



HONG LEONG ASIA LTD.

# FUTURE FOCUSED VALUE DRIVEN

SUSTAINABILITY REPORT 2020



# SUSTAINABILITY REPORT

## STATEMENT BY THE BOARD OF DIRECTORS

At HLA, Sustainability is a tradition, considered essential and among the highest priorities in our business. The focus has always been to safeguard our operations and the well-being of our staff which in turn drives long-term shareholder value in the Company. The Board acknowledges that businesses need to think beyond the borders and framework surrounding their own operations and adopt a broader mindset in considering a sustainable business model.

Climate change and the recent global pandemic have created an even greater urgency for us to prioritise and rebalance our focus on environmental and social issues. In 2021, the Group<sup>1</sup> will be embarking on the next stage of strengthening our sustainability agenda and enabling a more holistic approach in it. We will be sharing more of these updates on the Group's website and subsequent annual reports. Finally, we thank you for your feedback and continuing support in helping us to define and create a sustainable future together.

// THE GROUP WILL BE EMBARKING ON THE NEXT STAGE OF STRENGTHENING ITS OWN SUSTAINABILITY AGENDA. //

<sup>1</sup> The reporting entity is Hong Leong Asia Ltd. ("HLA") and "the Group" refers to the business units in building materials and diesel engines segments, which are the principal business segments of the Group.

## MESSAGE FROM CHIEF EXECUTIVE OFFICER ("CEO")

Since coming on board in August 2020, I have spoken with many colleagues in the region and longstanding partners who have worked with HLA. There is a common vein that binds: that the Group is built on a solid foundation of prudence, detail-oriented, strong business ethics, and care for the communities in the countries that we operate in. This is the heritage that has defined the Company since 1941. Today, this identity continues to be reinforced in the brands of China Yuchai, our diesel engines business in China, as well as Island Concrete, Singapore Cement, and Tasek Corporation in the building materials businesses in Singapore and Malaysia.

Both the Board and Management team recognise that we must continue to innovate and take an informed and proactive approach in addressing and reporting environmental, social and governance ("ESG") issues. In the last few years, we have made good effort in evaluating, assessing and reporting these issues, but we must progress further by means of innovation and digitalisation.

Firstly, we will continue to innovate our production processes and explore the use of alternative raw materials at BMU to mitigate and minimise environmental impact.

At the same time, our diesel engines segment has been investing in research and development to develop the next National VI engine products to reduce emissions and achieve higher energy efficiency. The Research & Development ("R&D") group in China continue to devote resources to develop new energy engine products and green technology.

Secondly, we have identified our roadmap and rolled out our digitalisation strategy at our BMG plants in Singapore. These projects will contribute toward a more efficient operation and significantly reduce our energy consumption and carbon emissions. As part of the plan, these innovations will be integrated with production processes in Malaysia over time.

Lastly, the Management team is strengthening its commitment towards sustainability and implementing the 2025 Vision at town hall meetings and workshops with employees. Details of the Vision and Values can be found on page 26. As Asia develops and becomes more urbanised, we are well positioned to support and tap on this growth. Together with our customers, we will create innovative and sustainable solutions for cities of tomorrow.

### HONG LEONG ASIA VISION 2025

ESTABLISHED ASIAN MULTINATIONAL KNOWN FOR OUR MARKET LEADERSHIP AND FINANCIAL STRENGTH, WORKING CLOSELY WITH OUR CUSTOMERS TO DEVELOP AND DELIVER SUSTAINABLE AND INNOVATIVE URBAN SOLUTIONS FOR CITIES OF THE FUTURE

### CORE VALUES

  
KEEP THE CUSTOMER FIRST

  
DO THE RIGHT THINGS

  
THINK FAST, WORK FASTER

  
MIND THE DETAILS THAT MATTER

  
CREATE AN IMPACT BEYOND OUR BUSINESS

In this report, you will find a compilation of our efforts in 2020 and aspirations for 2021. We welcome your feedback as we continue our journey to improve our reporting and sustainability practices. Please send in your comments or questions to [sustainability@hla-grp.com](mailto:sustainability@hla-grp.com).



# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

This Sustainability Report (“SR”) has been prepared in accordance with GRI Standards and complies with SGX requirements on sustainability reporting.

Information contained in this report reflects the sustainability progress of the Group’s building materials and diesel engines units from 1 January 2020 to 31 December 2020, unless otherwise specified. The 2019 Sustainability Report was issued in March 2020 and we will continue to publish our progress annually.

A historical comparison to the previous years is presented where possible. We will continue to assess and improve our data collection over time.

There is no significant change to the organisation’s size, structure, ownership, or supply chain during the year.

## SUSTAINABILITY FRAMEWORK AND GOVERNANCE

### ADDRESSING THE KEY PILLARS OF OUR SUSTAINABILITY FRAMEWORK

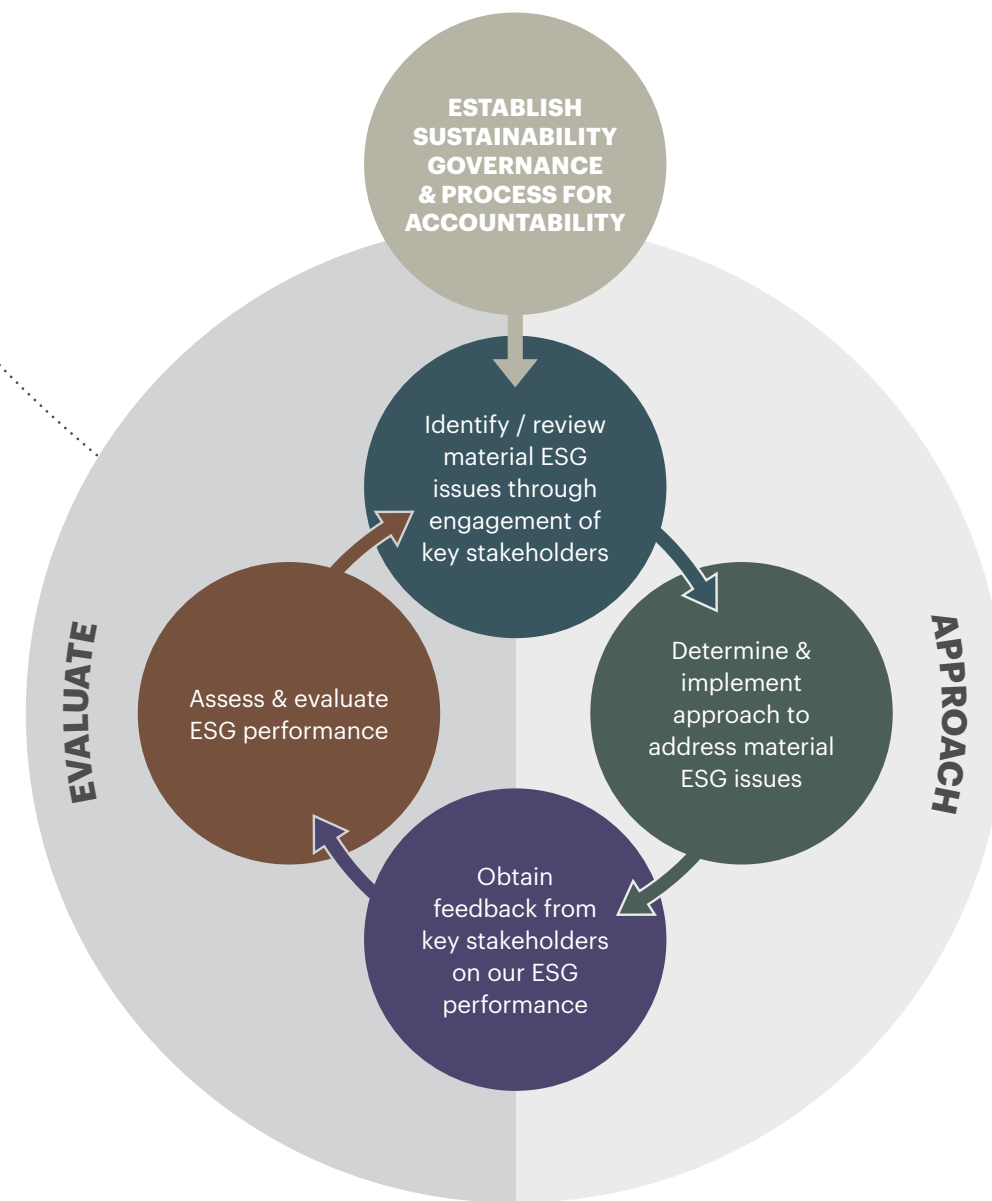


## GOVERNANCE

The group has developed a governance process to formalise the oversight procedures (Figure 1) to ensure reliability, adequacy and effectiveness of the internal controls and risk management processes over our sustainability practices and reporting aspects.

The identification and managing of material ESG issues is performed by the Sustainability Committee through an approved framework including stakeholder engagement and performance progress reviews. The CEO is responsible for overseeing the overall management of internal control and risk management processes of the Group’s businesses and operations.

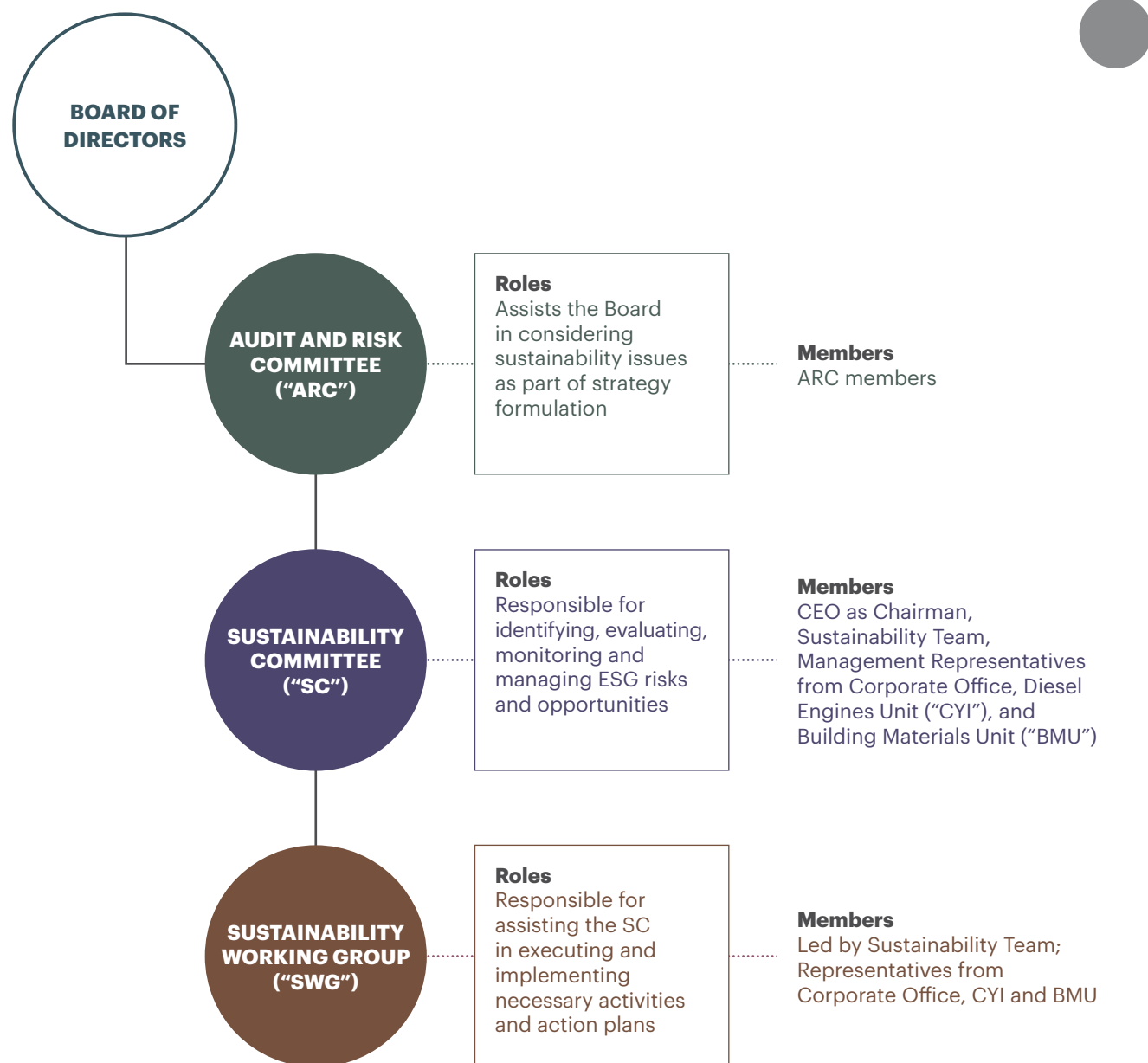
FIGURE 1: HLA’S SUSTAINABILITY GOVERNANCE PROCESS



# SUSTAINABILITY REPORT

On a quarterly basis, the Sustainability Committee provides a progress update on the Group's performance to the Audit and Risk Committee ("ARC"), and makes recommendations to improve the management of sustainability issues. The ARC evaluates and reviews the reporting process and performance annually in order to ensure that all requirements for sustainability compliance are met before reporting to the Board. The ARC also assists the Board in considering sustainability issues as part of the Group's strategy formulation (Figure 2).

FIGURE 2: HLA'S SUSTAINABILITY GOVERNANCE STRUCTURE



## THE GROUP'S KEY STAKEHOLDERS AND MATERIALITY ASSESSMENT PROCESS

### OUR KEY STAKEHOLDERS

Business begins with value creation for our key stakeholders through providing products and services supported by employees, customers and suppliers of the business. The business is regulated by the government and the relevant regulatory bodies to ensure positive impact on these stakeholders and local communities. The Group's business is typical of such a model. Therefore, our key stakeholders are identified as shareholders, customers, employees, government agencies, suppliers and the local communities.

Developing healthy relations with our key stakeholders is crucial to ensure long-term business value creation. As our business segments are diverse in industry and geography, material issues are compiled from each of the business unit's management team because they have the most interaction with our key stakeholders on the ground and therefore, they are of the best position to assess the material ESG issues that need to be addressed by the Group's Senior Management Team.

### MATERIALITY ASSESSMENT

The Group conducted its sustainability materiality assessment (Figure 3) in 2016 with the assistance of an external consultant to frame the highlighted ESG concerns of our key stakeholders. Eight out of 22 material issues were identified as significant to the Group's operations.

FIGURE 3: HLA'S MATERIAL ASSESSMENT PROCESS



The Sustainability Committee reviewed the selected ESG issues in 2020 and validated that these eight issues identified remain unchanged for the current reporting period (Table 1). The SR focuses on the management's approach towards addressing these material ESG issues within the boundaries of the key stakeholder impacts, including gaps identified and our plans to address them.

# SUSTAINABILITY REPORT

TABLE 1: KEY STAKEHOLDERS, THEIR RESPECTIVE IMPACTS, SUSTAINABILITY CONCERNS AND BOUNDARIES

Key Stakeholders	Boundary, Impact & Significance	Material Sustainability Issues
<b>Customers</b>	Our customers are the reason for our business existence. Our customers' feedback and concerns are important inputs for our business decisions.	1 3 4
<b>Employees</b>	Our employees are the backbone of the Group's success. The sustainability of our business is reliant upon their running of our day-to-day business.	1 5 6
<b>Government Agencies</b>	Beyond meeting regulatory requirements, we recognize the importance of building working relationships with government agencies and strive to engage them both positively and regularly.	1 2 6 7 8
<b>Local Communities</b>	Local communities are directly affected by our business operations. With such immediate reach, we strive to create positive impact on the local communities through our business.	2 8
<b>Shareholders</b>	Shareholders are owners of our company, and their views are crucial in determining the future directions of the Group.	2 4 7
<b>Suppliers</b>	We recognise the part we play in influencing the business practices of our suppliers. Right collaborations with our suppliers help to create a more sustainable value chain for the Group.	1 2

KEY PILLARS	KEY MATERIAL ISSUES
 <b>Our Business Environment</b>	1 Ethical Business Conduct 2 Regulatory Compliance
 <b>Understanding our Customers' Needs</b>	3 Product and Service Quality 4 Customer Satisfaction
 <b>Looking After our People</b>	5 Fair Employment Practices 6 Health and Safety
 <b>Caring for our Physical Environment</b>	7 Energy & Carbon Footprint 8 Dust Emissions Management



## OUR BUSINESS ENVIRONMENT

### 1 ETHICAL BUSINESS CONDUCT

#### MANAGEMENT APPROACH

We conduct our business with the highest ethical standards and have zero tolerance towards fraud, corruption, bribery and money laundering to ensure accountability to our shareholders. It is our commitment to ensure employees exhibit high levels of professionalism and ethical behaviour when conducting the Group's operations. This is guided and reiterated through our Core Value - *Do the Right Things* and Code of Business Conduct ("**COBC**") policy.

The COBC's policy governs aspects that include avoiding potential conflicts of interests, compliance with legal and regulatory provisions and ensuring proper internal controls within the organisation. Any breaches or misconduct with the COBC may

result in termination of the employee. This is managed and reviewed periodically by our Human Resource ("**HR**") Department and approved by the CEO.

Whistle-blowing procedures are put in place to enable employees or any other persons to raise concerns in confidence about improprieties in matters relating to financial reporting, or other malpractices and misconduct. The ARC has the responsibility of overseeing this, supported by the Head of Internal Audit. The whistle-blower is given appropriate protection against any reprisals if disclosures are made in good faith. More information about HLA's Whistle-blowing Policy can be found in the Corporate Governance Report on page 78.



Tasek Corporation Berhad | Anti-Bribery & Anti-Corruption Act Internal Training

#### PERFORMANCE

Overall, none of the Group's business units have reported any cases of legal action for corruption, non-competitive behaviour, anti-trust and monopoly practices in 2020.

In June 2020, the Malaysian Anti-Corruption Commission Act ("**MACC Act**") was amended to introduce a new law imposing greater liability upon Corporations and Directors in the event that their employees are found guilty of any corrupt practices. **Tasek** conducted e-learning trainings for all employees on the severe consequences for committing any acts of bribery and corruption. This was supported by official communication via publication of Tasek's "Anti-Bribery and Anti-Corruption Policy and Compliance Guidelines" document on the business unit's official website.

The HR department has since been in touch with Tasek's suppliers and customers to share the new guidelines and as of the date of this report, 439 out of 578 partners have signed acknowledgements agreeing to comply with the guidelines.

# SUSTAINABILITY REPORT

## 2 REGULATORY COMPLIANCE

### MANAGEMENT APPROACH

In order to maintain the necessary licenses to operate, government and local authority regulatory compliance is crucial. This responsibility principally lies with the heads of each of our business units which is further delegated to their HODs to ensure that regulatory compliance is met within their respective areas of responsibilities.

The HODs regularly engage with government agencies and coordinate periodic inspections as per regulatory requirements. Thereafter, they report to the business unit head for an annual evaluation, or as and when there are regulatory changes.

### PERFORMANCE

HLA did not incur any material fines and sanctions related to environmental and social aspects during the year.

A notice of non-compliance with the amount of RM 2.6 million was served to a **BMG** entity by the local regulatory body pertaining to certain sale transactions conducted prior to 2018. This was due to an administrative oversight. Immediate corrective actions were put in place within their

policies and procedures to prevent recurrence.

An appeal was submitted to reconsider the penalty, on the basis that the non-compliance was a result of failure to submit proper documentation and did not result in any financial loss to the government agency. The appeal is unsuccessful as at the date of this report. The business unit will continue to engage with the regulatory body to seek an amicable solution on this matter.



## UNDERSTANDING OUR CUSTOMERS' NEEDS

## 3 PRODUCT AND SERVICE QUALITY

### MANAGEMENT APPROACH

Our Sales & Marketing teams proactively engages with customers to ensure that the products as well as pre- and post-order services meet or exceed their expectations. This

close level of engagement enables our Sales & Marketing teams to address issues promptly. Each of the business units' marketing department conducts formal surveys to obtain customer feedback on our products

and services that enable us to gauge the success of our previous strategies and identify areas for improvement.

R&D continues to be a main driver across all our business units with

customer feedback on new products and features regularly circulated to every R&D personnel for further action. In the case of our diesel engines unit, the R&D team continually innovates to enhance the safety features, efficiency

and environmental aspects of our engine designs.

At BMG, the R&D teams frequently review customer feedback and make site visits with the sales teams to solve

issues and understand the changing requirements in the industry. They also conduct various tests on the use of new or alternative materials or trial new formulas to produce products with lower carbon footprint.

### PERFORMANCE

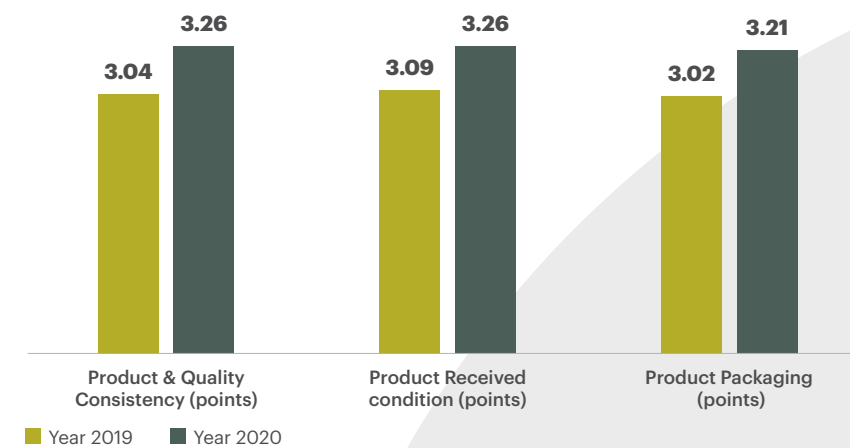
Over at **Tasek**, the cement segment saw an improvement in customer satisfaction towards product quality in 2020 as compared to 2019 (seen in Table 2). Assessed by 77 customers, these scores are collected as a final average and the criteria for product quality consists of product and quality consistency, state and condition of products

received and packaging quality upon delivery to our customers.

The technical R&D team has recently achieved certification in CEM | 52.5N, a higher grade of Ordinary Portland Cement ("OPC") mainly used by precast players for its high early strength and hence, ability to produce concrete products up to G80-G100. Since launching,

Tasek has been able to compete in the precast market as well as offer Ready Mix Concrete ("**RMC**") players better cost savings as CEM | 52.5N maximises the usage of supplementary cement materials and waste products of other industries such as fly ash and ground granulated blast furnace slag.

TABLE 2: CUSTOMER SURVEY RESULTS FOR CEMENT QUALITY (TASEK CEMENT)



\* Note: Scores are rated upon a total of 4 points



# SUSTAINABILITY REPORT

Within our diesel engines unit, R&D in green technology and product innovation has enabled us to build a series of engine products with more stringent emission standards and greater energy efficiency. Currently,

our engineering laboratory is equipped with 84 engine test benches and 16 parts and components test benches, of which prototypes and commercially-ready products have been produced. In 2020, our R&D efforts were

recognised in respect of the continuous improvements in engine production quality control systems as seen in Figure 4 presenting the list of awards received.

FIGURE 4: LIST OF AWARDS RECEIVED BY GYMCL IN 2020

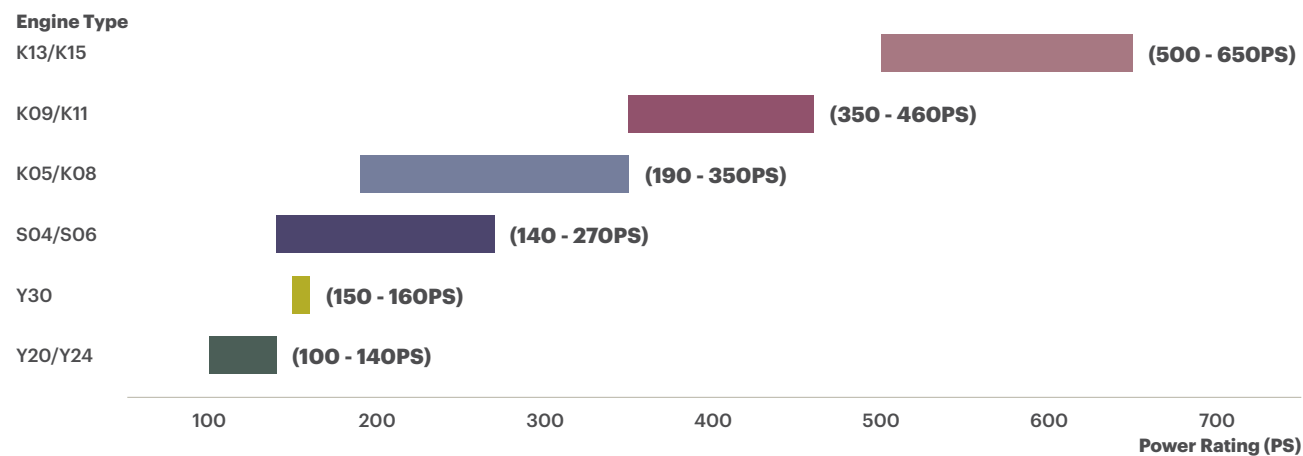


In China's current transition towards more stringent emissions standards, July 2021 marks the mandatory shift to

full implementation of National VI(a) engines in which Table 3 shows our complete range of products. Other

than K15, the rest of the products as seen in the table are already available in the market.

TABLE 3: GYMCL NATIONAL VI(A) EMISSION STANDARD COMPLIANT ENGINES



During the year, all material complaints regarding the quality of our products and services have been resolved. We will continue to strive towards ensuring the highest standards within this area with best practices, as well as effective and continuous communication with our customers and suppliers.

## 4 CUSTOMER SATISFACTION

### MANAGEMENT APPROACH

Enhancing customer experience, gaining their confidence and trust in our products is key to ensuring the Group's continued success and growth. This is influenced by the quality of products supplied and the associated services rendered to our customers across China, Malaysia and Singapore within the diesel engines and building materials industries. The management teams of these

business units know their customers best and are therefore required to set individual benchmarks on the criteria and standards based on their knowledge of our supply chains and markets in which we operate.

A key practice of this is to establish the pre-qualification process for significant tenders particularly on supplier selection criteria including local regulations compliance and

certified quality management systems as per the example seen in Figure 5. Major suppliers are evaluated at least once a year on quality of goods and services provided. Ad-hoc visits to our suppliers' sites are also part of the evaluation, especially for new suppliers. For those who do not meet the benchmark, warnings are issued and counselling provided, while those with serious lapses are immediately terminated.

FIGURE 5: EXAMPLE OF PRE-QUALIFICATION CRITERIA FOR HDB TENDER SUBMISSIONS (BMG)

<b>Supplier Selection</b>	<ul style="list-style-type: none"> <li>Quality, reliability and price</li> <li>Financially sound</li> </ul>
<b>Local Regulatory Compliance</b>	<ul style="list-style-type: none"> <li>Cement tender: SS EN 197</li> <li>Aggregate Tender: SS EN 12620, ASTM C 295, ASTM C 1260</li> </ul>
<b>Certified Quality Management Systems</b>	<ul style="list-style-type: none"> <li>Certified accreditation by ISO (ISO 9001, etc.), BizSafe, etc.</li> <li>Suppliers to be similarly certified</li> </ul>

### PERFORMANCE

Based on our customer survey results, we are pleased to inform that all of the Group's business units surpassed the internal benchmarks set for customer satisfaction.

The shared success in high quality service is a reflection of the tight coordination between our Sales & Marketing and Operation teams to manage customer relations and handle production and delivery smoothly. The results show that these departments are able to react promptly and satisfy our customers in a professional manner on our products and services.

The **diesel engines unit** received positive customer satisfaction on Yuchai's brand promise and image that includes high product quality, service, efficiency, and customer service attitude. The average rating of 93% surpassed the business unit's target of 91%. These results were collected through a consolidation of key sales channels that include customer service hotlines, a customer service mobile application, service management offices located across China, technical service website and third-party customer satisfaction surveying bodies.

The precast segment under **BMG** received an average rating of over 80% in customer satisfaction on the manufacture, supply and delivery of precast concrete components for projects completed in 2020. These scores were rated based upon a customer evaluation criteria set by the Building and Construction Authority (BCA) of five assessment points including quality performance, site planning and control, progress of works, housekeeping and response to instructions (details found in Table 4).

# SUSTAINABILITY REPORT

TABLE 4: CUSTOMER EVALUATION CRITERIA FOR PRECAST (BMG)

NO.	CRITERION	DETAILS
1.	<b>Quality Performance</b>	Quality impacts structural works (installation process) and architectural works significantly in terms of timely completion.
2.	<b>Site Planning and Control</b>	High standards of production planning process which if not done properly, contributes to unnecessary delays onsite.
3.	<b>Progress of Works</b>	Related to site planning and control, focused on the timely delivery of precast components to site.
4.	<b>Housekeeping</b>	Safety and condition of products delivered to site from point of loading to point of unloading.
5.	<b>Response to Instructions</b>	Coordination and good working relation with client in terms of planning to achieve timely completion of the project.

In the case of Tasek's RMC segment, areas highlighted for improvement include more efficient delivery intervals, mobilisation of supply at night, delivery to new project sites beyond our supply range, and truck maintenance improvements. Tasek's Senior Management team has identified digitalisation as a

key solution to these issues and has since worked with cartage contractors to increase the availability of trucks through efficient logistics management and productivity monitoring. They are also looking to set up more site plants to better meet customers' demands, reduce delivery lead-time

and fulfil orders placed after normal operating hours.

During the year, the Group did not receive any reports regarding any incidents from the users of our products or visitors to our production sites.



## LOOKING AFTER OUR PEOPLE

### 5 FAIR EMPLOYMENT PRACTICES

#### MANAGEMENT APPROACH

Employees are our valuable assets and a crucial driver for the success of the Group. Our employees are treated and evaluated equally based on merits, competency, experience and other relevant

qualities for their professional and personal development within the organisation.

In response to evolving customers' and market needs, we recognise the importance of workforce

diversity as it promotes innovation and sustainability. One of our commitments is to build a workforce and workplace that nurtures inclusion, equality and respect for all. Our COBC clearly states our commitment to respect each

and every employee within our culturally diverse workforce. This is agreed by our employees during the on-boarding process and is acknowledged on an annual basis.

Regular dialogue between our employees and their supervisors is integral to our workplace practice to ensure healthy relationships in the Group. Employees are free to voice any concerns and feedback in a timely manner to

the Management either directly or through their supervisors, HODs and unions. For more serious grievances, the Group's whistle-blowing channel offers a safe alternative.

We acknowledge that strong human capital is vital for the success of our businesses. Hence, training and development programmes are implemented to enhance the workforce knowledge and

skill-sets necessary for growth as well as to build a pool of talent who can transition over time into senior management roles. Such trainings are conducted by in-house specialists and external experts on-site and off-site. In addition, our employees are encouraged to suggest other types of trainings that will benefit their work and personal development.

#### PERFORMANCE

In the review of headcount, the Group employed 7,929 full-time staff (seen in Table 5), approximately 88% of whom are covered by collective bargaining agreements. The headcount in the respective business units has remained stable during the year at less than 5% variance from the previous year.

Overall staff turnover rate is relatively low in the Group. Business units regularly review labour productivity along with business growth plans to evaluate the need for new headcount.

As of 31 December 2020, the number of employees at our **diesel engines business unit** stood at 6,693, a decrease of 239 employees from the previous year. The decrease was primarily due to

greater operational efficiencies realised from the innovation and application of advanced technology and artificial intelligence in its manufacturing operations.

The Group has initiated annual employee satisfaction evaluations by conducting employee satisfaction surveys. In September 2020, **Tasek** kick-started this process in its cement and concrete business units. The approach led by Tasek's HR department was approved by management and subsequently was well received by employees. Results from our Employee Satisfaction Survey were mainly positive. We also identified areas that needed improvement such as career growth, employee recognition and stress management in the workplace. HR has since worked

with the HODs to initiate regular engagement sessions with their staff to discuss job performance matters and quality of the workplace environment. The same employee survey will be carried out for BMG in 2021.

At **BMG**, a total of 146 training sessions equivalent to 5,289 hours<sup>2</sup> were conducted for employees. These are trainings in areas such as health and safety, laws and regulations, quality management systems, risk management, anti-bribery compliance framework, scheduled waste management, specialised technical skills for production and operation personnel, energy management, financial and enterprise resource planning systems and process control improvements.

<sup>2</sup> Training sessions and hours disclosed in 2020 Sustainability Report were for building materials business unit only.



# SUSTAINABILITY REPORT



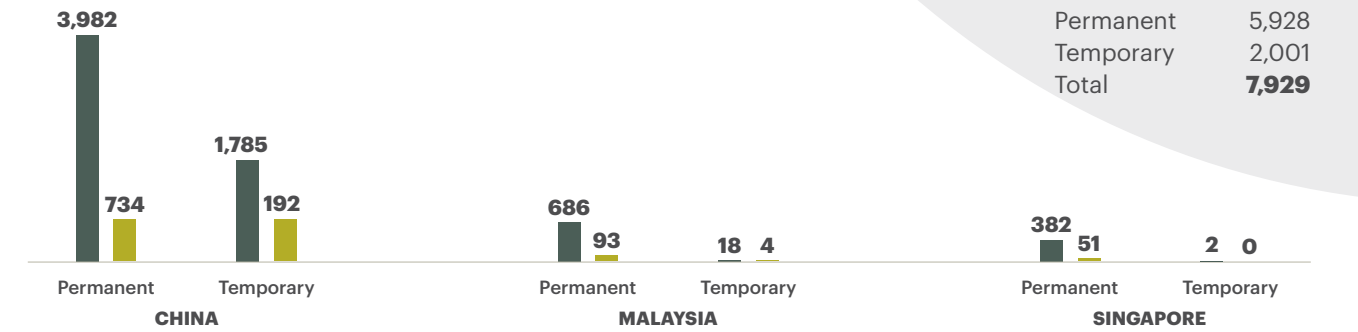
Tasek Cement Basic Occupation First Aid Refresher Training, January 2020



Authorised Entrant and Stand-by Person for Confined Space Certification Training, December 2020

TABLE 5: SUMMARY OF PEOPLE PERFORMANCE (HLA)

Employee Profile



Employee Movements

Region	New Hires					Total	Departures					Total
	Age Group			Gender			Age Group			Gender		
	<30	30-50	>50	Male	Female		<30	30-50	>50	Male	Female	
<b>China</b> (Rate <sup>3</sup> )	303	71	7	350	31	381	160	363	96	491	128	619
	3.8%	0.9%	0.1%	4.4%	0.4%		2.0%	4.6%	1.2%	6.2%	1.6%	7.8%
<b>Malaysia</b> (Rate <sup>3</sup> )	29	21	7	43	14	57	31	44	27	88	14	102
	0.4%	0.3%	0.1%	0.5%	0.2%		0.4%	0.6%	0.3%	1.1%	0.2%	1.3%
<b>Singapore</b> (Rate <sup>3</sup> )	1	17	5	18	5	23	18	69	14	97	4	101
	0.0%	0.2%	0.1%	0.2%	0.1%		0.2%	0.9%	0.2%	1.2%	0.1%	1.3%
						<b>461</b>						<b>822</b>

## 6 HEALTH AND SAFETY

MANAGEMENT APPROACH

Each of the business units have a dedicated Safety, Health & Environment (“SHE”) Department responsible for instilling a “Safety First” mindset. They are mainly responsible for compliance with local rules and regulations, identification of health and safety risks and the corresponding mitigating

actions, conducting regular on-site inspections, investigations as required as well as organising and providing health and safety trainings for our employees.

New employees are given basic safety trainings as part of the induction programme that includes on-site training where applicable.

Refresher courses are conducted periodically for technical, engineering and operations personnel. Pre-employment health screening and annual health reviews are conducted for those in high-risk operation positions to ensure the employee is deemed fit to carry out such tasks. Possible health hazards such as respiratory diseases and

3 The rates of new employee hires and employee turnover are calculated using the total employee numbers at the end of the reporting period.



# SUSTAINABILITY REPORT

hearing loss have been identified in the Group’s manufacturing industries. Upon entering the operation area, employees are provided personal protective equipment (“PPE”) to mitigate both health and safety risks. Any employee caught not wearing PPE is first given a warning followed by disciplinary actions including

termination of employment for repeat offenders.

A risk assessment is conducted for all the operational activities to evaluate the severity and likelihood of incidents that include accidents and health-related conditions. The formulated matrix enables us to identify high-risk activities and

implement the necessary controls. The SHE department works closely with the Production and Operation teams in order to reduce the likelihood of these risks including proper implementation of safety procedures, provision of suitable PPE and safety trainings to ensure employees’ safety throughout the operation.

**PERFORMANCE**

In the midst of the COVID-19 pandemic, we have adhered to strict procedures within our head office and business units in order to protect our employees’ safety and health. This includes temperature

monitoring, contact tracing and safety management implementation. We have also strengthened IT support and backup to support the implementation of work-from-home arrangements to curb the spread of COVID-19 with minimal impact

to our daily business operations. Meanwhile, we remain committed to ensuring the health and safety of our employees, and any persons working on-site, including visitors, suppliers and subcontractors.



COVID-19 Safety Briefing by Island Concrete (ICPL) Safety Management Officers to workers at Sungei Kadut plant in Singapore



ICPL truck driver with visual red identifier on safety helmet that indicates “Ready to Work



Registration and temperature screening for contractors entering Tasek Cement premises in Malaysia



Safe Distancing Compliance during operations and safety briefings at Tasek Cement plant in Malaysia

The number of incidents reported in Table 6 on page 46 refers to incidents that have happened within our BMU. Overall, the total number of injury incidents and rate of occurrences for employees have reduced in 2020.

However, we regret to report two fatalities involving personnel employed by a contractor that occurred at Tasek’s cement plant during a “work-at-height” activity, defined as any activity performed at the height of 10 feet and above. We assisted the authorities in the investigation in which the contractor was found to be negligent for not abiding by our safety procedures. At the same time, immediate action was taken to identify the necessary corrective measures and

strengthen our standard operating procedures. The identified preventive steps include:

- 1) **Strengthen permit to work (PTW) procedure:** Ensure workers obtain the necessary approvals that include safety preparation before performing any dangerous activities on-site such as working-at-height activities.
- 2) **Strengthen scaffolding management:** Improve both house-keeping and safety management procedures at scaffolding areas, particularly those left idle for long periods.
- 3) **Strengthen on-site supervision:** Ensure all activities are carried out

according to the PTW procedure and improve communication of safety matters via on-site briefings especially with foreign workers that do not speak English or Malay well.

We have since been in touch with the families of the two deceased personnel to send our condolences and to provide additional support. We acknowledge that the emotional grief experienced by these families is irreversible and unquantifiable. It remains our firm duty to continuously strengthen the above practices to enhance workplace safety on our premises. We have terminated the contractor at fault of negligence and will not be using their services again.



# SUSTAINABILITY REPORT

TABLE 6: HLA STATISTICS ON REPORTABLE INCIDENT

Year	Employees				Contractors			
	Number of Injuries	Hours Worked	Injury Rate (per mil hours)	Fatalities	Number of Injuries	Hours Worked	Injury Rate (per mil hours)	Fatalities
2020	10	19,312,432	0.52	0	6	1,161,404	5.17	2
2019	11	20,057,840	0.55	0	2	1,327,973	1.51	0
2018	12	20,041,142	0.60	0	4	1,620,579	2.47	0

Our diesel engines business unit has not recorded any reportable work-related incident<sup>4</sup> in 2018, 2019 and 2020.

Health and safety remain a key focus area for the Group and we continue to raise awareness of safe practices through regular training

and communication to employees and contractors.



## CARING FOR THE PHYSICAL ENVIRONMENT

### 7 ENERGY & CARBON FOOTPRINT<sup>5,6,7</sup>

#### MANAGEMENT APPROACH

Our operations have an impact on the environment and we remain committed to evaluating solutions to be implemented within our manufacturing processes in order to move towards a cleaner and greener direction. The energy consumption and carbon emissions are identified to be significant components in our operations

that impact the environment. Therefore, we have key indicators and systems in place to measure and monitor performance efficiency of these emissions.

Within our BMU, energy consumption is closely monitored and managed by the Production and Electrical & Energy department. Analysis of our energy consumption helps to

identify any anomalies and these are reported to management for further investigation and remedial actions to be taken.

The greatest direct contributor to energy consumption within the Group is recognised as Scope 1 emissions and derived from the operations of our cement plant in Malaysia under Tasek Group. Coal is

4 Reportable incident refers to work-related accident, workplace accident, dangerous occurrence and occupational disease that require statutory reporting to the relevant local authorities as mandated by the local regulations.  
 5 Source of default net calorific values for fuels used: 2006 IPCC Guidelines for National Greenhouse Gas Inventories.  
 6 Source of Scope 1 emissions factors: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, GHG Protocol and Cement Sustainability Initiative database.  
 7 Source of Scope 2 emissions factors: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Singapore Energy Statistics, and International Energy Agency's CO2 Emissions from Fuel Combustion Highlights.

the main source of energy used to fire up the kiln for clinker production, a key component of cement. As a result, the calcination process of clinker manufacturing is a significant contributor to greenhouse gas ("GHG") emissions.

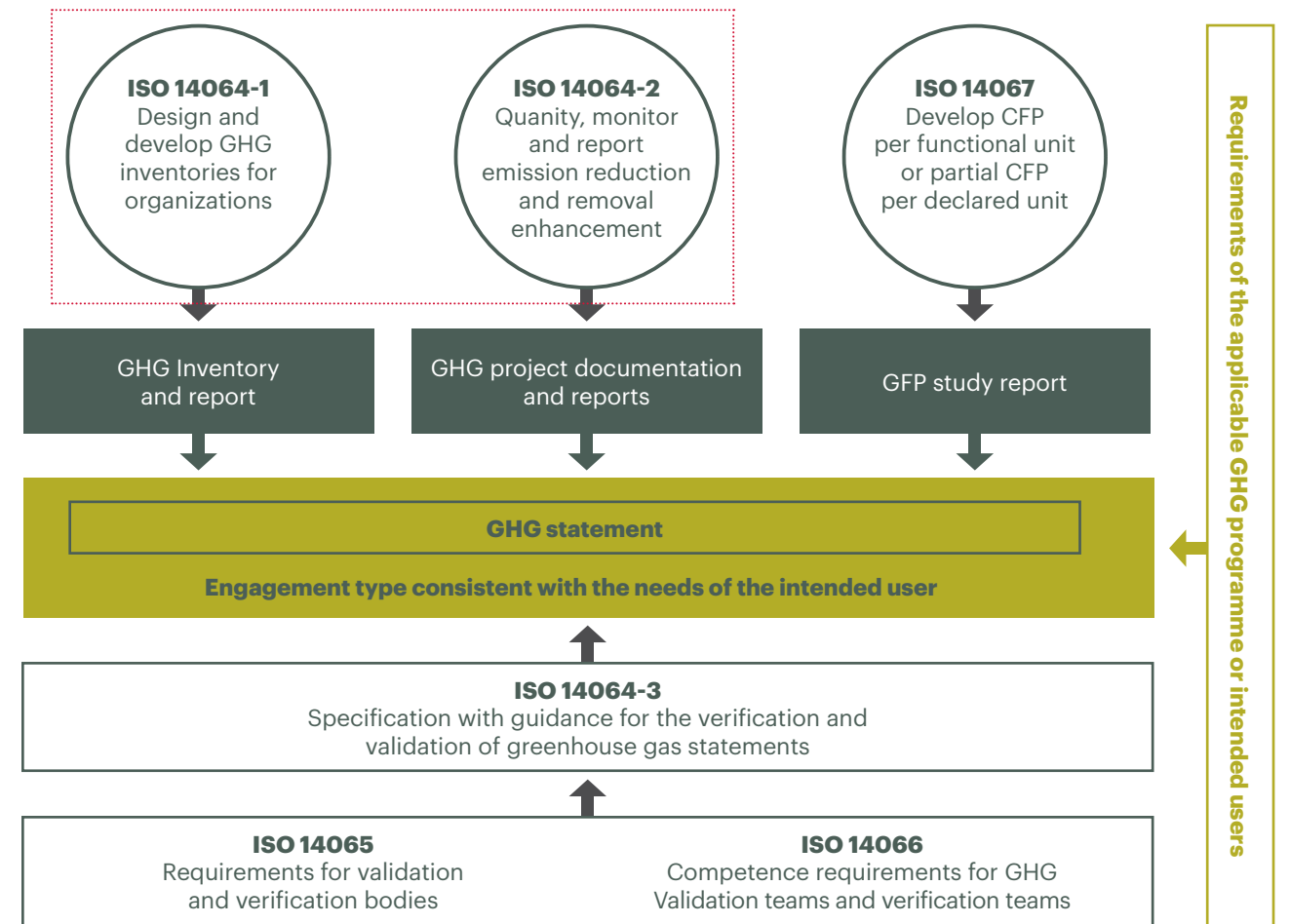
In order to reduce energy consumption and GHG emissions, Tasek's Industrial

Ecology Department ("IED") was established in 2016 to explore alternative raw materials ("ARM") and fuel sources in the manufacture of cement. The IED proposes strategies to decrease clinker production to help reduce carbon emitted from calcination as well as using the waste or by-products generated from other industries. Utilising alternative raw

materials can help to reduce the amount of limestone required in clinker production by up to 5%.

We measure ourselves by adopting standards under ISO 14064-1 and 14064-2 (see Figure 6 for more information) as a way to evaluate the effectiveness of existing and new approaches to reduce emissions.

FIGURE 6: RELATIONSHIP AMONG THE ISO 14060 FAMILY OF GHG STANDARDS (SOURCED FROM ISO ONLINE BROWSING PLATFORM)



# SUSTAINABILITY REPORT

## PERFORMANCE

The Group's overall energy consumption (seen in Table 7) decreased compared to the previous year as a result of a shorter operating period during the year caused by the COVID-19 pandemic that triggered a nationwide lock-down. Stated in Table 7 as "Others" under energy consumption by fuel type represents the use of alternative

fuels such as saw dust, petroleum coke, and waste oil within our cement plant operations in Malaysia. The reduction recorded is attributed to the lack of suitability and availability of such materials as well as processing issues.

We continue to proactively look at ways to reduce the electricity consumption in our **BMU** operations. Electricity is a

major operational expense in the business and is also a major source of GHG emissions.

Meanwhile, our **diesel engines business unit** has pledged to use clean and green energy in its operations. Solar panels have been installed at the roof of factory buildings and this has resulted in 8.7% of factory's electricity requirements met by solar energy.

TABLE 7: HLA'S ENERGY CONSUMPTION AND SCOPE 1 EMISSIONS, BY FUEL TYPE AND BUSINESS UNIT

Energy Consumption (Non-renewable)	Unit Measurement	2017	2018	2019	2020
<b>By Business Unit</b>					
BMU	TJ	8,399	8,099	7,947	6,478
Diesel Engine	TJ	370	375	458	613
<b>By Fuel Type</b>					
Coal	TJ	6,727	6,962	7,064	5,768
Gas and Diesel Oil	TJ	586	629	720	761
Others	TJ	1,456	883	621	561
<b>Total Energy Consumption</b>	<b>TJ</b>	<b>8,769</b>	<b>8,474</b>	<b>8,405</b>	<b>7,090</b>
<b>Overall Energy Intensity</b>	<b>TJ/\$ million</b>	<b>2.39</b>	<b>2.24</b>	<b>2.07</b>	<b>1.59</b>
<b>Scope 1 Emissions (By Business Unit)</b>					
	Unit Measurement	2017	2018	2019	2020
BMU	tCO <sub>2</sub>	1,740,384	1,841,504	1,759,408	1,469,372
Diesel Engine	tCO <sub>2</sub>	26,841	27,425	33,038	44,174
<b>Scope 1 Total Emissions</b>	<b>tCO<sub>2</sub></b>	<b>1,767,225</b>	<b>1,868,929</b>	<b>1,792,446</b>	<b>1,513,546</b>
<b>Scope 1 Emissions Intensity</b>	<b>tCO<sub>2</sub>/\$ million</b>	<b>481</b>	<b>494</b>	<b>442</b>	<b>339</b>

TABLE 8: HLA'S ELECTRICITY CONSUMPTION AND SCOPE 2 EMISSIONS, BY FUEL TYPE AND BUSINESS UNIT

Electricity Consumption (By Business Unit)	Unit Measurement	2017	2018	2019	2020
BMU	MWh	230,672	256,899	246,723	209,958
Diesel Engine	MWh	268,553	244,376	264,493	298,572
Electricity Generated from Solar Energy (Diesel Engine unit)	%	9.1	9.9	9.3	8.7
<b>Total Electricity Consumption</b>	<b>MWh</b>	<b>499,225</b>	<b>501,275</b>	<b>511,216</b>	<b>508,530</b>
<b>Overall Electricity Intensity</b>	<b>MWh/\$ million</b>	<b>136</b>	<b>132</b>	<b>126</b>	<b>114</b>
<b>Scope 2 Emissions (By Business Unit)</b>					
	Unit Measurement	2017	2018	2019	2020
BMU	tCO <sub>2</sub>	158,581	176,737	169,517	143,844
Diesel Engine	tCO <sub>2</sub>	188,249	169,728	184,997	210,069
<b>Scope 2 Total Emissions</b>	<b>tCO<sub>2</sub></b>	<b>346,830</b>	<b>346,465</b>	<b>354,514</b>	<b>353,913</b>
<b>Scope 2 Emissions Intensity</b>	<b>tCO<sub>2</sub>/\$ million</b>	<b>94</b>	<b>92</b>	<b>87</b>	<b>79</b>

## PERFORMANCE

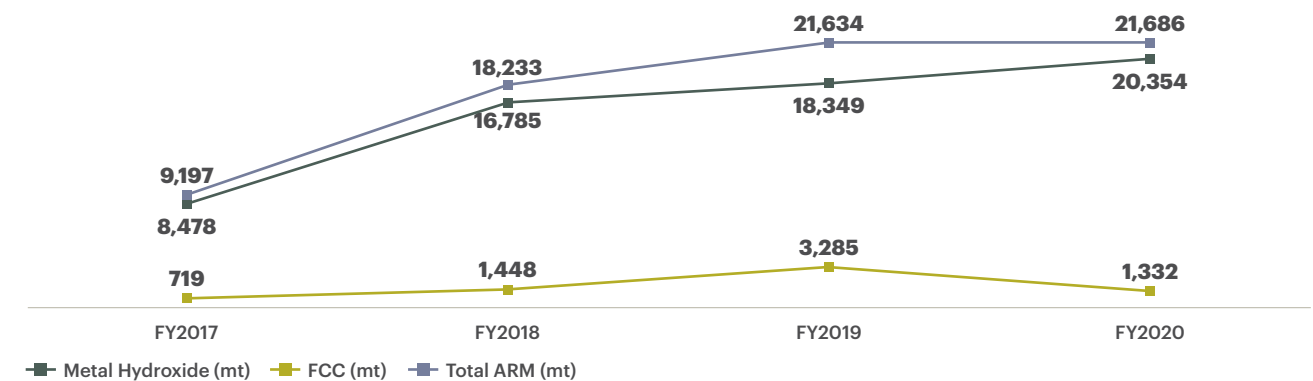
Meanwhile in **Tasek**, the IED continues to target the increase of ARM usage in the production of cement such as fly ash and copper slag, as well as review and test alternative fuels including waste oil, refuse-derived fuels, saw dust and soap sludge. We have adopted the guidelines on Environmentally Sound

Co-Processing of Scheduled Waste in Cement Industry developed by the Department of Environment in Malaysia in 2019.

This initiative targets to reduce clinker consumption which in turn, contributes towards the decrease in GHG emissions and pollution as well. The process of collecting treated scheduled

waste from other industries can reduce the need for disposal to landfill. The use of waste materials that includes metal hydroxide sludge and spent Fluid Catalytic Cracking Catalyst ("FCC") as ARM has increased this year and recorded cumulatively 70,750 metric tonnes from 2017 until 2020 seen in Table 9.

TABLE 9: UTILISATION OF ALTERNATIVE RAW MATERIALS IN CEMENT PRODUCTION (TASEK)





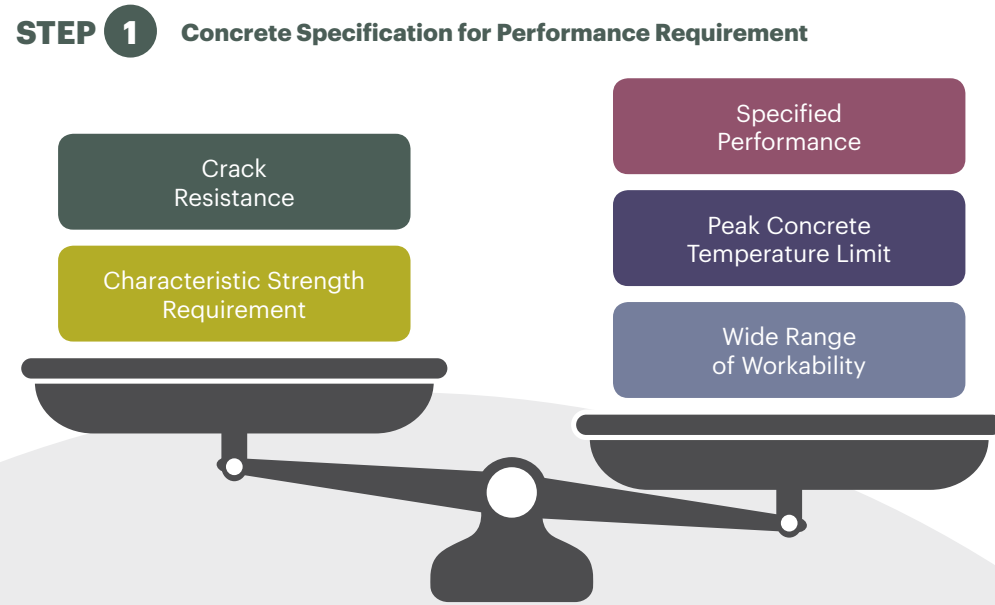
# SUSTAINABILITY REPORT

Under BMG, the cement and ready-mix concrete business units work hand-in-hand to develop greener products for our customers' needs in Singapore. Within R&D efforts, our technical team focuses on the manufacture of Portland fly-ash

concrete ("PFAC"). In 2020, the ready-mix concrete segment had successfully completed a commercial project to deliver 9000 cubic meters of PFAC 30.5 as a low-heat concrete product. More details on our design-mix approach and how particular

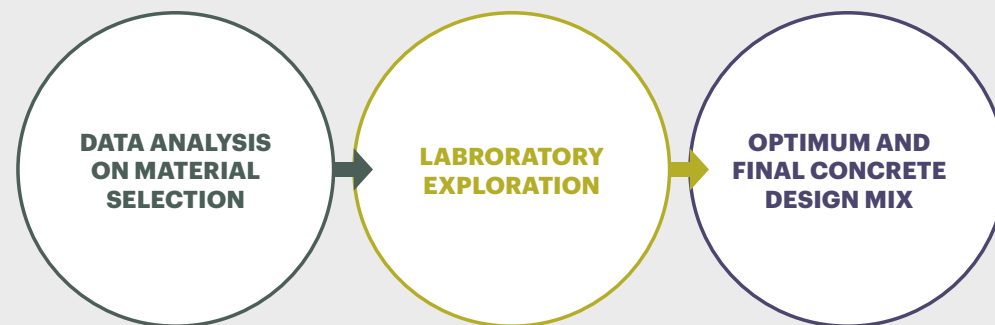
benefits of PFAC meet certain requirements not typical of traditional cement can be found in Figure 7 and Figure 8, respectively.

FIGURE 7: EVALUATION PROCESS FOR CONCRETE DESIGN MIX COMPOSITION



\*Note: Workability refers to how easily freshly-mixed concrete can be mixed, placed, consolidated and finished with minimal loss of homogeneity

**STEP 2 Material Evaluation and Selection**



**Other major considerations with regards to concrete performance:** Concreting construction methods to ensure good crack resistance, and that the proposed concrete mix can provide durability in its lifecycle.

FIGURE 8: BENEFITS OF PORTLAND FLY-ASH CONCRETE (PFAC)

**What is the alternative cement used in the manufacture of PFAC?**  
 PFAC utilises a "greener" cement as compared to Ordinary Portland Cement (OPC) which typically consists of 95% clinker which is the main material that contributes to carbon emissions in cement production. This alternative cement is a mix of OPC and pulverised fuel ash ("PFA") which is collected from the burning of pulverised coal in coal-fired electricity power stations. The ash is very fine and is removed from the flue gases by electrostatic precipitators. It is only procured from specific designated power plants with stringent quality control measures to ensure safe, consistent quality.

**How does this make PFAC green?**  
 Utilising PFA as its base material as opposed to pure OPC directly reduces the need for clinker production by between 30% to 50% and hence helps decrease

carbon emissions significantly. The treatment and utilisation of pulverised coal which is incorporated into the mix also helps to optimise recycled materials, reducing the consumption of natural raw materials, water and energy to create a more sustainable construction material.

**Not only green, PFAC also proves high quality and performance**  
 The components of PFA are fine and spherical in shape and hence, the workability of fresh concrete produced with PFA is improved during pumping and casting, producing a cementitious material that meets or even exceeds the functional performance capabilities of OPC. Other advantages of using PFA in comparison to OPC includes long-term strength development, lower water penetration and lower temperature rise which reduces the risk of thermal cracking during curing.



Fly-ash cement



Test trials on PFAC at Island Concrete Batching Plant, Singapore

## 8 DUST EMISSIONS MANAGEMENT

**MANAGEMENT APPROACH**

Dust is emitted during activities such as clinker grinding and concrete mixing as well as processing of other raw materials during the production process. The heads of our plant operations are committed to ensure dust emission mitigation measures are in place and effective at all times and we are in compliance with Environmental Quality (Clean Air) Regulation 2014 in Malaysia to

prevent air pollution and health issues in nearby communities.

As dust emissions are typically found to be of high levels within cement plant operations, Tasek has implemented dust emissions mitigation technologies to control dust emissions in a holistic manner since 2017.

An online real time continuous dust emission monitoring system

is installed in Tasek's cement plant and linked to the local Department of Environment's monitoring system. Any violation of dust emission levels will trigger the monitoring system to alert our production department to take prompt remedial action and investigation. A direct communication channel is provided for the nearby communities to enable them to address any relevant environmental issue to the plant's SHE Manager for corrective action.

# SUSTAINABILITY REPORT

## PERFORMANCE

At **Tasek**, dust emission limits have been lowered from 100 mg/Nm<sup>3</sup> to 50 mg/Nm<sup>3</sup> in 2019 in accordance with the Environmental Quality (Clean Air) Regulation 2014. In order to accommodate this new regulation, the cement manufacturing business unit completed the first phase of upgrading the dust collectors from an electrostatic precipitator to a European filter technology in 2019. The existing and upgraded dust

filtering systems have performed well during the year, meeting the dust emissions below the 50 mg/Nm<sup>3</sup> level. In rare occasions of a spike in dust emission due to unexpected break downs of certain plant processes, the operation personnel took prompt actions to rectify the issue and notified the regulators accordingly.

The second phase of upgrading our dust emissions filter system started in 2020 and is expected

to be completed in 2021 with the assistance of an external vendor.

Other than the cement manufacturing operation, we also place equal emphasis across our ready-mixed concrete batching operations and pre-cast plants to ensure our processes and maintenance of equipment are in good order to control dust emissions.

## MOVING FORWARD

Since our sustainability reporting journey started in 2016, the Group has made commendable efforts to learn about the various issues that concern our business units as we aim to assess and reformulate our approach.

In 2021, our key focus is to transition towards a more informative and proactive approach in our reporting framework and communications and build a strong foundation to

push our sustainability agenda forward. This will involve a revision of our sustainability framework and driving internal initiatives to work towards incorporating a suitable sustainability mind-set within the organisation. This will be complemented by professional trainings for our employees as well as establishing a dedicated advisory committee to delve deeper into specialised sustainability matters. By early 2022, we aim to gather internal feedback on the Group's

new sustainability framework implementation to close gaps and refine our work towards a more cohesive agenda in line with our overall business strategy.

We are looking forward to sharing a new roadmap towards sustaining responsible business growth for HLA in our 2021 Annual Report.

This Report is made in accordance with a resolution of the Board dated 23 March 2021.



*From left to right:*

**Saw Kok Wei**, President of Business Units of JP | **Ooi Boon Hoe**, CEO of JP  
**Stephen Ho**, CEO of HLA | **Logendran**, GM of ICPL

On 8th December 2020, Island Concrete (ICPL) signed a long-term lease agreement with Jurong Port (JP) to build and operate a ready-mixed concrete plant within the future JP RMC Eco-System.



*Artist Impression of Jurong Port Ready-Mixed Concrete Port-Centric Ecosystem  
(image credits: Jurong Port Pte Ltd)*



# GRI STANDARDS CONTENT INDEX

FOR 'IN ACCORDANCE' – CORE

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102-3	Location of headquarters	1
102-4	Location of operations	1
102-5	Ownership and legal form	Note 1 to the Financial Statements
102-6	Markets served	4-5
102-7	Scale of the organization	1-4, 22, 43, Balance Sheets, Note 24 to the Financial Statements
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102-11	Precautionary principle or approach	30-33, Corporate Governance
102-12	External initiatives	Nil
102-13	Membership of associations	The Cement & Concrete Association of Malaysia
<b>Strategy</b>		
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102-49	Changes in reporting	Nil
102-50	Reporting period	30
102-51	Date of most recent report	30
102-52	Reporting cycle	30
102-53	Contact point for questions regarding the report	30 sustainability@hla-grp.com
102-54	Claims of reporting in accordance with the GRI Standards	30
102-55	GRI content index	GRI Standards Content Index
102-56	External assurance	We have not sought external assurance for our 2020 sustainability report

GRI Standards Disclosure Number	Description	Page Reference / Reasons for Omission, if Applicable
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