening included showing the map of Malaysia with lights representing the different participants' locations to demonstrate 'unity and staying connected despite being physically apart'. The event closed with a heartfelt performance by the Malaysian singer-songwriter Juwita Suwito singing her song 'Stand'.



### Conclusion

Despite the challenges resulting from the COVID-19 pandemic, we remain committed to our efforts of incorporating sustainable practices across our operations. We are grateful to our leadership team and employees for their zeal and determination to adapt and strengthen our business, during unprecedented and challenging times.

Looking forward, we aim to strengthen our contributions to the global agenda for sustainable development by managing our material sustainability matters, implementing best practices and collaborating with stakeholders whenever feasible. Through these initiatives, we look to realise our vision of creating value together, for a better tomorrow.

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