

# FACETS OF GROWTH

Building on 60 Transformational Years

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## BOARD OF DIRECTORS



From left to right:  
(Seated)

**Kwong Ka Lo @ Caroline Kwong**  
**Kwek Leng Peck**  
**Maimoonah Binte Mohamed Hussain**

(Standing)

**Ng Sey Ming, Tan Chian Khong**  
**Kwek Pei Xuan and**  
**Stephen Ho Kiam Kong**

# ABOUT THIS REPORT

This Sustainability Report (“SR” or “Report”) showcases Hong Leong Asia Ltd’s (“HLA” or together with its subsidiaries, the “HLA Group”) sustainability approach, initiatives and performance from 1 January 2023 to 31 December 2023 (“FY2023”), unless otherwise stated. The Report has been prepared in accordance with Global Reporting Initiative (“GRI”) Standards and complies with the Singapore Stock Exchange Ltd (the “SGX-ST”) requirements on sustainability reporting.

In determining the scope of this Report, key entities of HLA from the Building Materials and Powertrain Solutions\* businesses where the HLA Group has operational control including offices, manufacturing plants and facilities in Singapore, Malaysia and China, and contributed over 99% of HLA’s revenue in 2023, are considered.

The businesses covered in this Report are:

1. Hong Leong Asia Ltd. - Corporate Office, Singapore;
2. Island Concrete (Private) Limited (“Island Concrete”), Singapore#;
3. HL Building Materials Pte. Ltd. – Corporate Office (“HLBM”), Singapore#;
4. R3 Precast of HL Building Materials Pte. Ltd (“R3 Precast”), Singapore#;
5. R3 Precast of HL-Manufacturing Industries Sdn. Bhd. (“HLMI”), Malaysia#;
6. Singapore Cement Manufacturing Company (Private) Limited (“SCMC”), Singapore#

\* Formerly known as the “Diesel Engines”

7. Tasek Corporation Berhad (“Tasek”), Malaysia;
8. China Yuchai International Limited (“CYI”), Singapore;
9. Guangxi Yuchai Machinery Company Limited (“GYMCL”), China.

Environmental, social and governance (“ESG”) topics selected are based on principles of materiality, sustainability context and stakeholder inclusion. We have also aligned material topics with the United Nations Sustainable Development Goals (“SDGs”), focusing on SDG 9, “Industry, Innovation & Infrastructure” and SDG 12, “Responsible Consumption and Production”. These two SDGs are most relevant to our businesses and are aligned to specific materials issues described in the Report.

A historical comparison to the previous years is presented where possible. We will continue to assess and improve our performance progress and data collection methodology over time. Certain prior years’ figures have been restated in this SR to reflect new and/or revised factors used in computations and for better comparison with 2023 disclosures.

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

The Report is published separately in digital format and available to shareholders via SGX-ST’s website and HLA’s website <https://www.hlasia.com.sg>.

This Report is made in accordance with a resolution of the Board dated 4 April 2024.

#2 – 6: These entities form the Building Materials Group, Singapore

# BOARD STATEMENT

## Dear Stakeholders,

Sustainability has always been at the heart of our guiding principles at HLA which has evolved into our core value, “Do the Right Things” where we lead by example to take ownership and accountability of the decisions and actions that impact our businesses and the environment. We believe that conducting our business with integrity and driving responsible green practices among our employees is vital towards long-term sustainable value creation for our stakeholders.

## COMMITMENT AND ACTION

Since 2016, HLA embarked on its sustainability reporting to improve and enhance our approach to provide transparent, succinct and focused information to our stakeholders. Guided by the Audit and Risk Committee (“ARC”), the Board has active oversight of HLA’s Sustainability Reporting process and risk management of key material issues under a holistic sustainability framework enabling us to manage pertinent Environment, Social and Governance (“ESG”) issues relating to HLA’s businesses. In 2021, HLA conducted a materiality assessment with key stakeholders and the ESG targets for 2025 were developed in 2022.

To sharpen HLA’s focus on sustainability, the Board Sustainability Committee (“BSC”) was set up in May 2023 to drive the implementation of HLA’s ESG strategies and initiatives, monitor and manage the sustainability performance of the Group as well as the setting of targets for continuous improvement to safeguard our operations, and support the safety and well-being of our employees.

We have also created a stronger link between ESG performance and the remuneration of Key Management Personnel (“KMP”) by including ESG as one of the four categories in our performance scorecard. Weightings are allocated to key performance indicators for key executives to ensure a balanced approach in assessing individual performance and determining the appropriate remuneration which is reviewed by the Remuneration Committee and approved by the Board. ESG key performance indicators form a minimum of 20% of total performance evaluation in 2024.

In 2023, we provided key updates under the Taskforce for Climate Financial Disclosures (“TCFD”) report pertaining to strengthened governance practices

as well as disclosing a more comprehensive overview of climate risks and opportunities on our Building Materials and Powertrain Solutions businesses.

The BSC is chaired by one of our Independent Directors, Ms Kwong Ka Lo @ Caroline Kwong and supported by Chief Executive Officer, Mr Stephen Ho Kiam Kong and Head of Sustainability and Corporate Affairs, Ms Kwek Pei Xuan, to bring greater focus on overseeing climate risks and opportunities while leveraging Ms Kwong’s experience in assessing green technology investments.

The updated analysis of our prioritised climate risks and opportunities involved a preliminary assessment to develop impact mapping pathways that describe the potential high-level impacts of 17 risks and opportunities. In our board meeting discussions, transition risks such as carbon pricing and investing in the right technologies continue to pose a greater concern due to their level of complexity and magnitude of impact on business sustainability. Furthermore, raw material, energy and transportation costs have increased substantially in parts of our business, making a stronger case to re-evaluate the way we operate. The ongoing review of our TCFD strategy has provided our leadership team with clearer strategy levers to support upcoming sustainability strategy and risk management framework reviews.

## PROGRESSING ON OUR SUSTAINABILITY COMMITMENTS

In 2023, the Group reached the midpoint mark of advancing towards its 2025 ESG targets, which are inextricably linked to our business strategy to propel HLA forward.

### Advancing towards Circularity

The Group’s carbon emission intensity against total revenue (Singapore Dollars) increased 15% in 2023 compared to 2022, mainly attributed to an increase in Scope 1 emissions from higher clinker production in our cement operations based in Ipoh, Malaysia, due to the recovery of the market. Tracking our 2023 performance review against 2016’s baseline, we have achieved a 28% reduction in carbon intensity. This is where our efforts towards achieving a 30% replacement rate of coal usage with alternative fuels (“AFs”) by 2025 plays a vital role in advancing our sustainability ambitions.

Due to limited flexibility in current feeding systems, the replacement rate of coal usage dipped to 12% compared to 16% in 2022. At the same time, alternative

## BOARD STATEMENT

raw materials usage surpassed the 2025 target by over 25% and the usage of clinker substitutes have increased 37%. To support these targets and drive our ambition further, Tasek has set up ReGen Sustainable Solutions Sdn Bhd<sup>1</sup> in 2023 to enhance our waste co-processing capabilities and advance in our circular economy strategies.

In China, we are closely monitoring the performance of our ESG targets. Overall, the Powertrain Solutions business has done well in transitioning its energy sources by eliminating coal for its blast furnace operations in mid-2023 and maintaining the utilisation of solar energy which made up 14.3% of the plant's total energy usage in 2023, an increase from 11% in 2022.

### Enhancing Green Product Capabilities

Our commitment to sustainability is evident in our products and services which are designed to reduce the carbon footprint associated with their manufacture and use. In enhancing our capabilities to offer greener building materials, we made progress in our green concrete products which saw an increase of 4% in sales compared to 2022, as well as the successful green certification of three cement and concrete products in Malaysia.

Under the Powertrain Solutions business, the new energy subsidiary, Yuchai Xin-Lan New Energy Power Technology Co., Ltd, established in August 2021, has increased sales of new energy products by 27% compared to 2022 with notable increase in demand for range extender solutions. A second research and development ("R&D") and production base in Wuxi High Tech Zone was set up during the year to develop high performance fuel cell stacks and systems in collaboration with Tsinghua University under Yuchai Cynland (Jiangsu) Hyentech Co., Ltd. Furthermore, Guangxi Foundry Company Ltd. – a wholly-owned subsidiary under China Yuchai International Limited's operating subsidiary, Guangxi Yuchai Machinery Co., Limited ("GYMCL"), was also set up to tap onto our casting capabilities on diesel engines to produce wind turbine shafts for the Chinese market. These are steps that signify the Group's ESG commitments, leveraging green technology to build sustainable cities of the future.

### Creating an Impact Beyond Our Business

Over the decades, we have made meaningful investments to advance our business and create positive impact in the communities where we operate. On the social front, we continue to focus on uplifting communities as well as integrating sustainability education across our community engagement and volunteering efforts in Singapore and Malaysia in 2023. These activities included our continued collaboration with Dazhong Primary School to empower 40 Eco-Champions, urban and beach clean-up activities involving 138 volunteers and donations of building materials nearing 30 tonnes to build social infrastructures. We were heartened to see an increase in employee volunteerism from 12% in 2022 to 18% in 2023. In China, GYMCL recorded over 10,000 volunteering hours for the year. The social focus in China is centred on supporting the disadvantaged and their communities through the education of individual health and well-being habits, dissemination of waste management knowledge and refurbishing old facilities.

As a Group, notwithstanding the economic and societal challenges, we also saw the opportunity to clarify our corporate responsibility approach while enhancing synergies with our businesses and capabilities. We embarked on a journey to refresh our approach to shift towards a shared value concept that strives to create positive environmental and social impact and deliver innovative solutions in the process.

In December 2023, we launched the **BeyondHLA** impact programme with a strengthened purpose built upon HLA's 2025 Vision, defined by three focus areas that include Sustainable Cities and Communities, Enabling Solutions for Healthier Environments and Communities and Educating Future Generations. The last focus area was evident through the sustainability education workshops for primary education students over the last three years to raise awareness on climate change, develop solutions for future cities and leadership skills. Looking ahead, we are excited to develop new initiatives in our other focus areas.

<sup>1</sup> Formerly known as Ecostari Resource Management Sdn Bhd.

## BOARD STATEMENT

### Ensuring Responsible Procurement

In 2023, we launched an updated Supplier Code of Conduct (“Code”) to reflect our ESG ambitions. The Code establishes clear expectations on our suppliers to meet HLA’s ESG standards and to provide disclosure of their organisation’s ESG performance guided by a self-assessment questionnaire to be submitted on an annual basis.

In Q2 2023, we rolled out the Code to our procurement teams in the Building Materials business in Singapore and Malaysia, garnering a 99% response rate from high-value suppliers. This first review indicates that most respondents have established a health and safety management system but lack environmental management and monitoring of greenhouse gas emissions. For corporate governance practices, 55% respondents shared that these policies are implemented in their organisations.

For the Powertrain Solutions business in China, a separate roll-out and briefing was conducted on-site in Q4 2023 and we expect to launch it with selected high-value suppliers in 2024. Over the long-term, this initiative will signify our commitment to improve collaboration with our respective supply chains and progressively reduce emissions in the built environment and transportation industries.

### Continuing Focus on Safety Leadership

Just as important as our business accomplishments is the manner in which we achieve them. HLA constantly upholds and maintains high corporate governance standards to provide a safe and healthy workplace for our employees. We closed 2023 with zero workplace fatalities and injuries for third-party transportation of our products. However, there were 11 lost-time injuries (“LTIs”) involving five employees and six contractors recorded at our Singapore and Malaysia sites due to non-compliance with procedures.

During the year, we formalised safety standards across all subsidiaries under HLA with the implementation of the Group’s Occupational Health and Safety (“OHS”) policy that states zero tolerance for fatalities and injuries across our

sites and third-party transportation of our products. Following this, the Group has increased efforts to audit and review gaps in policies and practices that may affect safety performance.

We recognise we need to invest more effort to improve our overall safety performance and will continue to work towards maintaining zero fatalities and safeguarding the health and well-being of our employees.

### LOOKING AHEAD

Last August, HLA celebrated its 60<sup>th</sup> anniversary, marking our integral role in supporting the foundations of building and moving in Asian cities in the last six decades. To that end, we will continue to progress toward our 2025 Vision and seize opportunities in new challenges.

We will collectively innovate and pursue new ways to reduce carbon emissions in our operations and our products, and actively support the green transition of the built environment and transportation industries. We will also continue the momentum on achieving our 2025 ESG targets as well as better positioning our sustainability priorities and ambitions ahead of 2025. We will prioritise strengthening key initiatives such as Scope 3 emissions data collection, community engagement programmes, developing our diversity, equity and inclusion policy, supply chain audits and promoting safety leadership.

The three pillars of “**Driving Innovation for a Low-Carbon and Circular Economy**”, “**Empowering Our People and Communities**” and “**Building Resilience for the Long-Term**” have been well articulated in our sustainability journey, cultivating our key strengths to sustain our competitiveness. Looking ahead, we are excited to create more meaningful and positive impact for the next 60 years for our customers, communities and cities of the future.

**BOARD OF DIRECTORS**  
**Hong Leong Asia Ltd.**  
**4 April 2024**

# OUR APPROACH TO SUSTAINABILITY

## SUSTAINABILITY FRAMEWORK

The HLA Group Sustainability Framework provides a clear articulation of the Group’s sustainability priorities. Its three interconnected pillars encompass the material ESG topics facing HLA Group. Ensuring the sound management of these material topics is crucial to the success of our business strategy to create long-term value for our stakeholders.

### HLA 2025 VISION

At HLA, our vision is to develop and deliver sustainable and innovative urban solutions for cities of the future. Our core values set the foundation for building resilience for the long-term.



#### DRIVING INNOVATION FOR A LOW-CARBON AND CIRCULAR ECONOMY

1. Energy Consumption and CO<sub>2</sub> Emissions
2. Alternative Cement & Concrete Products
3. Energy Efficient Products
4. Circular Economy and Waste Management
5. Product Quality and Customer Satisfaction



#### EMPOWERING OUR PEOPLE AND COMMUNITIES

1. Community Engagement
2. Diversity, Equity, Inclusion and Talent Management



#### BUILDING RESILIENCE FOR THE LONG-TERM

1. Ethical Conduct and Regulatory Compliance
2. Cybersecurity and Data Protection
3. Responsible Supply Chain
4. Occupational Health, Safety and Welfare



KEEP THE CUSTOMER FIRST



DO THE RIGHT THINGS



THINK FAST, WORK FASTER



MIND THE DETAILS THAT MATTER



CREATE AN IMPACT BEYOND OUR BUSINESS

**Notes:** To differentiate the material topic “Innovative Products” between our core business units as seen on the materiality matrix on p.13, we have renamed the two material issues “Alternative Cement and Concrete Products” and “Energy Efficient Products” for the Building Materials and Powertrain Solutions businesses, respectively.

The topic “Responsible Supply Chain” was formerly known as “Supply Chain Management” and was renamed to reflect the integration of ESG in our practices.



# OUR APPROACH TO SUSTAINABILITY

## SUSTAINABILITY GOVERNANCE

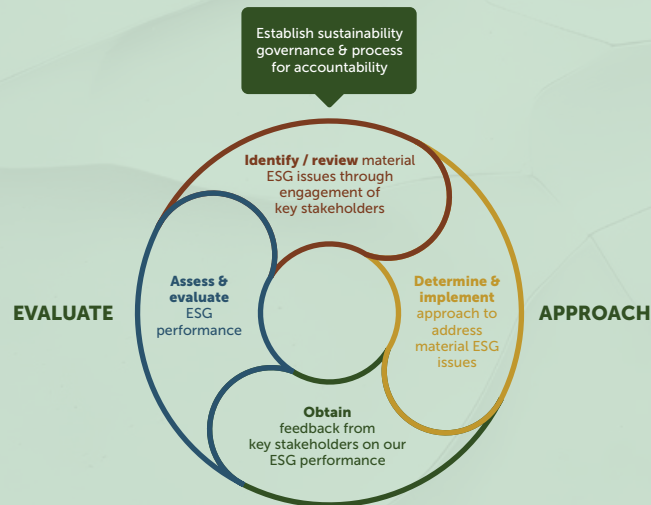
The Board of Directors (the "Board") is entrusted to provide transparency and visibility into HLA's risk management practices as well as to ensure the reliability, adequacy and effectiveness of internal controls through the support and recommendation of the ARC.

In May 2023, the Board Sustainability Committee ("BSC") was set up to provide specific oversight of the HLA Group's sustainability framework, governance and reporting, which previously were under the purview of the ARC. The BSC would now assist the Board in driving sustainability and climate-related agenda. The Building Materials business, made up of Building Materials Group, Singapore, and Tasek Corporation Berhad in Malaysia, currently have their own Environmental, Social and Governance ("ESG") Impact Working Groups. China Yuchai International Limited ("CYI")/Guangxi Yuchai Machinery Company Limited ("GYMCL") have also formed an ESG Committee. Meanwhile the HLA Sustainability Team would oversee sustainability related issues, support the progress tracking of the ESG commitments and strategies of the above business units and report to the BSC; which in turn would report to the Board.

The Chief Executive Officer ("CEO") oversees the overall effectiveness of this process as part of managing the internal control and risk management framework of the Group's businesses and operations.

HLA has established the links between its ESG performance with the remuneration of key executives. The key performance indicators ("KPIs") on our ESG performance including those of the health and safety of our employees and the use of recycled and alternative materials in cement and concrete, have been implemented and cascaded down to the business leaders in 2023. In 2024, it was expanded to include the participation of business and functional leaders, at least once a quarter on health and safety activities like safety audits, training and talks. All leaders must also participate in one corporate social responsibility ("CSR") activity and ensure at least 30% of employees participate in one CSR activity during the year. The ESG KPIs form a minimum of 20% of total performance evaluation in 2024.

### HLA'S SUSTAINABILITY GOVERNANCE PROCESS



### HLA'S SUSTAINABILITY GOVERNANCE STRUCTURE







# OUR APPROACH TO SUSTAINABILITY

## HLA'S KEY STAKEHOLDERS AND MATERIALITY ASSESSMENT PROCESS

### Our Key Stakeholders

We recognise the importance of engaging our stakeholders and define key stakeholders as groups that the HLA businesses in Singapore, Malaysia and China may have a significant impact on or vice versa, and those with a vested interest in our business conduct. They include shareholders, customers, employees, local communities, government agencies, industry associations, suppliers and business partners.

Recognising the importance of engaging our stakeholders to encourage open communication and build relationships, we have adopted a stakeholder-inclusive approach – understanding the diversity of our stakeholders, keeping our ears to the ground and staying abreast of industry trends – and deployed various platforms to this end. The frequency of ongoing engagement with our stakeholders varies with their concerns and needs as well as with the topics of engagement.



# OUR APPROACH TO SUSTAINABILITY

## STAKEHOLDERS ENGAGEMENT



### KEY STAKEHOLDERS



### MATERIAL ESG ISSUES



### ENGAGEMENT PATHWAYS

#### CUSTOMERS

Our customers are the reason for our business existence. We aim to assist our customers to meet future requirements and transit to a low carbon economy with key focus on sustainable and innovative urban solutions in the built environment and transport sectors.

- Energy Consumption and CO<sub>2</sub> Emissions
- Alternative Cement and Concrete Products (BMG, Singapore)
- Energy Efficient Products (CYI / GYMCL)
- Product Quality and Customer Satisfaction

- Customer Surveys (Yearly)
- Materiality Survey (2021)
- Rebranding Projects
- Partnerships / Joint Ventures
- Customer Site Visits
- Service Centres / Call Centres, Mobile Applications, Online Channels
- After-Sales Services (CYI / GYMCL)

#### EMPLOYEES

Our employees are the engines that drive our business forward, anticipating needs of our customers, delivering value and executing business strategies.

- Diversity, Equity, Inclusion and Talent Management
- Occupational Health, Safety and Welfare

- Recruitment Channels
- Talent Management Programme
- Occupational Health and Safety Channels (toolbox meetings, management meetings, trainings)
- Employee Surveys
- Materiality Survey (2021)
- Rebranding Projects
- Training and Development Initiatives
- Town Hall Meetings, Management Meetings, Department / Team Bonding
- Staff Engagement Events and Wellness Activities
- Newsletters, Bulletin Boards, Email Communication
- Whistleblowing Channel

# OUR APPROACH TO SUSTAINABILITY



## KEY STAKEHOLDERS



## MATERIAL ESG ISSUES



## ENGAGEMENT PATHWAYS

### GOVERNMENT AGENCIES AND AUTHORITIES

Beyond meeting regulatory requirements, we recognise the importance of building partnerships and good relations with the authorities and regulators to participate in nation building and development.

- Energy Consumption and CO<sub>2</sub> Emissions
- Circular Economy and Waste Management
- Ethical Conduct and Regulatory Compliance
- Occupational Health, Safety and Welfare

- Materiality Survey (2021)
- Site Inspections, Site Audits Reports Submissions
- Meetings, Trainings, Seminars, Technical Committees at respective industry associations

### LOCAL COMMUNITIES

We are part of the communities wherever we operate. We are committed to invest our resources in the local communities to support their well-being and development.

- Dust and other Emissions Management
- Community Engagement

- Environmental and Social Impact Activities and Initiatives
- Partnerships or Collaborations with Non-Governmental Organisations

### SHAREHOLDERS, INVESTORS, ANALYSTS AND MEDIA

We aim to maximise shareholder value and implement prudent risk management to ensure company financial resilience and embed sustainability strategies into the business.

- Energy Consumption and CO<sub>2</sub> Emissions
- Ethical Conduct and Regulatory Compliance

- Annual General Meeting
- Corporate Websites, Annual Reports, Financial Reports
- Meetings, Presentations and Dialogues

### SUPPLIERS, CONTRACTORS AND VENDORS

Across our value chain, we expect our suppliers to adhere to our policies and codes. In addition, we recognise the important role we play in collaborating with our suppliers, contractors and vendors to improve sustainable and responsible practices.

- Ethical Conduct and Regulatory Compliance
- Occupational Health, Safety and Welfare
- Responsible Supply Chain

- Supplier Evaluation (Yearly)
- Supplier Code of Conduct Self-Assessment (Yearly)
- Materiality Survey (2021)
- Health and Safety Trainings / Inductions
- Tender/Bidding Process, Request for Proposals / Support, Meetings, Dialogues

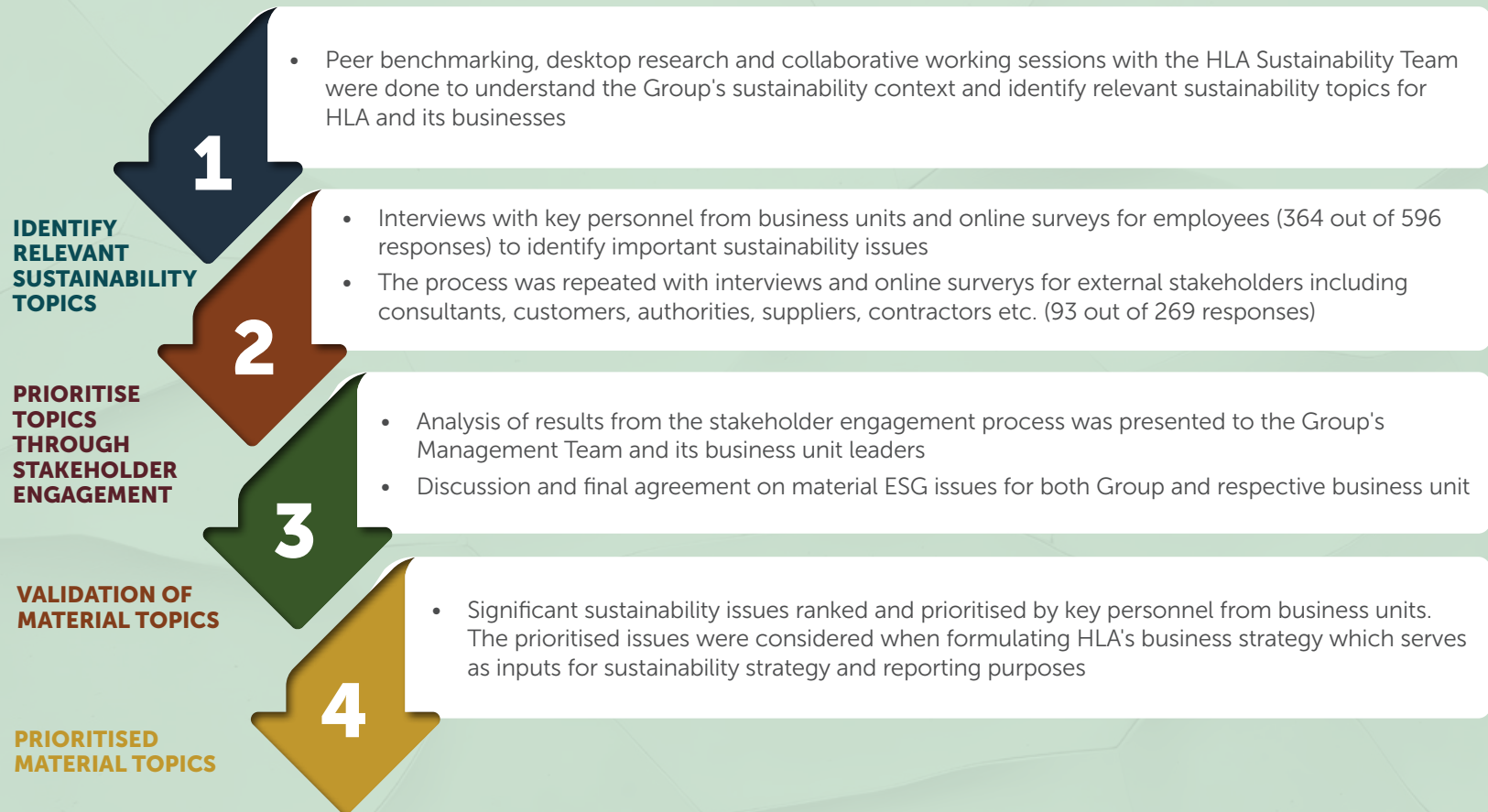
# OUR APPROACH TO SUSTAINABILITY

## MATERIALITY ASSESSMENT

HLA conducted our sustainability materiality assessment in 2021 to re-frame the ESG concerns from the respective business key stakeholders. The material issues have been updated accordingly.

To understand the sustainability concerns and identify relevant sustainability key topics, we followed the process as shown below.

### HLA GROUP MATERIALITY ASSESSMENT PROCESS

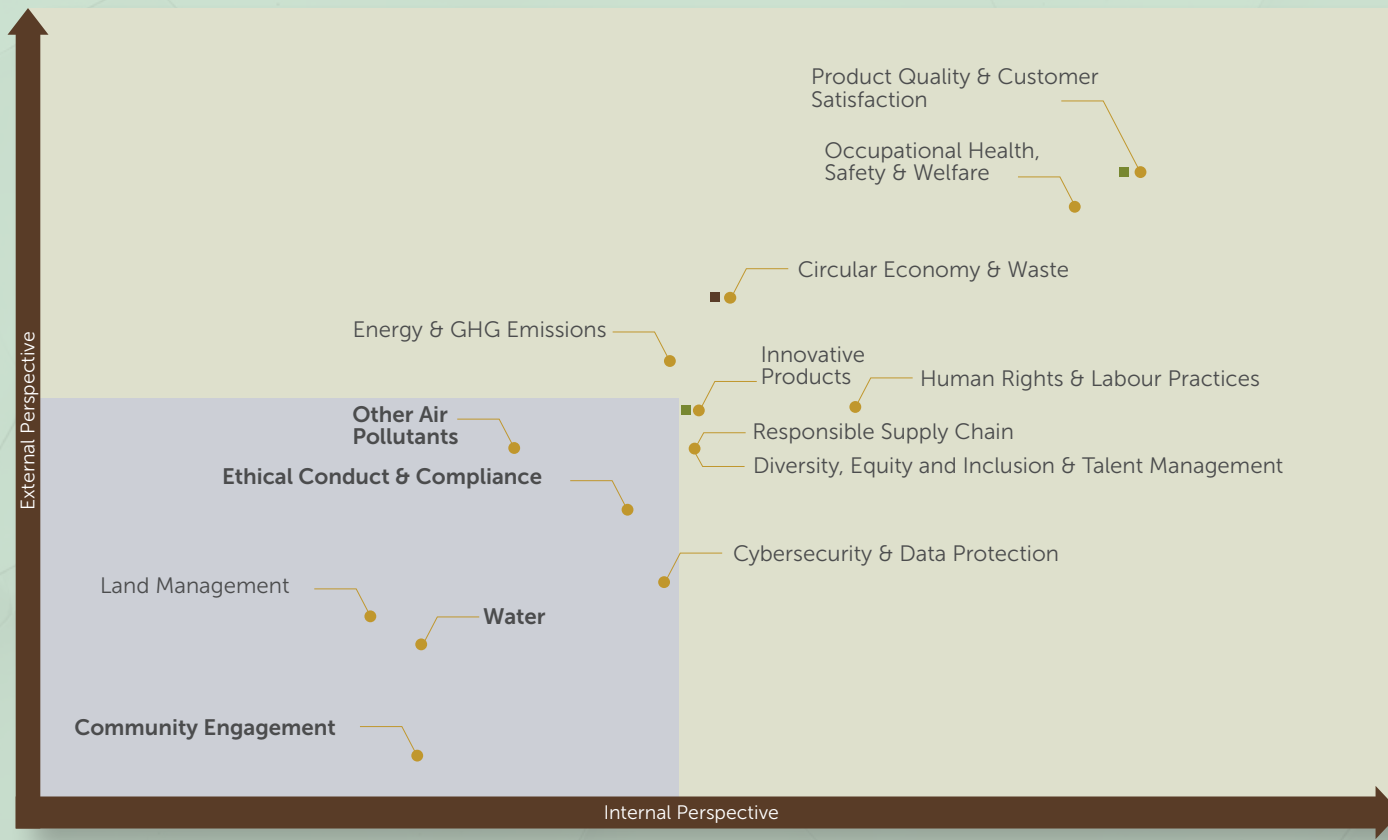


# OUR APPROACH TO SUSTAINABILITY

HLA's materiality matrix is summarised from our engagement with various stakeholders both internally and externally. The list of ESG issues were mapped onto a matrix reflecting the importance of key stakeholders (external) and HLA (internal).

The materiality matrix compiled reflected a strong consistency between internal and external ratings on the material issues. It also served to affirm the high relevance of SDGs 9 and 12 to the HLA Group's businesses.

## HLA MATERIALITY MATRIX



Note: Material issues bolded within the blue box were included as key prioritised topics during the management workshops.



### SDG 9

- Innovative Products
- Product Quality & Customer Satisfaction



### SDG 12

- Circular Economy & Waste

- HLA prioritised material issues
- SDG 9: Industry, Innovation and Infrastructure
- SDG 12: Responsible Consumption and Production



# DRIVING INNOVATION FOR A LOW- CARBON & CIRCULAR ECONOMY

Cities of the future must transition towards a low-carbon economy in order to mitigate and adapt to climate change. This must also be supported by adopting a circular economy approach that removes waste and maximises the value of limited resources.

We see these changes as opportunities to transform the business. We optimise our operations to reduce environmental footprint, and use natural resources more efficiently by replacing raw materials with more sustainable alternatives.

We partner with our customers and other players in the value chain to create sustainable and innovative urban solutions in the Building Materials and Powertrain Solutions sectors.



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2023 PERFORMANCE	STATUS	2025 TARGET	
Energy Consumption and CO <sub>2</sub> Emissions	Percentage reduction in CO <sub>2</sub> emission intensity (t CO <sub>2</sub> /SGD Revenue) vs 2016 baseline	28%		≥50%	
	Scope 3 Emissions Reporting (in alignment with TCFD reporting requirements by SGX)	Scope 3 baseline data for 2021 reported as a case study		Report on a comply or explain basis by 2023	
Alternative Cement & Concrete Products (Building Materials)	Percentage of sales volume from innovative / certified green concrete products under Green Mark / SGBC (Singapore)	12%		≥20%	
	Number of new products registered under recognised Malaysia green bodies	3 Tasek cement products & 2 Tasek concrete mix certified		Certify 2 Tasek cement & 2 Tasek concrete mix products	
Energy Efficient Products (Powertrain Solutions)	Percentage of new energy products sold against overall Powertrain Solutions sales	3%		≥20%	
Circular Economy and Waste Management	Clinker-to-cement ratio - use of fly ash, limestone, slag and other cementitious materials to lower the ratio and replace clinker in cement mix	0.87		≤0.75	
	Percentage of recycled/alternative raw materials in total concrete volume	28%		≥35%	
	Percentage of concrete waste generated from total volume (excluding sludge)	Singapore	4.3%*		<0.5%
		Malaysia	0.5%		
	Alternative raw materials used in the calcination process	63,279 MT		>50,000 MT	
	Percentage of coal substitution by alternative fuels in calorific value basis	12%		>30%	
	Utilisation rate of foundry waste sand	92%		≥90%	
Recycling of casting waste	100%		Maintain 100%		
Dust and Other Emissions	Fines / complaints on dust emissions from authorities	0		Zero incident	
	Dust emission levels	< 15mg/Nm <sup>3</sup> (Building Materials)		< 50mg/Nm <sup>3</sup> continuously (Building Materials)	
		Performance will be reported from FY2024 onwards (Powertrain Solutions)		< 30mg/Nm <sup>3</sup> (Powertrain Solutions)	
	SOx, NOx, VOC emissions	NOx – 1,279 g / t clinker SOx – 19 g / t clinker VOC – 45 kg / year		Data to be assessed / collected and reported by 2023	
Product Quality and Customer Satisfaction	Average Customer Satisfaction Score based on annual surveys / feedback	84% (Building Materials) 85% (Powertrain Solutions)	 	≥90% (Building Materials) ≥85% (Powertrain Solutions)	

\* Data for Singapore include sludges which is not possible to exclude at the moment.

To improve    On track    Target achieved

# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## HLA GROUP

### ENERGY CONSUMPTION & CO<sub>2</sub> EMISSIONS

HLA's core businesses in Building Materials and Powertrain Solutions are energy intensive. For the Building Materials unit ("BMU"), coal is the main source of fuel used in the kiln for clinker production at Tasek while other sources of energy include diesel, alternative fuels and electricity. The industrial operations of the business in Singapore and Malaysia, spanning offices, batching plants, silos and the transportation of products to customers, require high energy consumption daily.

Across our operations, energy consumption is closely monitored and managed by the operations team on a daily basis and reported quarterly to the HLA Sustainability Team. This data analysis helps to identify any anomalies which are then further investigated so that remedial actions can be taken. For instance, Tasek's cement operations has an online power monitoring system to control the efficiency of major plant equipment during the production of clinker and cement. This system was upgraded in 2021 and integrated into the plant computerised control system.

We also took migratory steps such as utilising lower-carbon emission alternative fuels ("AFs") to replace coal, and alternative/substitute materials like pulverised fly ash ("PFA") and ground-granulated blast furnace slag ("GGBS") to reduce the carbon intensity of cement production.

Our Powertrain Solutions operations also uses a considerable amount of electricity. To mitigate this, solar panels were installed at manufacturing plants to reduce electricity consumption. Other initiatives include voltage control and optimisation at the substation via reactive power compensation, changing electric heating pipe to heating with heat pump, and implementing heat-waste drying technology.



### PROGRESS ON 2025 TARGETS

CO<sub>2</sub> emission intensity of the HLA Group's business operations registered an increase in 2023 compared to 2022, primarily due to reduced revenue contribution from the Powertrain Solutions business and increased clinker / cement production from the Building Materials business. We will continue to closely monitor our emission profile and carbon intensity of the Group's business activities in the transition to the lower carbon economy.

Over 2022 and 2023, a scenario analysis aligned with TCFD requirements was conducted by an external consultant. Data collection for Scope 3 emissions have been completed in line with our 2025 Target. Moving forward, we will continue to validate the Scope 3 baseline emission data.

### HLA GROUP CO<sub>2</sub> EMISSIONS

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
Energy Consumption and CO <sub>2</sub> Emissions	Reduction in CO <sub>2</sub> emission intensity (t CO <sub>2</sub> / SGD Revenue) vs 2016 baseline	46%*	38%	28%	≥50%
	Scope 3 Emissions Reporting (in alignment with TCFD reporting requirements by SGX)	NEW	TCFD Consultant selected. Data collection in progress.	Scope 3 baseline data for 2021 reported as a case study.	Report on a comply or explain basis by 2023.

To improve    On track    Target achieved

\*Note: Numbers for bulk density of fuels have been restated, taking into account the emission factors for grid electricity to Energy Market Authority (Singapore factors), Sustainable Energy Development Authority (Malaysia factors) and International Energy Agency (China factors).



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY



### POWERTRAIN SOLUTIONS

**CHINA**

- Engine Production Facility in Yulin
- R&D Facility in Nanning and Wuxi

**Total Energy Consumption:**  
**1,158 TJ**



### BUILDING MATERIALS

**MALAYSIA**

- Cement Plant
- Ready-mix Concrete Batching Plants
- Precast Fabrication and Assembly Facility
- Quarries

**Total Energy Consumption:**  
**7,848 TJ**

**SINGAPORE**

- Cement Silo Terminal
- Ready-mix Concrete Batching Plants
- Precast Fabrication and Assembly Facility

**Total Energy Consumption:**  
**121 TJ**

## 2023 PERFORMANCE

Total energy consumption for the Group's operations in Singapore, Malaysia and China increased approximately 20% to 9,127 TJ for FY2023, primarily due to increased clinker / cement production in Malaysia which have returned to pre-pandemic levels.

CO<sub>2</sub> emissions produced by operations in Singapore, Malaysia and China in FY2023 had increased compared to the prior year due to the improved built environment landscape leading to increased clinker production in Malaysia. In FY2023, purchased electricity (Scope 2 emissions) to power HLA's businesses which include properties, operations and utilities made up 14% of the HLA Group's overall CO<sub>2</sub> emissions. Scope 1 from the combustion of fossil fuels and calcination of limestone, which is inherent in clinker production, accounted for the remaining 86% of the HLA Group's total carbon footprint for FY2023.

To reduce CO<sub>2</sub> emissions from business activities, the Group has prioritised the use of AFs and hence, set a 30% replacement target for coal in 2025. We continue to address operational efficiencies to enable us to consume a higher proportion of AFs as well as increase investments to process these waste materials better. In addition, an energy audit was conducted at Tasek in Malaysia over 2022 and 2023 to identify energy efficiency solutions. Since mid of 2023, the solar panels at R3 Precast's manufacturing facility - HL-Sunway Prefab Hub, our integrated construction and prefabricated hub, in Punggol Barat, Singapore, had been commissioned, partially offsetting the operation's energy consumption.

With the above mentioned initiatives, HLA has avoided emitting approximately 166,000<sup>1</sup> tonnes of CO<sub>2</sub> annually since 2016. This is equivalent to 36,940 passenger vehicles driven in one year<sup>2</sup>.

1 Figures based on internal calculations which have not undergone external verification.  
2 Source - <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## HLA GROUP CO<sub>2</sub> EMISSIONS BY SCOPE 1, SCOPE 2 AND TOTAL (BY COUNTRY)

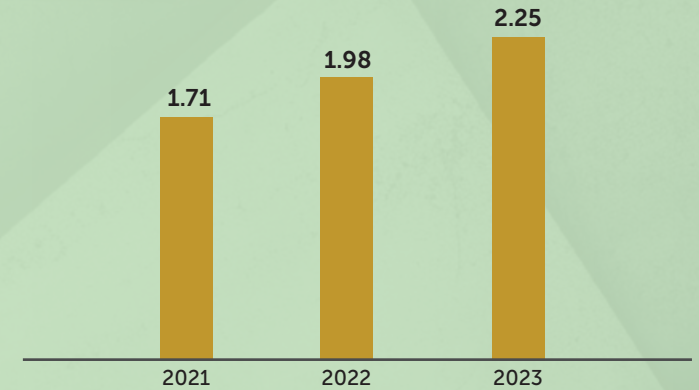
SCOPE 1 EMISSIONS (BY COUNTRY)	UNIT MEASUREMENT	2021	2022	2023
Singapore	tCO <sub>2</sub>	6,042	6,523	6,598
China	tCO <sub>2</sub>	50,589	38,145	39,052
Malaysia	tCO <sub>2</sub>	1,370,936	1,290,337	1,599,039
<b>Scope 1 Total Emissions</b>	tCO <sub>2</sub>	<b>1,427,567</b>	<b>1,335,005</b>	<b>1,644,689</b>

SCOPE 2 EMISSIONS (BY COUNTRY)	UNIT MEASUREMENT	2021	2022	2023
Singapore	tCO <sub>2</sub>	2,492	3,255	3,619
China	tCO <sub>2</sub>	146,521	88,047	92,401
Malaysia	tCO <sub>2</sub>	135,168	136,409	169,264
<b>Scope 2 Total Emissions</b>	tCO <sub>2</sub>	<b>284,181</b>	<b>227,711</b>	<b>265,284</b>

TOTAL CO <sub>2</sub> EMISSIONS (BY COUNTRY)	UNIT MEASUREMENT	2021	2022	2023
Singapore	tCO <sub>2</sub>	8,534	9,778	10,217
China	tCO <sub>2</sub>	197,110	126,192	131,453
Malaysia	tCO <sub>2</sub>	1,506,104	1,426,746	1,768,303
<b>HLA Group Total CO<sub>2</sub> Emissions</b>	tCO <sub>2</sub>	<b>1,711,748</b>	<b>1,562,716</b>	<b>1,909,973</b>
<b>HLA Group CO<sub>2</sub> Intensity</b>	tCO <sub>2</sub> / SGD million	<b>349</b>	<b>406</b>	<b>471</b>

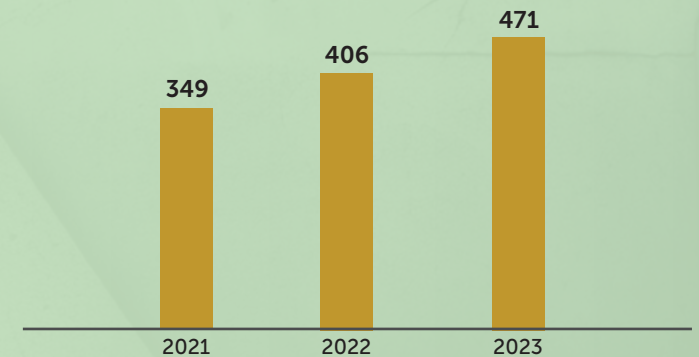
## HLA GROUP AVERAGE ENERGY INTENSITY

TJ / million (SGD Revenue)



## HLA GROUP AVERAGE CO<sub>2</sub> INTENSITY

tCO<sub>2</sub> / (SGD Revenue)



\*Note: All CO<sub>2</sub> calculation is as per 2006 IPCC Guidelines for National Greenhouse Gas Inventories, GHG Protocol and Cement Sustainability Initiative.

\*\*Note: Numbers for bulk density of fuels have been restated taking into account the emission factors for grid electricity according to Energy Market Authority (Singapore factors), Sustainable Energy Development Authority (Malaysia factors) and International Energy Agency (China factors).



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY



## HLA SCOPE 3 INVENTORY

In 2022, HLA engaged an external consultant to assist in determining the Scope 3 inventory across the supply chain in Singapore, Malaysia, and China for the Building Materials and Powertrain Solutions businesses. The following summarises the key steps undertaken in 2023:

### Q1 - SETTING BOUNDARY AND IDENTIFICATION OF EMISSIONS SOURCES

- Screening template
- Prioritisation of Scope 3 categories

### Q2 TO Q3 - DATA COLLECTION AND CONSOLIDATION

- Scope 3 data collection template
- Engagement and clarification with business units

### Q4 - SCOPE 3 INVENTORY

- Data processing and calculations
- Presentation to business units

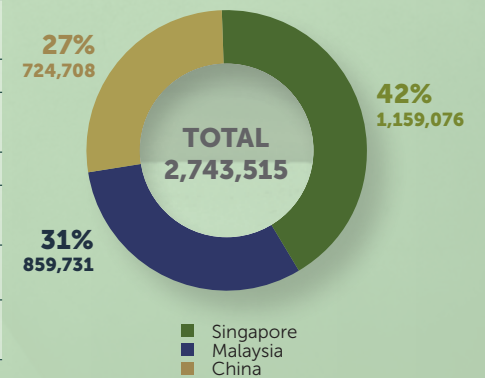
Initial screening and prioritisation for 15 categories of Scope 3 based on the GHG Protocol were conducted in first quarter in 2023 based on materiality, measurability, estimated size and controllability. The data collection templates were then designed and rolled out to the business units with a series of engagements, clarifications and walkthroughs. Finally, appropriate emission factors (calculated using either spend-based, activity-based or average data methods) were developed to calculate HLA's Scope 3 emissions. Significant efforts were made in the data collection process. The analysis and the most material categories which have been prioritised are summarised in the table on the right.

Categories 1, 3 and 11 cover almost 98% of Scope 3 emissions. A summary of the HLA Group's Scope 3 emission profile in 2021 is presented below. It is anticipated that Scope 3 will contribute 60% to HLA's overall GHG emission profile. Accuracy of data will be improved in the coming years by transitioning our data collection methodology from activity-based to supplier-based and therefore, progressively replacing spend-based data with material weight / mass data. This set of data will be validated and be reported for the financial year ending 31 December 2024.

SCOPE 3 CATEGORIES	%	DETAILS
Purchased goods and services (Category 1)	78.6	Purchase of raw materials including cement, aggregates, steel etc.
Use of sold products (Category 11)	11.5	Diesel engines used in its lifetime*.
Fuel- and energy-related activities (Category 3)	7.9	Mainly from purchased electricity and fuels for operations.
Upstream transportation & distribution (Category 4)	0.8	Majority attributed to road freight.
Processing of sold products – (Category 10)	0.6	Processing of cement into other products e.g. precast/concrete.
Capital goods (Category 2)	0.4	Related to CAPEX and machinery expenses.
Waste generated in operations (Category 5)	0.1	Landfilling of waste materials generated from operations.

Note: Figures may not add up to 100% due to rounding.  
 \*Note: HLA is currently assuming 15 years for diesel engine lifetime.

### HLA GROUP - SCOPE 3 (t CO<sub>2</sub>e)



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## BUILDING MATERIALS

### ALTERNATIVE CEMENT & CONCRETE PRODUCTS

For much of the built environment, the cement and concrete used have significant carbon footprint. Annually, the cement and concrete industry accounts for approximately 8% of global CO<sub>2</sub> emissions. In cement manufacturing process, clinker is produced when calcined limestone reacts with silica-bearing minerals in a kiln to form a mixture of calcium silicates and in turn generates the biggest share of CO<sub>2</sub> emissions in the cement-to-concrete value chain.

In FY2023, the Building Materials business continued with process improvements to develop and adopt cost-efficient substitution of raw materials and AFs, as well as to implement measures that reduce waste consumption in production.

In Singapore, we continuously work to improve on the manufacturing of lower-carbon intensity concrete products. At Island Concrete, fly ash cement, GGBS and recycled concrete aggregates ("RCA") are used to manufacture a range of certified green concrete called Envirocrete or Ecocrete (161 different mixes), delivering lower carbon footprint with similar performance compared to using ordinary portland cement.

Certified by Singapore Green Building Product ("SGBP"), an industry standard environmental certification under Building and Construction Authority ("BCA") in Singapore, Island Concrete's range of green concrete products are supplied to various construction and infrastructure projects for the built environment sector in Singapore.

At our Malaysian operations, Tasek develops cement products with lower clinker content as specified under the Malaysian Standards Specification for Cement. The products have lower emissions and energy consumption profiles, and typically includes substituting clinker with PFA and GGBS. Currently, Tasek markets its lower carbon intensity cement as a "CEM II/A-V" (as per EN 197-1 standards) labelled product under the brand name – Green "Buaya".

### GREEN READY-MIX CONCRETE PRODUCTS CERTIFIED UNDER ISLAND CONCRETE



BRAND	NO. OF PRODUCT	CERT NO.	SGBP RATING
I – Envirocrete I – Ecocrete	161	SGBP 3352, 3353, 3354, 3355	✓✓✓✓ Good to Leader



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY



## PROGRESS ON 2025 TARGETS

### Alternative Cement & Concrete Products

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
<b>Alternative Cement &amp; Concrete Products</b>	Percentage of sales volume from innovative / certified green concrete products under Green Mark / SGBC (Singapore)	NEW	8%	12%	 ≥20%
	Number of new products registered under recognised Malaysia green bodies	1 cement product	1 cement product	3 cement products & 2 concrete mix certified	 Certification for 2 cement & 2 concrete mix under Tasek

 To improve    On track    Target achieved

In FY2023, the sales volume of green concrete increased 4 percentage points compared to the prior year under BMG, Singapore, accounting for 12% of total concrete sales volume.

The proportion of clinker replacement increased slightly to achieve an improved C/K ratio of 0.87. Cementitious material replacement increased 37% in FY2023 versus FY2022.

Two new products, CEM II/B-M and CEM II/B-V, have achieved green product certification by Singapore Environment Council (“SEC”), totalling the green product portfolio for cement to three. In the concrete market, product certification is an assessment of the manufacturer production control system, facilities and conformity to specifications. We have also achieved the certification of two green concrete mix by an accredited certification body, Certibuild Malaysia. To be certified, green concrete products must demonstrate substitution of cement (>25%) and aggregates (>30%) with alternative materials and zero toxic / hazardous substances in the manufacturing process.

# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## BUILDING MATERIALS

### CIRCULAR ECONOMY AND WASTE MANAGEMENT

Internal waste generated from our Building Materials business include non-hazardous waste such as domestic waste, concrete waste and scraps as well as hazardous waste such as engine oils and lubricants.

For non-hazardous waste, the domestic waste is mainly landfilled or incinerated while scraps are sold to recyclers. Concrete waste is typically taken off by external party for backfilling at various constructions sites while some contractors repurpose the concrete waste as recycle concrete aggregates after going through a process of drying, sorting and crushing.

Furthermore, the industry currently uses various clinker substitutes or alternative raw materials to produce green products and solutions, contributing to a more sustainable and circular built environment by reducing the amount of CO<sub>2</sub> released in the final product. This practice is also implemented to provide our customers with more green alternatives. Test trials are conducted to assess the performance of the green products and push the limits of our formulations.

As for hazardous waste, this waste is sent to an approved third-party contractor as per respective country regulations for disposal. As most of the hazardous waste are petroleum based, these are mainly recoverable.

Apart from waste generated and recycled, the industry also requires water for the production of cement and concrete products such as precast and ready-mix concrete.

Cement manufacturing process requires water for cooling of machines and hot gases while water is also one of the major components in concrete mixes. In addition, water is used in the offices, lavatory facilities, plant cleaning activities and for dust suppression measures.

In Malaysia, the cement plants mainly withdraw water from ponds and lakes in existing quarries while concrete operations withdraw groundwater via boreholes. Water for non-processing usage is sourced from piped municipal supply. Over in Singapore, the main source of water for operations comes from piped municipal supply.

All concrete batching plants have a water recycling system where sedimentation ponds are in place to capture any wastewater mixed with concrete. Pumps are installed in the ponds to recycle the wastewater for trucks washing or dust suppression measures.



## DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY



### 2023 PERFORMANCE

Overall, an estimated 263,702 tonnes of waste from the Building Materials business were generated in 2023. Around 1% was directed to disposal (domestic waste, hazardous waste etc.) while the remaining 99% was diverted from disposal (concrete waste, scraps etc.).

We have started to monitor and report this indicator in 2022 and will continue to improve the reporting of waste generation and disposal from operations in subsequent sustainability reports.

### WASTE GENERATION BY BUSINESS SEGMENT AND GEOGRAPHIC LOCATION

BUSINESS SEGMENT	GEOGRAPHIC LOCATION	TYPE OF WASTE	WASTE GENERATED (T)	
			2022	2023
Building Materials	Singapore	Oils, lubricants, concrete sludge, domestic waste, scraps	250,892	254,192
	Malaysia		5,707*	9,510
<b>TOTAL</b>			256,599	263,702

\*Note: 2022 data on Malaysia reported here is higher than the data reported under our 2022 Sustainability Report as concrete waste was previously not captured.

### WASTE MANAGEMENT BY BUSINESS SEGMENT AND GEOGRAPHIC LOCATION

BUSINESS SEGMENT	GEOGRAPHIC LOCATION	WASTE DIRECTED TO DISPOSAL (T)		WASTE DIVERTED FROM DISPOSAL (T)	
		2022	2023	2022	2023
Building Materials	Singapore	723	565	250,169	253,627
	Malaysia	122	171	5,584*	9,339
<b>TOTAL</b>		845	736	255,753	262,966

\*Note: 2022 data on Malaysia reported here is higher than the data reported under our 2022 Sustainability Report as concrete waste was previously not captured.

## DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

Overall, the Building Materials business recorded a water consumption of 1.8 million m<sup>3</sup> of water. Nearly two fifths or 39% of this volume is consumed by Tasek cement plant, followed by the concrete operations in Singapore making up 32%, and 19% by the precast operations in Singapore. The remaining 10% is accounted by related entities within the Building Materials business in Singapore and Malaysia.

We have started to monitor and report this indicator in 2022 and will continue to improve on the reporting of overall water consumption.

### WATER CONSUMPTION BY BUSINESS SEGMENT AND GEOGRAPHIC LOCATION

BUSINESS SEGMENT	GEOGRAPHIC LOCATION	WATER CONSUMPTION (M <sup>3</sup> )	
		2022	2023
Building Materials	Singapore	877,727	924,647
	Malaysia*	773,290	871,839
<b>TOTAL</b>		1,651,017	1,796,486

\*Note: Water consumption data from concrete and cement operations in Malaysia is based on water pump flow, running hours and water usage in concrete mix.



### PROGRESS ON 2025 TARGETS

#### CIRCULAR ECONOMY & WASTE MANAGEMENT

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
<b>Circular Economy &amp; Waste Management</b>	Replacement of clinker with fly ash, limestone, ground-granulated blast furnace slag, etc. in MT	0.89	0.88	0.87	✔ ≤0.75

As part of the HLA Group’s plan to drive circular economy solutions, Tasek has a co-processing permit license in compliance with Malaysia’s guidelines on Environmentally Sound Co-Processing of Scheduled Waste in the cement industry. This license enables the Group to offer our expertise and solutions to co-process waste from other industries which reduces the need to dispose via landfill.

In 2023, the use of alternative raw materials rich in alumina and silica in Tasek’s cement products increased by more than 50%, attributed to improved plant capability to consume such materials and increased in sourcing efforts. This has surpassed the 2025 targets.

In replacing coal, Tasek achieved a 12% substitution rate utilising AFs that mainly includes fossil-based waste like plastics and carbon black. The utilisation rate dipped 3% compared to 2022 primarily due to limited flexibility of the current alternative fuel feeding systems which in-turn limited the Tasek’s sourcing capabilities for alternative fuels. The plant has invested in additional equipment at the end of 2023 to improve the flexibility in utilising AFs.





## DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

Concrete waste makes up a substantial proportion of material waste in the Building Materials industry. More often than not, it is generated from demolition and construction activities, concrete trial mixes, over-ordered concrete by customers, leftover concrete after pours and from truck breakdowns. In Singapore, concrete waste is repurposed into 1m<sup>3</sup> blocks (pictured below) used for static pile load test while the rest is landfilled. In Malaysia, concrete waste that can be recovered is collected by external parties and used for backfilling.

Due to limited availability of quarry dust and irregular supply of fly ash, the concrete operations in Malaysia recorded a lower percentage of recycled/alternative materials in 2023 by 4 percentage points versus 2022. For the concrete operations in Singapore, the substitution rate improved by 3 percentage points, on increased efforts to review and optimise the mix design.

In Malaysia, the ready-mix concrete operations have maintained an overall proportion of concrete waste generated from total concrete volume produced at the HLA Group's target level of ≤ 0.5%. Due to overall increased volumes, over-ordering and transportation issues, there was a slight increase in the amount of concrete waste generated for both Singapore and Malaysia.

In Singapore's ready-mix concrete operations, the concrete waste from Island Concrete is mainly generated from over-ordering by customers and has increased slightly in 2023.



### CONCRETE WASTE GENERATED FROM READY-MIX CONCRETE

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	COUNTRY	2021	2022	2023	2025 TARGET
Circular Economy & Waste Management	Percentage of concrete waste generated from total volume (excluding sludge)	Singapore	NEW	4.1%*	4.3%*	≤ 0.5%
		Malaysia	NEW	0.4%	0.5%	

\*Note: Data for Singapore include sludges which is not possible to exclude at the moment.

### UTILISATION OF ALTERNATIVE RAW MATERIALS AND ALTERNATIVE FUELS (TASEK'S CEMENT DIVISION)

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
Circular Economy & Waste Management	Alternative raw materials used in the calcination process (MT)	33,665	41,572	63,279	≥50,000
	Percentage of coal substitution by alternative fuels in calorific value basis	14%	16%	12%	≥30%

### SUBSTITUTION OF ALTERNATIVE RAW MATERIALS IN READY-MIX CONCRETE

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	COUNTRY	2021	2022	2023	2025 TARGET
Circular Economy & Waste Management	Percentage of recycled/alternative raw materials in total concrete volume	Singapore	28%	28%	31%	≥35%
		Malaysia	20%	22%	18%	

To improve   On track   Target achieved

# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## BUILDING MATERIALS

### DUST AND OTHER EMISSIONS MANAGEMENT

Dust is emitted in the processing of raw materials and within our cement and ready-mix concrete batching plants. HLA’s Building Materials business operations are committed to ensure we have effective mitigating measures in place.

The measures are compliant with specific country requirements to minimise air emission and pollution for nearby communities. Key pollution control equipment includes bag filters or electrostatic precipitators which are installed in our plants and covers major equipment, transfer points and silos. These are inspected on a periodic basis and preventive maintenance is carried out to maintain optimum performance of the pollution control equipment.

For our operations in Singapore, ambient air is monitored, and the government imposes regulatory measures to minimise dust emissions through zoning and land-use planning.

At Tasek, an online real time continuous emission monitoring system is installed and linked to the Department of Environment in Malaysia. In rare occasions of a spike in dust emission due to an unexpected breakdown or instability of certain plant processes, the operations team would take prompt actions to rectify the issue and notify the regulators accordingly.

Monitoring of emission levels by an external third party is also carried out on a quarterly basis. A direct communication channel is provided for nearby communities to enable them to address any relevant environmental issue with the plant’s management team for corrective action.



#### PROGRESS ON 2025 TARGETS

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
<b>Dust and Other Emissions</b>	Fines / complaints on dust emissions from authorities	0	0	0	Zero
	Dust emission levels	NEW	<38.79 mg/Nm <sup>3</sup>	<15 mg/Nm <sup>3</sup>	<50mg/Nm <sup>3</sup> continuously
	SOx, NOx, VOC emissions	NEW*	Data collection in progress	SOx – 19 g / t clinker NOx – 1,279 g / t clinker VOC – 45 kg / year	Data to be assessed / collected and reported by 2023

To improve   On track   Target achieved

\*Note: Based on average external third-party measurements from both kilns in 2023.

Our Building Materials business ensures its processes and maintenance of equipment are in good order to control dust emissions according to regulatory limits.

At Tasek, dust emission limits were first introduced in 2019 in accordance with the Environmental Quality (Clean Air) Regulation 2014 in Malaysia. The first phase of upgrading of dust collectors was then completed in 2019. The second phase of upgrading the electrostatic precipitators system for the second kiln was completed in 2022. Dust emission levels are currently well below the allowable limit of 50mg/Nm<sup>3</sup>.

For the first time in 2023, the Group is reporting airborne emissions of our cement operations as per the monitoring and reporting guidelines from Global Cement and Concrete Association as well as Cement Sustainability Initiative.

We recorded zero fines from authorities on emissions and zero complaints from the communities in Malaysia in 2023.

# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## BUILDING MATERIALS

### PRODUCT QUALITY & CUSTOMER SATISFACTION

HLA's Building Materials business operations are certified according to ISO 9001 requirements. This includes our cement plant and ready-mix sites. The laboratory in our cement plant in Malaysia is also certified ISO 17025 compliant, which sets the main standards for testing and calibration. Periodic testing of raw materials, clinker, cement and concrete are conducted to ensure quality is maintained throughout the supply chain.

The HLA Group's portfolio of cement and concrete products have their product certification licenses issued by respective authorities – Standard and Industrial Research Institute of Malaysia, Construction and Industry Development Board for Malaysia, and BCA in Singapore. Major suppliers are evaluated at least once a year on quality of goods and services provided. Ad-hoc visits to our suppliers' sites formed part of the evaluation process, especially for new suppliers.

Our sales & marketing teams proactively engage with customers to ensure products and services meet or exceed their expectations. They work closely with the technical and quality control teams to conduct site visits and review customer feedback to solve issues and align with any changing industry requirements and trends. These engagements enable the sales & marketing teams to address issues promptly.

Formal surveys are also conducted to obtain customer feedback on our products and services. These are performed annually or at the end of each project. The customer feedback enables us to gauge the level of customer satisfaction and identify areas for improvement.



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## **PROGRESS ON 2025 TARGETS**

For the Building Materials business in Singapore, R3 Precast achieved a customer satisfaction score of 87% on the manufacture, supply and delivery of precast concrete components for projects completed in 2023. The score, solicited from six customers, was based on BCA's customer evaluation criteria covering five areas: quality performance, site planning and control, progress of works, housekeeping, and response to instructions. For Island Concrete, 41 customers were surveyed on topics ranging from sales response to enquiry, order process, product quality and delivery performance. Island Concrete achieved a customer satisfaction score of 81%.

At Tasek in Malaysia, the cement division conducted an online annual survey for its key customers in 2023. The survey covered product quality and customer service including product performance and service levels. A customer satisfaction score of 84% was recorded based on 82 responses for 2023, an improvement of 6 percentage points compared to 2022.

Tasek's concrete division similarly conducted an online customer survey which covered customer feedback on ordering, delivery, quality and service.

Despite a difficult market due to intense competition, both our cement and ready-mix concrete operations in Tasek continued to maintain a strong customer satisfaction score in 2023.

### CUSTOMER SATISFACTION SURVEY AND RESULTS (BUILDING MATERIALS)

MATERIAL ISSUES	BUSINESS SEGMENT	2021	2022	2023	2025 TARGET
<b>Product Quality and Customer Satisfaction</b>	• R3 Precast	81%	82%	87%	
	• Island Concrete	NEW	81%	81%	
	• Tasek Cement	81%	78%	84%	
	• Tasek Ready-Mix Concrete	83%	86%	84%	
					90%

To improve    On track    Target achieved



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## POWERTRAIN SOLUTIONS

### ENERGY EFFICIENT PRODUCTS

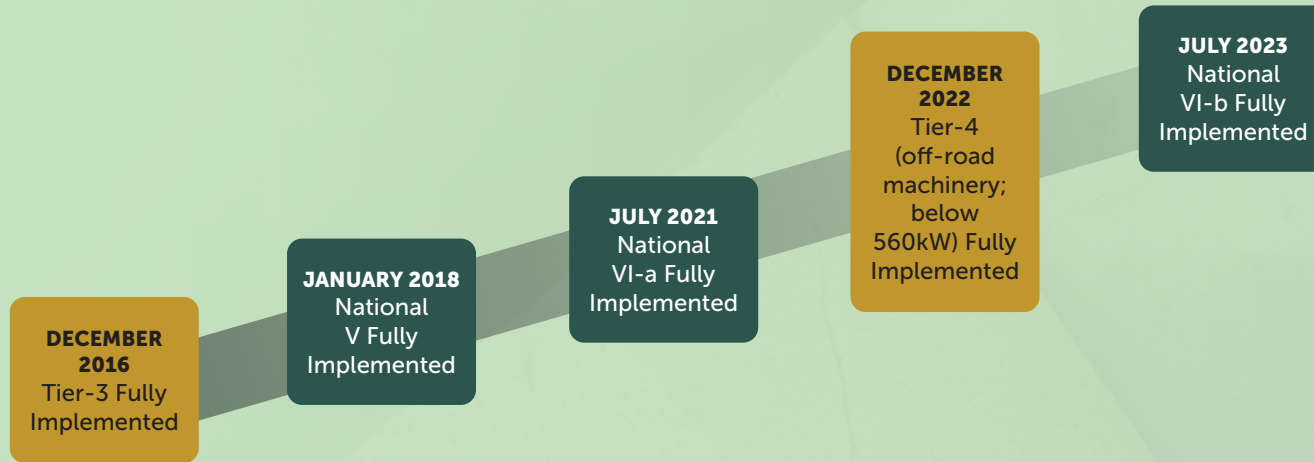
GYMCL is a major manufacturer and provider of Powertrain Solutions in China. It has invested heavily in R&D to reduce the environmental impact and to meet the stricter emission standards as required by the Chinese government. GYMCL's main plant and R&D centre are headquartered in Yulin, Guangxi Zhuang Autonomous Region while its R&D branch facilities are located in Nanning, capital of Guangxi Zhuang Autonomous Region as well as Wuxi High-Tech Industrial Development Zone, Jiangsu Province.

To combat increasing air pollution, China has implemented the National VI standards on-road commercial vehicles and Tier 4 emission standards for off-road vehicles.

The National VI standards were implemented in different phases:

### CHINA NATIONAL EMISSION STANDARDS IMPLEMENTATION

- Mandated by Ministry of Ecology and Environment of the People's Republic of China
- Announced by Ministry of Industry and Information Technology of the People's Republic of China



**Notes:**

- China VI-a and VI-b national emission standards apply to on-road vehicles to implement fuel-neutral limits that reduce air and climate pollutants, including carbon monoxide, total hydrocarbons, nitrogen oxides, particulate matter, particle number and nitrous oxide. VI-b mandates more stringent testing of these pollutants compared to VI-a.
- Tier-4 national emission standards applies to off-road vehicles for light-, medium- and heavy-duty applications for agricultural, construction and power generation markets. Both aim to implement fuel-neutral limits to reduce air and climate pollutants, including carbon monoxide, total hydrocarbons, nitrogen oxides, particulate matter, particle number and nitrous oxide.

**Sources:**

- Notice of Nat VI emission standards 关于实施重型柴油车国六排放标准有关事宜的公告 (mee.gov.cn)
- Notice of Nat VIb emission standards 关于实施汽车国六排放标准有关事宜的公告 (mee.gov.cn)
- Notice of Off Road Tier4 emission standards 非道路移动机械第四阶段排放标准实施进入倒计时\_中华人民共和国生态环境部 (mee.gov.cn)

## DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

With the implementation of the Chinese Automotive Fuel Economy Policy, GYMCL is advancing towards Afs and environmentally-friendly new energy vehicles ("NEVs") with improved fuel efficiency. The development of hydrogen, methanol and ammonia fuel combustion engines are being kickstarted at GYMCL. China's incentivisation policies such as the reduction of purchase tax for NEV buyers will further drive the demand for next-generation electric, fuel cell systems as well as hybrid and range extenders powertrain which will extend the portfolio of NEV products of GYMCL and provide customers with a wider range of green options.

To meet the growing demand, Yuchai Xin-Lan New Energy Power Technology Co., Ltd. ("Yuchai Xin-Lan") was incorporated in August 2021 with a capital injection of RMB 500 million. It was established to research, develop and construct new production capacity for GYMCL's new energy technologies for both on-road and off-road applications.

In August 2023, Yuchai Xin-Lan formed a new subsidiary, Yuchai Cynland (Jiangsu) Hyentech Co., Ltd. It was established in collaboration with Tsinghua University to focus on the development of high-performance fuel cell stacks and hydrogen production equipment in Wuxi High Tech Zone, China.

Following this, the chart on the right presents key subsidiaries established under GYMCL since 2021 to focus on different strategic areas related to the development of new energy products.

### 2023 PERFORMANCE

#### SUMMARY OF R&D STATISTICS UNDER POWERTRAIN SOLUTIONS

	2021	2022	2023
<b>R&amp;D Expenses (RMB million)</b>	849	836	877
<b>Patent Application*</b>	1275	1042***	628
<b>Patent Granted**</b>	1038***	803***	617

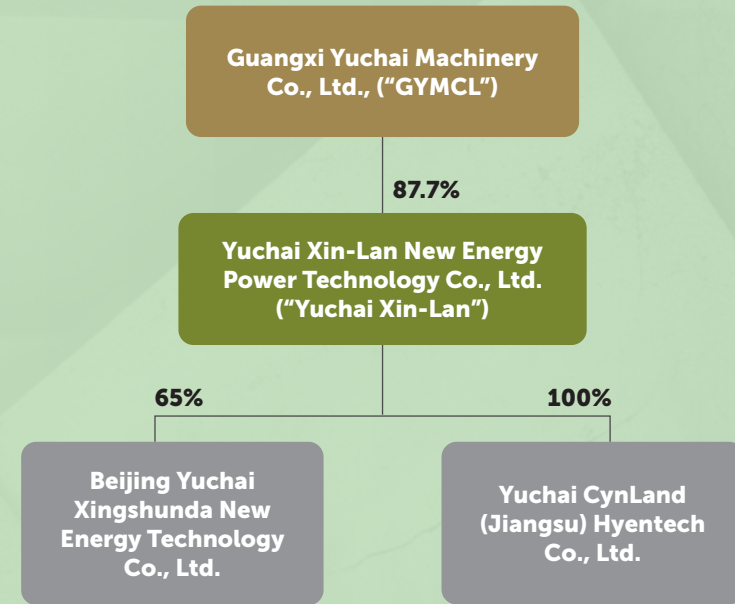
\*Note: Patents are applicable in China, Vietnam, Japan and South Korea.

\*\*Note: The types of registered patents are invention patents, utility model patents and design patents. The term of patent protection is 10 to 20 years from the filing data depending on the type of patents registered.

\*\*\*Note: Previous records did not capture all relevant types of patents registered under the business unit.

The total R&D expenses under the Group's Powertrain Solutions unit in 2023 represents 4.9% of the revenue compared to 5.2% in 2022.

### STRUCTURE OF NEW ENERGY SUBSIDIARIES UNDER GYMCL



Note: Yuchai Xin-Lan New Energy Power Technology Co., Ltd. ("Yuchai Xin-Lan") is an 87.7%-owned subsidiary and conducts R&D to create new production capacity for new energy technologies, including fuel cell systems, range extenders, hybrid power and electric drive systems. In 2023, Yuchai Xin-Lan produced new energy powered systems for truck, bus and off-road machinery applications.

Yuchai Xingshunda New Energy Technology Co., Ltd. ("Yuchai Xingshunda") is a 65%-owned JV with Beijing Xing Shun Da Bus Co., Ltd. for development, manufacture and sale of fuel cell powertrain systems and fuel cell power components for the Beijing, Tianjin and Hebei markets.



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## PROGRESS ON 2025 TARGETS

In 2023, unit sales of new energy products were up 27% over the prior year which made up 3% of total engine sales under Powertrain Solutions.

### PERCENTAGE OF NEW ENERGY PRODUCTS SOLD AGAINST OVERALL POWERTRAIN SOLUTIONS SALES

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2022	2023		2025 TARGET
Energy Efficient Products (Powertrain Solutions)	Percentage of new energy products sold against total Powertrain Solutions sold	NEW	3%	✓	≥20%

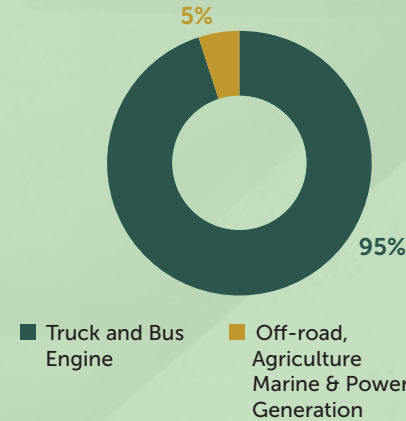
⚠ To improve
✓ On track
✓ Target achieved

Note: Majority of new energy product sales captured are from Yuchai Xin-Lan while the rest consist of GYMCL and a key subsidiary, Marine Power Generation.

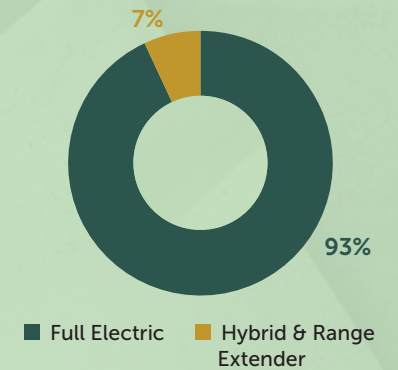
Yuchai Xin-Lan has received further equity investment totalling RMB 70 million and as of December 2023, it has successfully secured new contracts to supply new energy systems for commercial applications including buses, trucks on-road, mining trucks, concrete mixer trucks, agricultural equipment as well as marine and generator equipment as seen in the breakdown below. In the process, Yuchai Xin-Lan also launched market-specific products by working closely to understand our customers' needs on the ground.



### NEW ENERGY UNIT SALES BY SEGMENT (2023)

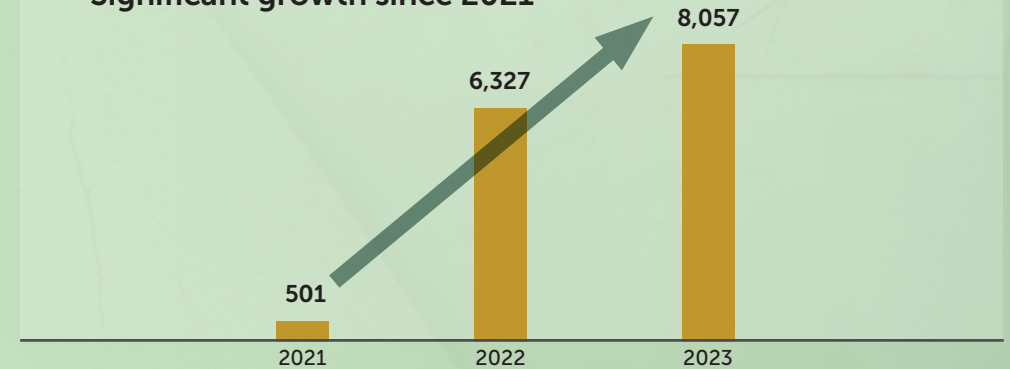


### NEW ENERGY UNIT SALES BY PRODUCT TYPE (2023)



### NEW ENERGY PRODUCTS UNIT SALES (2023)

#### Significant growth since 2021



Moving forward, GYMCL will continue to roll out initiatives with new energy partnerships and collaborations to work to be well positioned to deliver new energy solutions to its customers in the coming years.

## DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY



Yuchai Xin-Lan developed a total of

# 39

new energy products in 2023.



This contributed towards

# 7%

of total new energy product sales in 2023, excluding applications for hydrogen fuel cells. Some examples of these sales are shown on the right.

### GYMCL National VI emission compliant gas engine, YCA07N



### YUCHAI'S NATURAL GAS ENGINES POWERED YUTONG BUSES

GYMCL's brand of hybrid engine with National VI emission compliant gas engine, YCA07N is used in 10-m gas-electric hybrid buses produced by the largest bus producer in China.

Known for its reliability and durability, these engines have a horsepower range of 190 to 260 that can support 8.5m to 10.5m long public transit buses or 8.5m to 10m long-haul coaches powered by natural gas. Running at high horsepower with low energy consumption, the YCA07N engines, are now serving major transport networks in Chinese cities such as Wuhan and Nanjing, enabling lower carbon footprint for local commuters.

### GYMCL 350-horsepower hybrid electric CVT powertrain in Liugong Tractors



### 350-HORSEPOWER HYBRID ELECTRIC POWERTRAIN WITH LIUGONG TRACTORS

Yuchai Xin-Lan developed a 350-horsepower hybrid electric drive continuously variable transmission ("CVT") powertrain system which equipped tractors produced by Liugong Agricultural Machinery,

The tractor, which is designed for heavy-duty workload environments, also features a full-frame body structure, independent dual-electric motor continuously variable chassis, full electronic control system, automatic navigation system, intelligent heat dissipation system, and an intelligent energy management system. This hybrid technology enables fuel consumption reduction, increased efficiency via higher performance outputs which all contributes to sustainable agricultural operations.

### GYMCL SO6-100kW P1 system for SANY's 12m<sup>3</sup> concrete trucks



### HYBRID POWERTRAIN SYSTEM FOR 12M<sup>3</sup> CONCRETE MIXER TRUCKS

Launched with a successful test run of over 20,000km across four Chinese provinces in China, the new SANY hybrid mixer truck is powered by GYMCL's SO6-100kW P1 system, featuring:

1. **Fuel Efficiency** - significantly reduces fuel consumption by minimizing rapid acceleration and deceleration as well as engine idling/automatic engine shutdown and restart during traffic congestion.
2. **Intelligent Control Software** - it coordinates and controls the engine, electric motor, and Automated Mechanical Transmission, optimizing performance across various work environments.
3. **Adaptive Driving Experience** - the system recognises changing road conditions and seamlessly switches between different driving modes such as economy, standard and mountainous, to deliver optimal fuel economy and power.



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## POWERTRAIN SOLUTIONS

### CIRCULAR ECONOMY AND WASTE MANAGEMENT

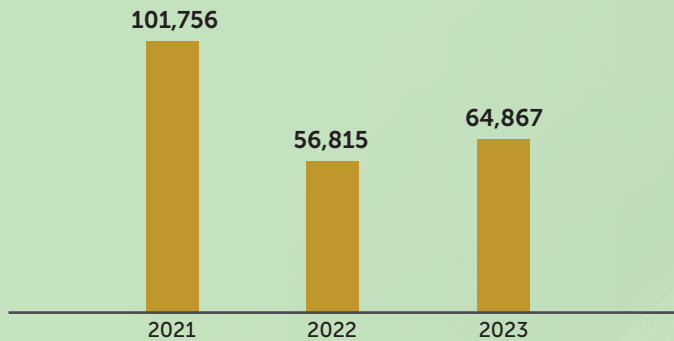
At GYMCL, the “reduce, reuse and recycle” approach is adopted operationally to conserve natural resources.

Sustainable practices include using recycled sand rather than natural sand in the manufacturing process of engine blocks; production water used for equipment cooling requirements are also recycled and used for the cleaning of water tanks in sewage treatment stations and ground surfaces to reduce overall water consumption. As for product transportation, GYMCL has reduced the usage of wooden boxes used for packaging and replaced with reusable, lighter steel cage frames which reduces waste and emissions.

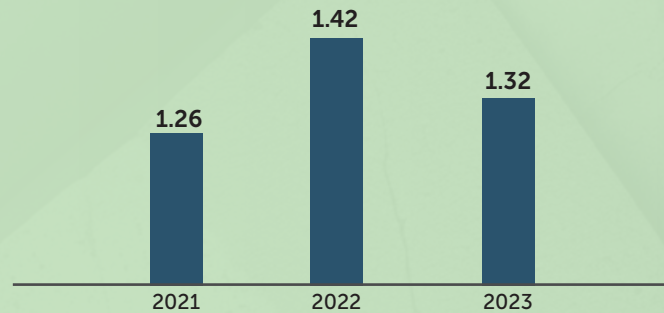
GYMCL is currently using environmentally friendly high-heat paint within the plant that is free of benzene, toluene, xylene and other heavy metals such as lead, mercury, chromium and cadmium. This reduces the volatile organic compounds found in traditional high-heat paint by 80%.

### 2023 PERFORMANCE

**NATURAL SAND REPLACEMENT**  
(tonnes)



**WATER CONSUMPTION**  
(m<sup>3</sup>/100kW)



### OTHER WASTE STATISTICS UNDER GYMCL

	UNITS	2021	2022	2023
<b>Waste Oil</b>	tonnes	156.67	115.07	27.77
<b>Hazardous Waste</b>	tonnes	907.85	625.69	538.55
<b>Recycling of Packaging</b>	units	325,000	187,281	208,493



## DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

### POWERTRAIN SOLUTIONS

#### DUST AND OTHER EMISSIONS MANAGEMENT

GYMCL has built treatment and filter or scrubber systems for dust, fumes, painting and noise to reduce the pollution resulting from engine production. Existing environmentally-friendly facilities and production lines comply with national, provincial and local environmental protection regulations in China.

#### 2023 PERFORMANCE

GYMCL has zero fines from authorities on emissions and zero complaints from the community in 2023.

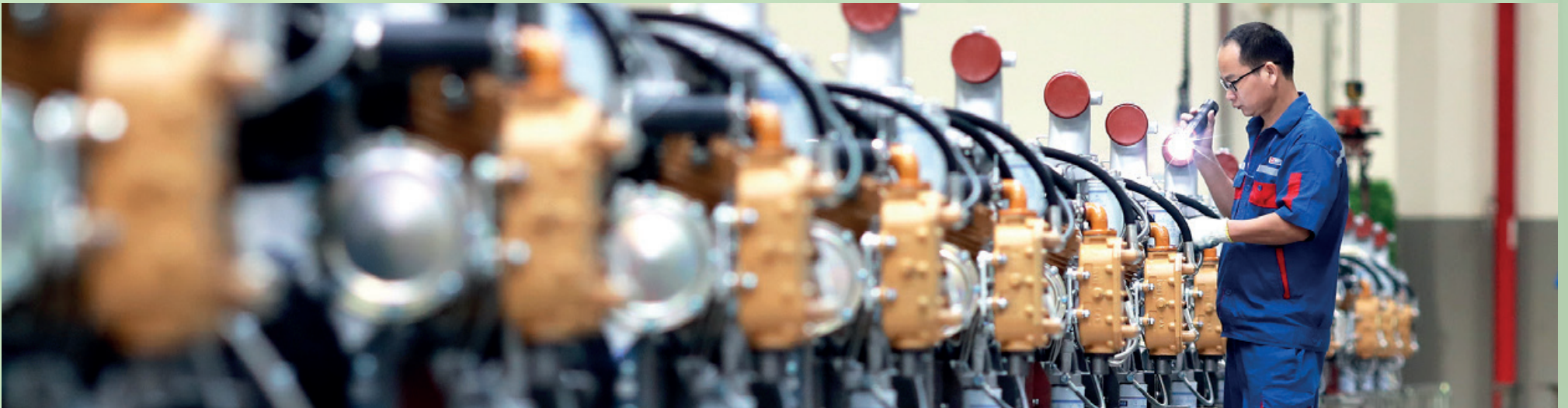
#### PRODUCT QUALITY AND CUSTOMER SATISFACTION

GYMCL prides itself on quality assurance and continues to ensure high standards even as its product range expands. This is guided by a strong culture of total quality control and the local management team has a clear oversight on key processes such as lean manufacturing and has established strong practices of open communication and collaboration amongst business functions.

Understanding customer needs in the market segments that GYMCL serves and strengthening brand and service levels remain a key focus.

GYMCL serves the Chinese domestic market with over 3,946 network stations and 495 overseas network stations providing after-sales service including warranty for engines made by GYMCL.

To strengthen quality assurance management to meet new customer demands and satisfy growing regulatory requirements such as safety features, efficiency and environmentally-friendly benefits, R&D continues to be a main driver of innovation for our engine designs.



# DRIVING INNOVATION FOR A LOW CARBON & CIRCULAR ECONOMY

## **PROGRESS ON 2025 TARGETS**

GYMCL received positive customer feedback from surveys that cover product quality, service, efficiency and customer service attitude. The results were polled from customers consolidated through key sales channels that include customer service hotlines, service management offices located across China and third-party customer satisfaction surveying bodies.

GYMCL achieved a customer satisfaction score of 85% in 2023.

### CUSTOMER SATISFACTION BY PRODUCT SEGMENT

MATERIAL ISSUES	PRODUCT SEGMENT	2021	2022	2023	2025 TARGET
<b>Product Quality and Customer Satisfaction</b>	• Commercial	80%	82%	85%	✔
	• General Engine	82%	86%	87%	✔
	• Marine	89%	88%	85%	✔
	• Overall	82%	84%	85%	✔
					85%

To improve    On track    Target achieved





# EMPOWERING OUR PEOPLE & COMMUNITIES






People are the heart of our businesses. They are built on shared values in the individuals we hire and the work culture we foster. This is important to shape who we want to be at HLA.

We embrace diversity and strive to create an inclusive workplace by providing jobs and developing personal and professional growth for everyone. We are also committed to investing in the local communities to support well-being and prosperity within the wider society.

## EMPOWERING OUR PEOPLE & COMMUNITIES

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2023 PERFORMANCE	2025 TARGET
<b>Diversity, Equity, Inclusion and Talent Management</b>	Hours of training per employee per year (in-person and/or virtual, on the job training etc.) to be aligned with career development plans	66 hours / employee	✔ ≥40 hours / employee annually
	Implement a diversity, equity and inclusion policy	Internal review	✔ 100% implemented
	Update and implement clear succession planning development framework	Frameworks being finalised by Group HR	✔ 100% implemented
	Redesign internship and develop management trainee programmes to align to talent management programmes	Frameworks being finalised by Group HR	✔ 100% implemented
<b>Community Engagement</b>	Percentage of employee participation in volunteering or community engagement activities (Building Materials)	18%	✔ ≥30%
	Volunteering hours for community engagement activities (Powertrain Solutions)	10,084 hours / year	✔ ≥6,000 hours / year
	Complaints from local communities at all operational sites	Zero incident	✔ Zero incident
	All sites to establish and implement stakeholder engagement plans	100%	✔ 100%
	Initiatives towards Sustainable Cities and Communities and/or Sustainable Construction initiatives	CSR collaboration with Waterways Watch Society, MY Clean Beach, Stridy & SK Tasek	✔ Initiation & implementation of projects, partnerships, collaborations or R&D

 To improve    On track    Target achieved

# EMPOWERING OUR PEOPLE & COMMUNITIES

## HLA GROUP LEVEL

### DIVERSITY, EQUITY, INCLUSION AND TALENT MANAGEMENT

We strive to ensure that our employees are evaluated based on merit, competency and experience within the organisation. Training and reskilling of our employees are our priorities to ensure optimal performance and engagement of employees. All employees have access to learning opportunities via various company organised or self-directed pathways. Employees attend trainings or courses that enable them to better perform or enhance their capabilities in their respective job function throughout the year. This includes any form of workshops, talks, courses, and/or learning required that are relevant to their job functions which are identified via the annual Training Needs Analysis assessment.

We build our leadership pipeline and enhance leadership capability through performance appraisals and succession planning processes. Supervisors are responsible for guiding these employees through their career paths with clearly defined goals and individual development plans, enabling the Group to build a pool of talent for more senior roles within the business.




Workplace diversity is vital to nurture inclusivity, promote innovation and support business sustainability. Our Code of Business Conduct (“COBC”) ensures that we create a fair, respectful and equitable work environment. The COBC is also shared with every new employee and reiterated with the annual refresher Code of Business Conduct eLearning programme. Through town hall sessions, employee gatherings/celebrations and performance appraisals, our leaders and employees are encouraged to exchange ideas and inspire one another to be better role models in promoting workplace diversity, equity and inclusivity.

Encouraging regular dialogue between employee and supervisor also ensures we build healthy relationships in the workplace. Employees are free to voice any concerns and feedback to the Management, Heads of Departments and union representatives. For more serious grievances, the HLA Group’s whistle-blowing channel offers a safe alternative.

### PROGRESS ON 2025 TARGETS

#### DIVERSITY, EQUITY, INCLUSION AND TALENT MANAGEMENT

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
<b>Diversity, Equity, Inclusion and Talent Management</b>	Hours of training per employee per year (in-person and/or virtual, on the job training etc.) to be aligned with career development plans	47 hours	58* hours	66 hours	 40 hours / employee annually
	Implement a diversity, equity and inclusion policy	NEW	Policy drafted	Internal review	 100% implemented
	Update and implement clear succession planning and talent development framework	NEW	Frameworks being developed by Group HR	Frameworks being finalised by Group HR	 100% implemented

 To improve    On track    Target achieved

\*Note: Number has been restated since 2022 Sustainability Report to include GYMCL subsidiaries, CYI and HLA Corporate.

## EMPOWERING OUR PEOPLE & COMMUNITIES

In 2023, the HLA Group strengthened the performance appraisal and goal setting processes. Various engagement sessions were conducted with key stakeholders to gather inputs to build a robust performance appraisal system.

SMART goal-setting workshops were then conducted groupwide to support employees in transitioning to the enhanced performance management system.

The HLA Leadership series was also launched across Singapore and Malaysia to help employees prepare in terms of skillsets and leadership practices, and at the same time, engender a culture that encourages open communication, good practices and leadership. In Q2 2023, 58 people managers and senior leaders from both Singapore and Malaysia attended 2 full-days training sessions as part of the HLA Leadership series.



**HLA GROUP TRAINING HOURS FOR EMPLOYEE BY BUSINESS UNIT**

YEAR	TRAINING HOURS			TRAINING HOURS / EMPLOYEE		
	HLA CORPORATE	BUILDING MATERIALS	POWERTRAIN SOLUTIONS	HLA CORPORATE	BUILDING MATERIALS	POWERTRAIN SOLUTIONS
2021	253	6,798	373,661*	9	6	54*
2022	721	30,399	547,546**	22	23	64**
2023	780	38,549	596,151	23	26	74

\*Note : Figures stated exclude subsidiaries.

\*\* Note : Figures have been restated to include subsidiaries previously not reported on.

## EMPOWERING OUR PEOPLE & COMMUNITIES

In Singapore and Malaysia under the Building Materials business, training sessions equivalent to 38,549 hours were conducted for employees. This included structured trainings on topics such as health and safety, laws and regulations, risk and compliance, energy and waste management and systems for controls and quality checks. During the year, a confined space training centre to train employees at Tasek on mandatory “Authorised Entrant & Standby Person for Confined Space” was launched, enabling employees to familiarise and learn to work in confined spaces.



An authorised entrant is a designated individual who has undergone specialised training to enter confined spaces such as mills, hoppers and silos in cement plants.

In China under the Powertrain Solutions business, training sessions were conducted in the form of face-to-face and online sessions. These trainings are aligned to career development plans and include a range of topics from stakeholder management and critical thinking skills to on-the-job training and update of operational skill-sets.



First aid training for employees



GYMCL employee physical & health examination



Labor protection supervision and inspections



Launch of the “Ankang Cup” “Safety Production Law” knowledge contest



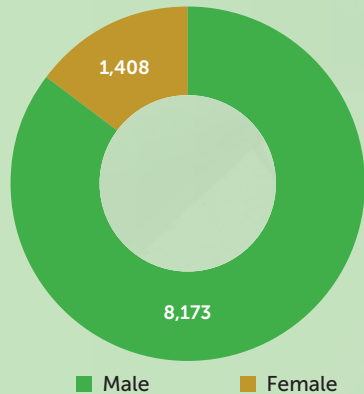
# EMPOWERING OUR PEOPLE & COMMUNITIES

## 2023 PERFORMANCE

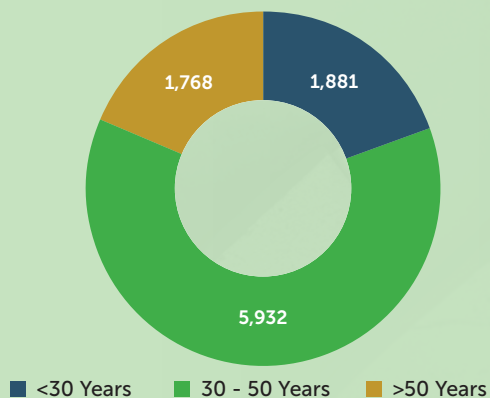
People are at the heart of HLA and we recognise that they are the most valuable asset of the Group. At HLA, we believe that a diverse, equitable and inclusive culture attracts and retains talent, and in turn, nurtures innovation. Hence, we aim to foster a people-oriented corporate culture where our people can grow and develop together with the Group. As at end December 2023, HLA has a total of 9,581\* employees in Singapore, Malaysia and China. This included a total head count of 1,498 employees for the Building Materials business across Singapore and Malaysia and a total headcount of 8,032 employees for the Powertrain Solutions business in China. 18% of the employees from Building Materials business is unionised while all employees are unionised in China.

Across the Group, the gender composition was approximately a 85:15 split between men and women, out of which 61.9% of the workforce fell within the 30 to 50 age group, 19.6% of the employees were below the age of 30, with 18.5% above 50 years old.

### EMPLOYEE PROFILE BY GENDER



### EMPLOYEE PROFILE BY AGE



HLA employees gathered in Singapore and Malaysia for teambuilding activities as part of the Group's 60th anniversary celebrations in 2023.

\*Note : In 2022 Sustainability Report, the total number of HLA employees as at end December 2022 should be 9,940 to include subsidiaries previously not reported on.



# EMPOWERING OUR PEOPLE & COMMUNITIES

## 2023 PERFORMANCE

Overall, the Group recorded an employee turnover rate of 7.7% in 2023.

In line with our drive for sustainability development, the Group will seek to ensure the internal talent bench is strong and our people’s capabilities continuously strengthened. Through people development initiatives, we seek to attract, engage and retain our talent pool by supporting and offering training and learning opportunities to help the Group develop competencies for increased business activities and future growth.

### HIRING AND TURNOVER RATE BY GENDER (2023)

SEGMENT	NEW HIRES						TURNOVER					
	AGE GROUP			GENDER			AGE GROUP			GENDER		
	<30	30 - 50	>50	MALE	FEMALE	TOTAL	<30	30 - 50	>50	MALE	FEMALE	TOTAL
<b>HLA Corporate</b>	1	2	3	3	3	6	1	-	2	1	2	3
<b>(Rate)</b>	2.9%	5.9%	8.8%	8.8%	8.8%	17.6%	2.9%	-	5.9%	2.9%	5.9%	8.8%
<b>Powertrain Solutions</b>	224	87	8	262	57	319	220	263	140	517	106	623
<b>(Rate)</b>	2.8%	1.1%	0.1%	3.3%	0.7%	4.0%	2.7%	3.3%	1.7%	6.4%	1.3%	7.7%
<b>Building Materials</b>	149	145	6	281	19	300	23	73	17	97	16	113
<b>(Rate)</b>	9.9%	9.7%	0.4%	18.8%	1.3%	20.0%	1.5%	4.9%	1.1%	6.5%	1.1%	7.5%
<b>Total</b>	374	234	17	546	79	625	244	336	159	615	124	739
<b>(Rate)</b>	3.9%	2.4%	0.2%	5.7%	0.8%	6.5%	2.5%	3.5%	1.7%	6.4%	1.3%	7.7%






# EMPOWERING OUR PEOPLE & COMMUNITIES

## PROGRESS ON 2025 TARGETS

### COMMUNITY ENGAGEMENT

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
<b>Community Engagement</b>	Percentage of employee participation in volunteering or community engagement activities (Corporate Office and Building Materials)	NEW	12%	18%	 30%
	Volunteering hours for community engagement activities (Powertrain Solutions)	N/A	N/A	10,084 hours / year	 ≥6,000 hours / year
	Complaints from local communities at all operational sites	Zero incident	1	Zero incident	 Zero incident
	All sites (Building Materials) to establish and implement stakeholder engagement plans	NEW	33% (Engagement plans completed for Malaysia)	100%	 100%
	Initiatives towards Sustainable Cities and Communities and/or Sustainable Construction initiatives	NEW		Joint venture with bus manufacturer, Beijing Xingshunda on fuel cell powertrain systems	Collaboration with Waterways Watch Society, MY Clean Beach, Stridy & SK Tasek

 To improve    On track    Target achieved

## EMPOWERING OUR PEOPLE & COMMUNITIES



HLA's impact programme launched in December 2023 to focus on three enablers:

1. Sustainable Cities and Communities
2. Enabling Healthier Environments and Communities
3. Educating Future Generations



### EDUCATING FUTURE GENERATIONS ON SUSTAINABILITY

In continued commitment to BeyondHLA's pillar of "Educating Future Generations", we were proud to support Dazhong Primary School's Sustainability Education Leadership programme for the 3rd consecutive year in Singapore. Aligned to driving positive, long-lasting impact in the communities where we operate, the programme was designed to educate young students on the importance of sustainability and empower them to create a more environmentally-conscious Singapore.

This involved HLA volunteers taking on the role of facilitators at an upcycling workshop in partnership with Terra SG, an environmental enterprise. During the workshop, the volunteers explored various ways to repurpose daily discards and scraps, sharing their knowledge with young eco-champions at Dazhong Primary School and fostering sustainable practices in their daily routines.

During the year, the programme also guided students to exhibit their products from the various upcycling workshops as part of a green showcase of the Hong Kah eco-carnival in celebration of the school's 85th anniversary.

The partnership with Dazhong Primary School not only demonstrates HLA's commitment to "Empowering Our People and Communities", a core pillar of our sustainability framework, it also provides opportunities for employees to foster meaningful engagement with our stakeholders



### BUILDING SUSTAINABLE COMMUNITIES IN MALAYSIA

Tasek Corporation Berhad in Malaysia recently collaborated with Sekolah Kebangsaan Tasek (SK Tasek) to refurbish and upgrade the school's aging infrastructure. Established since 1972, the school is located less than 1 km from the plant with a population of 200 students and 20 teachers. In 4Q 2023, approximately 36 employee volunteers from Tasek volunteered to paint the school buildings, install paving blocks for a reading corner, refurbish a concrete paved sepak takraw court, and donate used furniture for the school library.

By supporting communities such as SK Tasek where many of our employees' children attend, we seek to connect deeply with the communities where we live and work, providing the resources needed to drive local community impact and create a more equitable and secure future.



## EMPOWERING OUR PEOPLE & COMMUNITIES



### HLA'S COMMITMENT TO RAISING SUSTAINABILITY AWARENESS

In 2023, over 200 employees from the Building Materials business across Singapore and Malaysia participated in 10 community engagement activities including coastal waterways and beach cleanups, sustainable food production and urban farming as well as a litter picking exercise in the heart of central business district in Singapore.



Beach cleanup at Teluk Senangin, Lumut with My Clean Beach collected 140 kg of waste.



Litter picking with Stridy, Eco Champions and teachers from Dazhong Primary School at the heart of the Central Business District collected 10 kg litter over 3 hours.

## EMPOWERING OUR PEOPLE & COMMUNITIES

Over in China, participation rate for volunteering activities was healthy with GYMCL focused on supporting underprivileged communities in the Guangxi region.



Volunteers helped to renovate the stair handrails, gates and other public facilities of the village committee office building in Nabo Village

- On 17 September 2023, employee volunteers participated in serving the Jiangbin Community in Nanjiang Street of Yuzhou District, Yulin, Guangxi through activities such as repairing home appliances, promoting health exercises to drivers and generating awareness of waste classification. A total of 36 home appliances were repaired, 40 drivers picked up health exercises and reached out to 300 residents on waste classification education.
- A group of employee volunteers spent their rest days to repair and refurbish public amenities that are more than 25 years old in Nabo Village, Bobai Country, Yulin. Activities included rust removal from gates, polishing / grinding of handrail surfaces and applying new coats of paint for doors and so forth.
- 15 volunteers from the Yuchai Youth League Committee assisted to guide traffic during road closures for the residents of the Nanhua community as a new bridge was built to upgrade local transport infrastructure.



Volunteers from Yuchai Youth League Committee in Nanhua



Promotion of health exercises and waste classification in Jiangbin



# BUILDING RESILIENCE FOR THE LONG-TERM

Our business is built on prudence, hard work, integrity and trust.

To ensure financial strength and the resilience of our business, we embedded responsible and sustainable practices into our governance and management systems through robust policies, procedures and training. The continuity of a solid foundation enables us to look after our people who in turn, contribute towards our long-term vision and goals.

## BUILDING RESILIENCE FOR THE LONG-TERM

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2023 PERFORMANCE	2025 TARGET
<b>Ethical Conduct and Regulatory Compliance</b>	Employees receive yearly training on Code of Business Conduct, including bribery & corruption	100%	✔ 100% implemented
	Corruption and fraud incidents across operations	Zero incident	✔ Zero incident
<b>Cybersecurity and Data Protection</b>	Recovery plan in place with tracking of recovery KPIs (group wide)	Phased implementation of 3-year roadmap by Group IT	✔ 100% implemented
	To strengthen cybersecurity and data protection policies	Policies drafted and undergoing reviews	✔ 100% implemented
<b>Responsible Supply Chain</b>	Develop and roll out a new Supplier Code of Conduct to reflect ESG criteria	Updated Supplier Code of Conduct	✔ By 2023 & all new suppliers to be screened with the new criteria
	High value suppliers screened as per ESG criteria on a yearly basis	>100 high values suppliers screened for our Malaysia & Singapore operations	✔ 100% implemented
<b>Occupational Health, Safety and Welfare</b>	Fatalities & lost time injuries across operational sites	Fatality – 0 LTI – 11	✔ Zero incident ⊘
	Third-party fatality and injury from transportation of products on the road	Zero incident	✔ Zero incident
	Operational sites to implement ISO 45001 (Building Materials)	75%	✔ 100% implemented

⊘ To improve    ✔ On track    ✔ Target achieved



# BUILDING RESILIENCE FOR THE LONG-TERM

## HLA GROUP

### ETHICAL CONDUCT & REGULATORY COMPLIANCE

We are committed to conducting our businesses with the highest ethical standards and have zero tolerance towards fraud, corruption, bribery and money laundering. We expect our employees to exhibit high levels of professionalism and ethical behaviour in the Group’s day-to-day business and operations. This is guided and reiterated through our Core Value “Do the Right Thing”, HLA Group’s COBC and Anti-Fraud, Anti-Bribery & Anti-Corruption (“FCB”) Policies. We remain vigilant and determined to build a disciplined and sustainable company.

At HLA, employees are required to declare their understanding and compliance of the COBC annually. The COBC governs aspects such as conflicts of interests, compliance with legal and regulatory provisions, and ensuring proper internal controls within the organisation. Any breaches of COBC may result in investigation, disciplinary actions or termination of the employee, as guided by the respective country labour laws. This is managed and reviewed periodically by the Group HR Head and overseen by the CEO.

Whistleblowing procedures are in place so that employees can confidentially raise their concerns for matters such as improprieties in financial reporting, other malpractices and misconduct. The ARC oversees the whistle-blowing process and is supported by the Head of Internal Audit of HLA. 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 published within the Annual Report.

Our whistle-blowing policies can also be found at:

- <https://investor.cylimited.com/governance-principles-policies>
- <https://www.hlasia.com.sg/corporate-governance>





### PROGRESS ON 2025 TARGETS




None of the business units under the HLA Group have reported any cases that resulted in legal action for corruption, non-competitive behaviour, anti-trust and monopoly practices in 2023.

HLA had no instances of non-compliance with socio-economic laws and regulations for which significant fines or non-monetary sanctions issued to HLA in 2023. We define significant non-compliance with laws and regulations as matters that may have a detrimental effect to the HLA Group in multiple areas such as financial and operational performance, or reputation. We understand the importance of adhering to the regulations of each jurisdiction and pro-actively ensure compliance.

The HLA ESG Policy, HLA Occupational Health & Safety (“OHS”) Policy and updated HLA Supplier Code of Conduct were developed and launched in 2023. These policies are available on the HLA website at [www.hlasia.com.sg](http://www.hlasia.com.sg)

### ETHICAL CONDUCT AND COMPLIANCE PERFORMANCE FOR BUILDING MATERIALS

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
Ethical Conduct and Compliance	Employees receive yearly training* on COBC, including bribery & corruption	NEW	100%	100% 	100% implemented
	Corruption and fraud incidents across operations	Zero incident	Zero incident	Zero incident 	Zero incident

 To improve    On track    Target achieved

\*Note: In addition to the regular confirmation of compliance, yearly trainings were added on from 2021 onwards.

# BUILDING RESILIENCE FOR THE LONG-TERM

## HLA GROUP

### CYBERSECURITY & DATA PROTECTION

Amidst a constantly changing business environment, HLA has determined potential strategic, operational, financial and reputational implications against possible business disruptions and the importance of maintaining viable capabilities to continue critical business functions operationally with minimum impact in the event of a crisis.

The Group is accelerating the digitalisation of our business processes and has enabled a more robust working environment for the workforce by improving access to IT resources in office or remotely, supplementing the HLA Group’s Business Continuity Plan (“BCP”).

We have put in place cybersecurity measures for Singapore and Malaysia operations including the implementation of security measures such as encryption, antivirus softwares, enforcing strong passwords and ensuring regular updates of operating system and work applications as well as mandating vulnerability assessment and penetration testing for operating infrastructure and systems.

There is also frequent communication with employees on the identification of possible cyber events so as to:

- advocate 100% reporting culture on any unknown emails, phone calls, or suspicious activities and any possible social engineering activities against the company;
- build cybersecurity awareness on techniques and types of phishing activities;
- advise on IT best practices and cyber hygiene.



Data of employees and customers requires protection under the Personal Data Protection and Commission Act. HLA is committed to preventing unauthorised access and disclosure to avoid data breaches that results in significant harm or impact to our employees or customers. Our personal data policy can be found at:



- <https://www.hlasia.com.sg/corporate-governance>



### PROGRESS ON 2025 TARGETS

#### CYBERSECURITY AND DATA PROTECTION

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
<b>Cybersecurity and Data Protection</b>	Recovery plan in place with tracking of related KPI (group-wide)	NEW	Initial review, gap analysis & development of 3-year roadmap by Group IT	3-year roadmap developed. Policies drafted and undergoing reviews.	 100% implemented
	To strengthen cybersecurity and data protection policies	NEW			 100% implemented

 To improve     On track     Target achieved

## BUILDING RESILIENCE FOR THE LONG-TERM

As part of performance measurement, HLA tracks the number of cyber incidents that have taken place during the year.

Cyber incidents are described as events that affected the normal functioning of our core IT applications and services and they are investigated thoroughly with reports submitted to HLA management team.

### HLA GROUP CYBERSECURITY AND DATA BREACH OCCURRENCES

YEAR	2021	2022	2023
<b>Number of cybersecurity breaches / events on IT assets / network</b>	2	0	0
<b>Number of data breaches that needs to be reported to Personal Data Protection Commission</b>	0	0	0



# BUILDING RESILIENCE FOR THE LONG-TERM

## BUILDING MATERIALS

### RESPONSIBLE SUPPLY CHAIN

Under HLA’s Supplier Code of Conduct’s policy, suppliers are evaluated based on quality, price, delivery and general service and support. Each criterion is given a weightage and scorecard from 0 to 100, which will then be graded as outstanding, good, average or re-qualification.

This practice establishes the pre-qualification process for significant tenders, particularly on supplier selection criteria including local regulations compliance and certified quality management systems.

Major suppliers are evaluated yearly on quality of goods and services. Ad-hoc visits to suppliers’ sites are also part of the evaluation, especially for new suppliers. For those who do not meet the benchmark, warnings are issued. Those with serious lapses are immediately terminated.

At Tasek, supplier evaluation is conducted yearly which covers suppliers, contractors and transporters. Evaluation criteria covers quality, delivery, competency, housekeeping and HSE compliance, and is scored and graded from A to D, with A being the highest score.

Suppliers, contractors and transporters that are graded D will be removed from the approved supplier list. If any supplier has been issued a non-conformance report (“NCR”) or given a penalty due to non-compliance or breach of regulations, two points will be deducted for each NCR or penalty collected during the annual evaluation.

#### RESPONSIBLE SUPPLY CHAIN

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
Responsible Supply Chain	Develop and roll out a out an updated Supplier Code of Conduct to reflect ESG criteria	NEW	Draft policy, framework and assessment circulated for final internal review	Updated Supplier Code of Conduct launched	✔ By 2023 & all new suppliers to be screened with the new criteria
	High value suppliers screened as per ESG criteria on a yearly basis	NEW		>100 high value suppliers screened for our Malaysia & Singapore operations	✔ 100% implemented

🔴 To improve    🟡 On track    ✔ Target achieved

The Building Materials business in Singapore recorded the following ratings in its supplier evaluations over the last three years:

#### SUPPLIER ASSESSMENT PERFORMANCE UNDER BUILDING MATERIALS GROUP, SINGAPORE

YEAR	NO. OF SUPPLIERS EVALUATED	AVERAGE RATING	REQUALIFICATION REQUIRED
2021	94	85	None
2022	126	83	None
2023	132	82	None

Note: All suppliers evaluated scored Good / Outstanding

Tasek’s cement division achieved the following ratings in its supplier evaluations over the last three years:

#### SUPPLIER ASSESSMENT PERFORMANCE UNDER TASEK CEMENT, MALAYSIA

YEAR	NO. OF SUPPLIERS EVALUATED	AVERAGE RATING	SCORED D
2021	166	88	None
2022	201	87	None
2023	Not Available	Not Available	Not Available

The supplier evaluation for FY2023 (> 200 evaluations) is currently in progress and will be reported in HLA’s SR 2024.

# BUILDING RESILIENCE FOR THE LONG-TERM

## PROGRESS ON 2025 TARGETS

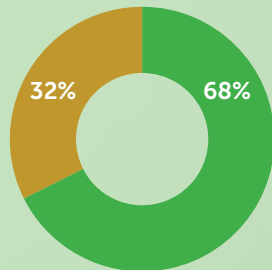


### HLA Supplier Code of Conduct

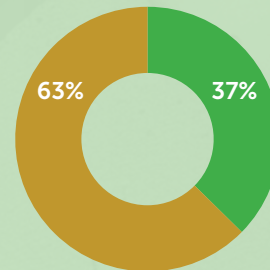
HLA has updated the Supplier Code of Conduct which sets the minimum ESG requirements for suppliers or contractors in our value chain. The ESG requirements covers four key areas that include business conduct, human rights, health and safety and environmental and climate change. The Supplier Code of Conduct will be integrated into all sourcing / procurement activities and supplier management processes which includes registration/on-boarding and contracts/purchase agreements. A self-assessment questionnaire has also been developed for high value suppliers which will provide HLA better understanding of our suppliers' ESG practices, risks and to declare compliance.

In 2023, the updated Supplier Code of Conduct was rolled out in Singapore and Malaysia. A separate roll-out and briefing was conducted for China in the fourth quarter of 2023. More than 100 high value suppliers were identified and a self-assessment exercise was conducted with a questionnaire sent out by the sourcing/ procurement teams. Results from the exercise are illustrated below:

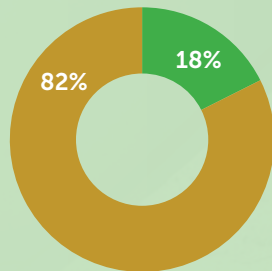
**HIGH VALUE SUPPLIERS WITH A H&S MANAGEMENT SYSTEM**



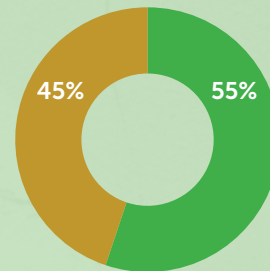
**HIGH VALUE SUPPLIERS WITH AN ENVIRONMENTAL MANAGEMENT SYSTEM**



**HIGH VALUE SUPPLIERS WHO ARE MONITORING & REPORTING GHG EMISSIONS**



**HIGH VALUE SUPPLIERS WITH AN ANTI-BRIBERY, CORRUPTION OR COMPETITION LAW COMPLIANCE POLICY**



■ Yes (%) ■ No (%)



# BUILDING RESILIENCE FOR THE LONG-TERM

## BUILDING MATERIALS

### OCCUPATIONAL HEALTH, SAFETY AND WELFARE

Health and safety is a strategic priority and a key contributor to the resiliency of our businesses.

All manufacturing sites have a safety management system in place. In Singapore, the Building Materials Group of businesses are certified for ISO 45001, BizSAFE STAR and BizSAFE Level 4 while operations in Malaysia are certified for ISO 45001 requirements.

To create and maintain a safe working environment aligned to the HLA Group’s OHS policy, our businesses have implemented safety policies that further details standards and strategic goals to ensure clarity of roles and responsibilities of senior management leading on OHS strategies. These strategies are supported by ensuring available resources to implement performance and continuous monitoring systems including risk assessments, equipment and personal protective equipment (“PPE”) as well as training and communication. The businesses also practise visible leadership through quarterly engagement at sites as well as recognition and penalty systems.

Across the Building Materials businesses, updates on safety initiatives and performance are reported to the CEO and Management team on a monthly basis while safety targets outlined under the ESG roadmap are reviewed and discussed during quarterly ESG working group meetings. Safety incidents are managed according to the respective business emergency response plans and also are escalated to the CEO.

Dedicated safety departments in both Singapore and Malaysia ensure key operational sites undergo regular identification of health and safety hazards and facilitates the corresponding risk mitigating actions to be communicated with employees and third-party contractors. This set of OHS knowledge guides our hierarchy of controls approach which is integrated into operational processes and systems and sets the tone for building a stronger OHS culture by strengthening workplace health and safety standards and awareness amongst employees.



### BUILDING MATERIALS, SINGAPORE ACHIEVED ISO 45001 CERTIFICATION

As part of the commitment in improving safety at the workplace, the Building Materials business in Singapore, has successfully embarked on an ISO 45001 certification process for all its operating sites which includes concrete batching plants of Island Concrete, precast sites under R3 Precast, cement terminal for SCMC and administrative office. The implementation of the occupational health and safety management system was verified by an internationally accredited certification body such as TÜV SÜD.

The certification process covers operational gap analysis and review, document review which includes redesigning process and controls to meet the requirements, on-site verification which includes interviews, site inspection and records checking.

Being ISO 45001 certified enables operational sites to embark on a risk-based approach to identify and control hazards to reduce preventable accidents and injuries.



# BUILDING RESILIENCE FOR THE LONG-TERM



## PROGRESS ON 2025 TARGETS

There were zero fatalities for both Singapore and Malaysia sites in 2023. However, 11 lost time incidents (“LTI”) were reported in 2023 involving five employees and six contractors in Singapore and Malaysia. Most of the incidents were attributed to non-compliance of procedures and inadequate safety awareness.

### OCCUPATIONAL HEALTH, SAFETY AND WELFARE

MATERIAL ISSUES	KEY PERFORMANCE INDICATORS	2021	2022	2023	2025 TARGET
<b>Occupational Health, Safety and Welfare</b>	Fatalities & lost time injuries across operational sites	Fatality – 0 LTI – 9	Fatality – 0 LTI – 14	Fatality – 0 LTI – 11	Zero incident
	Third-party fatality and injury from transportation of products on the road	Zero incident	Zero incident	Zero incident	Zero incident
	Operational sites to implement ISO 45001	38%	38%	75%	100% implemented

To improve   On track   Target achieved

Below were some initiatives carried out in 2023 to strengthen safety practices across our subsidiaries:

#### R3 Precast, Singapore

- Following the opening of the HL-Sunway Prefab Hub in July 2023, standard operating procedures and training regarding work-at-height activities were strengthened in light of high floor-to-ceiling working areas.
- Introduced guided Safety Observation Tours (SOTs) for office staff to learn about safety requirements and understand risk areas.

#### Island Concrete, Singapore

- Implemented Lock-Out Tag-Out (“LOTO”) and permit-to-work workflows as part of preventive measures to safeguard employees from potential serious injury when conducting maintenance / inspection on rotating and moving equipment (e.g. concrete batching plant mixer).
- Introduced guided SOTs for office staff to learn about safety requirements and understand risk areas.

#### Tasek Cement, Malaysia

- Implemented Visible Felt Engagement programme for management team.
- Completed phase 1 of LOTO implementation.
- Organised Tasek Safety Week event in collaboration with the Department of Occupational Health and Safety (see case study on page 57)
- Completed accredited training on Confined Spaces (e.g. cement silo cleaning) and built an in-house facility to accommodate simulated trainings (see on page 40).

In 2024, the focus across Singapore and Malaysia will be on improving safety leadership at management and supervisory levels and strengthening the safety management system across operational sites.

# BUILDING RESILIENCE FOR THE LONG-TERM

## REPORTABLE SAFETY INCIDENTS UNDER BUILDING MATERIALS GROUP

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
2021	9	3,174,539	2.8	0	0	1,370,632	0	0
2022	8	4,702,822	1.7	0	6	4,163,306	1.4	0
2023	5	5,764,013	0.9	0	6	3,325,086	1.8	0

\*Note: All injuries recorded are reported to the respective authorities, as per country legislation and requirements.





# BUILDING RESILIENCE FOR THE LONG-TERM



## TASEK SAFETY WEEK

Over 250 employees and contractors at Tasek participated in the annual Safety Week held in August 2023 with a series of safety and wellness centred activities.

In collaboration with local hospital, government agencies and other stakeholders, the Tasek teams across different departments and contractors participated in workshops tailored to their specific roles and responsibilities where they delved into the following topics and activities:

- workshops on health which covers ear, nose & throat, heart, ergonomics, body mechanics and mental wellness;
- basic health check-ups;
- workshops on drugs, fire hazards, road safety and working at height.

Tasekians also put their safety knowledge to the test, competing in quizzes and activities designed to reinforce safe practices. Through the Safety Week programme, participants not only refreshed their safety knowledge but it also underscored Tasek's holistic approach to employee well-being.



# BUILDING RESILIENCE FOR THE LONG-TERM

## POWERTRAIN SOLUTIONS

### CYBERSECURITY AND DATA PROTECTION

GYMCL formulated a series of policies that include “Information Security Risk Management Policy” and “Cybersecurity Management Policy” which standardised the approach and management of information in the company. The policies are aligned with national regulations in China, governing cybersecurity, data security and personal information protection.

### 2023 PERFORMANCE

GYMCL recorded zero incident of cybersecurity breaches, events on IT assets and network and data breaches related to customer data in 2023.

## POWERTRAIN SOLUTIONS

### RESPONSIBLE SUPPLY CHAIN

GYMCL suppliers are required to pass ISO 9001 certification, or obtain IATF 16949 and Occupational Health and Safety Certifications. Checks on the requirement are conducted by the Purchasing Department in accordance with the “Parts Suppliers Assessment Procedure”.

Listed on the New York Stock Exchange, CYI also complies with the Conflict Minerals Regulation. CYI’s policy requires all GYMCL suppliers to obtain certifications that illustrate their disuse of conflict materials in smelters and refiners, or disclose sources of the minerals used.

Due diligence on suppliers is conducted according to the Organisation of Economic Co-operation and Development for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

## 2023 PERFORMANCE

All 325 GYMCL suppliers passed the ISO9001 or International Automotive Task Force (“IATF”) 16949 quality system certification and 99% of the suppliers had obtained the occupational health and safety certification.

### GYMCL SUPPLIER ASSESSMENT PERFORMANCE

	2021	2022	2023
<b>Suppliers assessed</b>	397	359	325
<b>Percentage of Suppliers meeting the requirements</b>	98%	98%	99%

In compliance with the Conflicts Mineral Regulation, CYI conducted a Reasonable Country of Origin Inquiry (“RCOI”) of GYMCL suppliers in 2022 using Version 6.22 of the Electronic Industry Citizenship Coalition and the Global e-Sustainability Initiative Conflict Mineral Reporting Template (“CMRT”). The purpose was to determine whether any of the 3TGs (Tin, Tantalum, Tungsten and Gold) supplied for manufacturing of engines in FY2022 were from recycled or scrap sources originated from troubled regions in the Democratic Republic of the Congo and adjoining countries.

The RCOI requested these suppliers to obtain information through their supply chain regarding the country of origin of 3TGs and the smelters and refiners used in the supply of materials to GYMCL. In order to make this inquiry as complete as possible, these suppliers were further or also requested to send the same CMRT to their suppliers (direct and indirect) for data collection. CYI sent the CMRT to a total of 136 suppliers and all responses to the RCOI using the CMRT were received in May 2023. 117 suppliers confirmed that the products they supplied to GYMCL in FY2022 do not contain 3TGs sourced from the Covered Countries. The RCOI for FY2023 is currently in progress and will be reported in our SR for the financial year ending 31 December 2024.

# BUILDING RESILIENCE FOR THE LONG-TERM

## POWERTRAIN SOLUTIONS

### OCCUPATIONAL HEALTH, SAFETY AND WELFARE

At GYMCL, safety is a priority at every stage of the production process. The manufacturing facility based in Yulin is ISO 45001 certified and all operational sites are required to undergo the “National Safety Culture Construction Demonstration Enterprise” examination and certification in China to meet regulatory requirements in work safety standardisation, which GYMCL has achieved.

Key initiatives are carried out to educate and train employees on work safety practices and techniques to ensure the highest levels of personal safety. Regular physical and occupational health examinations are also organised for all employees to support their general health and well-being. This is supported by GYMCL’s “zero injury” safety and environmental assurance system, that provides guidance across normalised, specialised and information-based work safety standardisation and work safety management systems. These management systems are regularly benchmarked against the industry to remain up-to-date and ensure its on-going effectiveness.

In recent years, GYMCL has also significantly improved the working environment of employees through the upgrading of production line equipment and utilising automation and intelligent controls. This has reduced overall labour intensity and enhanced the efficiency and work quality of our employees.



### PROGRESS ON 2025 TARGETS

Zero fatalities and no serious injuries were recorded in 2023 for the operations in China.

#### REPORTABLE SAFETY INCIDENTS UNDER GYMCL

YEAR	NUMBER OF INJURIES	HOURS WORKED	FATALITIES
2021	0	16,364,000	0
2022	0	14,049,000	0
2023	0	11,367,400	0



# TASK FORCE FOR CLIMATE- RELATED FINANCIAL DISCLOSURES RECOMMENDATIONS



# TCFD RECOMMENDATIONS

HLA has taken the initiative to assess and disclose its climate risks in phases over the next few years. The Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations are being gradually adopted in line with SGX requirements to further enhance the Group’s disclosures.

## GOVERNANCE

### a) Describe the organisation’s governance around climate-related risks and opportunities

Hong Leong Asia (“HLA”) has an established governance framework to effectively manage our environmental, social and governance (“ESG”) risks and opportunities. The Board of Directors (“The Board”) has overall responsibility over HLA’s climate-related risks and opportunities while also ensuring transparency and visibility into HLA’s risk management practices.

Since 2016, the Board has been supported by the Audit & Risk Committee (“ARC”) with oversight over the management, monitoring and reporting of sustainability issues and ESG factors. The ARC also reviews and evaluates internal controls, processes and performance annually and ensures that all requirements for sustainability compliance are met before reporting to the Board on a bi-annual basis. In May 2023, the Board Sustainability Committee (“BSC”), chaired by Caroline Kwong (Independent Director) and consisting of Stephen Ho (CEO and Non-Independent, Executive Director) & Kwek Pei Xuan (Head of Sustainability and Corporate Affairs and Non-Independent, Executive Director) was formalised and transitioned to take over these responsibilities. As part of the transition, HLA’s Head of Sustainability and Corporate Affairs, Kwek Pei Xuan conducted an induction briefing for the BSC to provide a snapshot on the Group’s progress towards its 2025 ESG targets as well as priorities over the coming years. Climate risk was discussed as a key priority under which, the development of a decarbonisation roadmap and capacity building on climate reporting for the HLA Board and senior management were highlighted.

The Board currently considers Energy and Greenhouse Gas (“GHG”) Emissions, Circular Economy and Waste Management as key material topics of our sustainability framework which were identified in the materiality assessment conducted in FY2021. The Group Sustainability Team continues to provide progress updates on these key material topics twice a year at Board Meetings which take place in February and August. From February 2024 onwards, the BSC meets two weeks before these Board Meetings to review and discuss on the Group’s sustainability performance including our key environmental topics. As Hong Leong Asia undertakes a more rigorous and detailed scenario analysis which would establish the financial implications of climate-related risks and opportunities for the Business Units, an extended integration of climate-related issues into HLA’s strategy, performance objectives and oversight over major capital expenditures, acquisitions, and divestitures will be conducted.

For information on the Board’s oversight of climate-related risks and opportunities, please refer to the Sustainability Governance Structure on page 8 of this Report.

# TCFD RECOMMENDATIONS

## GOVERNANCE

**b) Describe management’s role in assessing and managing climate-related risks and opportunities**

We have an established reporting and internal escalation process for managing the Group’s overall sustainability strategic direction, Management and Reporting, supported by the individual business units. The Building Materials Unit, made up of Building Materials Group, Singapore and Tasek Corporation had formed Environmental, Social and Governance (“ESG”) Impact Working Groups in April 2022, while Guangxi Yuchai Machinery Company Limited (“GYMCL”) group formed an ESG Committee in June 2023. The respective working groups, chaired by the head of the business are tasked to develop action plans to drive performance on the Group’s 2025 ESG targets.

The Sustainability Team, which is led by the Head of Sustainability and Corporate Affairs and the Sustainability Manager, helps to govern this process through quarterly working group meetings, continuous support on internal ESG training and working alongside other departments (HR, Legal & Compliance, Finance and Investments) to identify gaps or potential roadblocks, and strengthen internal processes and capacity building. The Chief Executive Officer (“CEO”) oversees the overall effectiveness of this process as part of managing the internal control and risk management framework of the Group’s businesses and operations. This progress is monitored on a bi-annual basis by the BSC and the Board through Key Performance Indicators (“KPIs”) of the Group’s 2025 ESG Roadmap and includes a carbon intensity reduction target (refer to section on Metrics and Targets on pages 71 to 74 for details). We intend to develop updated climate-related targets under this process in the coming years.

The HLA Board and Management Team have also undergone capacity building and training on climate-related risks and opportunities to understand the scenario analysis undertaken on our key business units. Moving ahead, we will continue to equip ourselves with the relevant skills to assess and manage our prioritised set of risks and opportunities as well as monitor emerging climate risks that may be relevant to our context.

# TCFD RECOMMENDATIONS

## STRATEGY

**a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.**

To improve our understanding of climate-related risks in the short, medium and long-term, we have conducted a scenario analysis which was completed in FY2023, aligned to the TCFD recommendations based on the following context.

**SCENARIOS**

Based on TCFD recommendation to use a set of scenarios that covers both favourable and unfavourable outcomes, the following scenarios was developed:

- 1) The orderly scenario (favourable) – 1.5°C warming scenario** that assumes climate policies are introduced and rapid decarbonisation is undertaken

*[Aligned to Network for Greening the Financial System (“NGFS”) Net-Zero by 2050, International Energy Agenda (“IEA”) Net-Zero Emissions 2050 & Representative Concentration Pathway (“RCP”) 2.6 ]*

- 2) The hot house scenario (unfavourable) – >3°C warming scenario** that assumes climate policies and action are limited and insufficient for the impacts of climate change

*[Aligned to Network for Greening the Financial System (“NGFS”) Current Policies, International Energy Agenda (“IEA”) STEPS & Representative Concentration Pathway (“RCP”) 8.5]*

**COUNTRIES**

The operational regions selected for the scenario exercises were due to the financial materiality and scale of operations, covering both our building materials and powertrain solutions units and they include Singapore, China and Malaysia.

**TIME HORIZONS**

2019 was chosen as the baseline year and impacts of climate change risks to our businesses was assessed across the short (2020 – 2030), medium (2030 – 2050) and long (2050 – 2080) term. The study also identifies risks that may become more significant only in the medium or longer timeframe, for 2050 and beyond, such as physical risks.

**TYPES OF RISKS ASSESSED**

The TCFD recommendations cover two main types of risks – transition risk and physical risk.

Transition risks are particularly relevant for resource-intensive organisations with higher GHG emissions within their value chains, where policy actions, technology, or market changes lead to direct pressure on emissions reductions, energy efficiency, subsidies or taxes. The TCFD has identified four main types of transition risks as per below.

- 1) Policy:** the risk from emerging regulation aimed at addressing climate change or litigation risk
- 2) Technology:** the risk from emerging technologies aimed at supporting the global low-carbon transition
- 3) Market:** the risk from shifting supply and demand curves as economies react to climate change
- 4) Reputational:** the risks of damage to brand value and loss of customer base from shifting public sentiment about climate change

# TCFD RECOMMENDATIONS

## STRATEGY

**a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.**

**Physical risks** relate to impacts from climate-related extreme events, such as heatwaves, droughts, floods, cyclones, and wildfires, which can cause damage to properties and loss of lives and livelihood. These are expected to be more pronounced in higher warming scenarios, and significant differences in physical risks compared to present-day may become more pronounced only in the medium to longer term.

Based on the above, a screening exercise was undertaken based on qualitative research to identify key climate risks and opportunities as well as develop impact pathways for both the building materials and powertrain solutions businesses, respectively. The impact pathway mapping exercise establishes the causal links between changes in climate and weather patterns, related national and global policies, and the impacts on our businesses in terms of costs, revenue, and asset values. This included references to identified climate risks by TCFD, recent international net-zero plans and commitments to mitigate climate change, as well as IPCC reports on impacts from climate-related extreme events.

**TABLE OF IDENTIFIED RISKS AND OPPORTUNITIES WITH IMPACT MATRIX**

- LEGEND**
- POTENTIAL IMPACT**
- Mild risk – no/low indication of need for mitigation or adaptation actions at present
  - Moderate risk – possible need for mitigation or adaptation actions; management to be kept aware
  - High risk – may be a significant risk during the time horizon evaluated; to put in place mitigation or adaptation actions
  - Mild opportunity – possible opportunity to leverage in the future; management to kept aware of developments
  - Major opportunity – likely opportunity to leverage; management to discuss possible actions to take

TYPE OF RISKS	RISKS DESCRIPTION	SHORT TERM	MEDIUM TERM	LONG TERM
<b>Physical Risk</b>	Floods	●	●	
	Heatwaves/High temps	●	●	
	Diseases	●	●	●
	Rising sea level	●	●	●
	Tropical cyclones/monsoons	●	●	
<b>Transition Risks</b>	Carbon pricing	●	●	●
	Risk of investment in new tech	●	●	●
	Low-carbon economy transition policies and regulations	●	●	●
	Emission reporting regulations	●	●	●
	Shifting customer behaviour	●	●	●
	Substitution of products	●		
	Increased cost of raw materials	●	●	●
	Stringent engine emission regulation	●	●	●
EV subsidies and incentives	●	●	●	
<b>Opportunities</b>	Growth of sustainable building material markets	●	●	
	Shifting customer behaviour	●	●	
	Sustainable financing	●	●	●
	Use of carbon capture technology	●	●	●
	Use of lower-emission sources of energy	●	●	●
	Growth of electric vehicle markets and green transport	●	●	●
	Hydrogen Economy	●	●	●



# TCFD RECOMMENDATIONS

## STRATEGY

**b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.**

**TABLE OF PRIORITISED RISKS WITH POTENTIAL IMPACT**

RISK DESCRIPTION	POTENTIAL IMPACTS	TIME HORIZON	POTENTIAL FINANCIAL RISK AND IMPACT
<b>Implementation / increase in Carbon Pricing / Tax in a bid to move towards a low-carbon economy</b>	Potentially material increase in indirect financial costs due to carbon pricing / tax	Short	<ul style="list-style-type: none"> <li>Costs are significant and material in both scenarios but more so in a 1.5 °C scenario due to more ambitious carbon tax regimes</li> <li>Indirect costs of carbon can be passed on – Scope 1 and 2 related carbon costs may increase</li> </ul>
		Medium	<ul style="list-style-type: none"> <li>While Malaysia &amp; China have no carbon tax, using proxies for similar markets, increase in carbon costs is projected to be significant and material, especially under a 1.5 °C scenario</li> <li>Costs are minimal in Singapore due to limited carbon footprint</li> </ul>
		Long	<ul style="list-style-type: none"> <li>Scope 1 and 2 related carbon costs will continue to significantly rise, particularly for Malaysia &amp; China especially in a 1.5 °C scenario where carbon price is high</li> </ul>
<b>Heatwaves/High Temperatures affecting labour productivity and cooling costs</b>	Potentially material increase in spend on cost of cooling	Short	<ul style="list-style-type: none"> <li>Moderate cooling consumption increase expected in both scenarios</li> <li>Energy price expected to be higher in a &gt;3 °C scenario, leading to a material increase in cooling costs</li> </ul>
		Medium	<ul style="list-style-type: none"> <li>Higher risk of material costs due to loss in productivity of workers in &gt;3 °C scenarios compared to a 1.5 °C scenario. Higher impact anticipated in building materials due to higher on-site/out-door activities</li> <li>Cooling cost increases becomes material in both scenarios, due to higher cooling demand and electricity prices</li> </ul>
		Long	<ul style="list-style-type: none"> <li>Increase in cost of cooling in a &gt;3 °C scenario leading to material losses, as heatwaves frequency and intensity increase</li> <li>Loss in productivity from chronic heat continues to increase at a faster rate in &gt;3 °C scenarios compared to 1.5 °C scenario leading to material costs</li> </ul>
<b>Increasingly Stringent Regulations around Powertrain Solutions Emissions</b>	Increased costs needed to ensure compliance to regulations	Short	<ul style="list-style-type: none"> <li>Incremental retrofit costs are likely to be significant in both scenarios due to future China VII regulations</li> </ul>
		Medium	<ul style="list-style-type: none"> <li>Limited research on how regulations are expected to change in the longer term</li> <li>Compliance costs expected to increase in a 1.5 °C scenario</li> </ul>
		Long	<ul style="list-style-type: none"> <li>Adoption of alternative truck powertrains expected to grow exponentially in a 1.5 °C scenario, increasing pressure to revenues from current Internal Combustion Engine product lines</li> </ul>
<b>More Frequent or Intense Floods (River and Flash Floods) and Rising Sea Levels</b>	Potentially material loss of revenue and increased insurance costs	Short	<ul style="list-style-type: none"> <li>River flooding causing potentially material risk to China and mild risk to Malaysia / Singapore in both scenarios</li> </ul>
		Medium	<ul style="list-style-type: none"> <li>Majority of costs expected to come from river floods in both scenarios and Insurance costs for flooding likely to increase, adding to potential loss of revenue</li> <li>Increase in severity of river floods in China results in material loss in revenue in both scenarios, but worsens in a &gt;3 °C scenario</li> </ul>
		Long	<ul style="list-style-type: none"> <li>Loss in revenue is expected to be material in a &gt;3 °C scenario</li> <li>In the 1.5 °C scenario, the potential revenue loss is small</li> </ul>

# TCFD RECOMMENDATIONS

## STRATEGY

**b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.**

**TABLE OF PRIORITISED OPPORTUNITIES WITH POTENTIAL IMPACT**

RISK DESCRIPTION	POTENTIAL IMPACTS	TIME HORIZON	POTENTIAL FINANCIAL RISK AND IMPACT
<b>Use of Lower-Emission Sources of Energy</b>	Reduction in operating costs from energy savings.	Short	<ul style="list-style-type: none"> <li>Energy savings likely greater in Malaysia &amp; China than Singapore due to greater access to land for renewable energy development</li> <li>Savings are likely higher in a 1.5 °C scenario where govt. likely to support renewables through subsidies, tax credits, etc.</li> </ul>
	Increase in capex investment/ expenditure to achieve retrofits.	Medium	<ul style="list-style-type: none"> <li>Singapore energy import policy expected to mature and result in cheaper renewable energy costs.</li> <li>Potential cost savings continue to grow in both scenarios given the improvement in technology of renewables</li> </ul>
		Long	<ul style="list-style-type: none"> <li>Potential savings likely higher in a &gt;3 °C scenario as greater use of renewable energy ensures greater resiliency to more extreme weather events</li> </ul>
<b>Growing Product Market for Sustainable Building Materials</b>	Increase in revenues from sustainable building materials	Short	<ul style="list-style-type: none"> <li>Moderate revenue opportunity in a 1.5 °C scenario due to increasingly stringent green building regulations</li> </ul>
		Medium	<ul style="list-style-type: none"> <li>Large potential revenue opportunity as sustainable building materials projected to take up most of the market under the 1.5 °C scenario.</li> <li>Minor revenue opportunity assumed in a &gt;3 °C scenario due to lack of govt. incentives and policies to drive green building adoption</li> </ul>
		Long	<ul style="list-style-type: none"> <li>Projections on sustainable building market are limited in longer time horizons, but likely that sales moderate for the 1.5 °C scenario as the sector matures.</li> </ul>
<b>Increase in revenues from alternative powertrains and lower-emission engines</b>	Increased costs needed to ensure compliance to regulations	Short	<ul style="list-style-type: none"> <li>Potential revenue gain is significant in a &gt;3 °C scenario but less than a 1.5 °C scenario due to limited penetration of alternative powertrains in heavy-duty segment</li> </ul>
		Medium	<ul style="list-style-type: none"> <li>Studies project saturation of the alternative powertrain market, leading to revenue moderating in the 1.5 °C scenario</li> <li>Revenue gain is more restrained in &gt;3 °C scenario, compared to the short- and medium-term horizons, as alternative powertrain penetration is limited</li> </ul>
		Long	<ul style="list-style-type: none"> <li>Studies project saturation of the alternative powertrain market, leading to revenue moderating in the 1.5 °C scenario</li> <li>Revenue gain is more restrained in &gt;3 °C scenario, compared to the short- and medium-term horizons, as alternative powertrain penetration is limited</li> </ul>
<b>Growth of the Hydrogen Economy</b>	Increase in revenue from lower-emission products	Short	<ul style="list-style-type: none"> <li>Moderate revenue opportunity due to growing viability of hydrogen fuel cells. However, capacity and maturity for green hydrogen in cement/concrete production likely limited.</li> </ul>
		Medium	<ul style="list-style-type: none"> <li>Projected maturity of hydrogen cells by this time horizon might further incentivise adoption.</li> <li>As green hydrogen matures, the cost-effectiveness for lower-emission concrete increases</li> </ul>
		Long	<ul style="list-style-type: none"> <li>While projections on hydrogen economy are limited for the longer term, sales from lower-emission products is likely to increase in a 1.5 °C scenario, as uptake of hydrogen technology increases as development matures</li> <li>Revenue gain from lower-emissions products is likely comparatively more restrained in a &gt;3 °C scenario</li> </ul>

# TCFD RECOMMENDATIONS

## STRATEGY

**b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning (cont'd).**

We will be placing greater emphasis on sustainability ambitions within the Group in order to embed strategic initiatives and changes to meet future challenges. For instance, our carbon emission targets comprise a  $\geq 50\%$  reduction in Scope 1 and 2 emission intensity (t CO<sub>2</sub> e/SGD Revenue) by 2025; versus 2016. In addition, we are currently working on establishing a Scope 3 carbon inventory which would not only meet SGX reporting requirements, but also act as a baseline to develop targets on decarbonising our value chain.

Looking ahead beyond 2025, our decarbonisation plan should play a key role in addressing the various risks and opportunities that may be faced in our organisation. The established decarbonisation plan is primarily based on a transition to low-carbon vehicles and building materials. For our Building Materials unit, we aim to increase the share of green and sustainable building materials in our overall sales volume. Moreover, an increasing emphasis would be placed on circularity through the use of recycled and alternative raw materials in the production process. Likewise, we are also aiming to increase the share of new energy products in our Powertrain Solutions unit. This transition plan includes the shift from traditional Powertrain Solutions, to electric and hybrid-electric powertrains and hydrogen fuel cells. It is expected that the pace of conversion will accelerate over time due to the maturation of supporting infrastructure and regulations that discourage or ban new ICE vehicles and limit carbon-intensive building materials.

**c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**

We conducted a qualitative scenario analysis to determine its level of resilience against climate risks in the short (2030), medium (2050), and long term (2080).

Overall, in the short term, it is expected that our assets are not particularly vulnerable to physical risks, but would be more affected by transition risks. For instance, increases in carbon pricing, enhanced product regulations and changing customer behaviour risk would potentially make our products less competitive.

During this period, to tackle the challenges that climate risks pose to our business, we have developed key performance indicators to track progress against our 2025 ESG targets. The progress in achieving these targets is reported to the BSC on a bi-annual basis.

In particular, we have flagged our targets of  $\geq 50\%$  reduction in CO<sub>2</sub> emission intensity vs 2016 and new energy products under powertrain solutions as areas of improvement under our FY2023 Sustainability Report. Nevertheless, all other targets are on track or have been achieved. As such, we remain in good stead to attain our 2025 climate targets, while working on additional measures to ensure a steady trajectory to meet our reduction in CO<sub>2</sub> emission intensity target by 2025. More information on this can be found in our Sustainability Report FY2023.

In the medium to long term, these transition risks would have a larger impact on the business as lower-emission substitutes become cost competitive and carbon prices rises. As such, in the coming years, we will look into quantifying the potential financial impact of these risks on our business. Steps are also being taken to explore strategies that may help transform the business and mitigate against these risks. These steps include decarbonisation of operations, transition plans towards alternative and renewable energy sources, research and development strategies, building a climate resilient network and enhancing our enterprise risk management framework to include climate risks.

# TCFD RECOMMENDATIONS

## RISK MANAGEMENT

**a) Describe the organisation's processes for identifying and assessing climate-related risks.**

We have in place a sustainability framework which clearly articulates our sustainability priorities. As a first step to identify and assess climate-related risks, interviews were conducted to engage with various business unit leaders to better understand on what they perceive as risks to our core business operations.

We then undertook a climate risk screening and scenario analysis to identify, assess and manage our climate-related risks. The climate risk screening and climate scenario analysis undertaken sought to identify and assess the most pertinent physical (chronic and acute) risks and transition climate risks applicable to our operations. This aids in minimising climate-related uncertainties associated with our business operations and mitigates any potential adverse costs to our businesses. The climate risk scenario analysis was performed at a country-level and regional-level where appropriate.

The risk screening undertaken involved screening our Group's key operations, identifying the material climate risks and opportunities of our Group's key operations across Singapore, Malaysia and China and determining what physical and transition risks applied. This enabled us to pinpoint quantifiable risks and determine the assumptions necessary for the scenario analysis.

Subsequently, a climate scenario analysis was performed on selected risks. The modelling approach for each physical and transition risk took into account risk factors within our operational scopes, available financial data and other scientific research and information available. The potential business impact to the Group is accessed by the impact pathway mapping assessment, some of which can be quantified financially.

To model the impact of higher mean temperatures on our operations, factors that were considered included higher cooling demand, percentage of energy use for space cooling based on country-level studies, projected electricity prices and the assumed percentage of electricity for cooling, to calculate the additional electricity costs for potential cooling requirements.

In the assessment of decreased labour productivity due to rising heat, we used cost of labour and the potential loss of productivity to estimate the additional financial cost to our business.

For business losses arising from flash floods and river floods, we took into account factors such as annual estimated GDP loss caused by flash floods and river floods and increases in likelihood and severity of flash floods and river floods, to model the revenue loss under each time horizon and scenario.

On the other hand, for the transition risk of increased carbon prices, our modelling approach combined the Group's existing carbon emissions, projected carbon price increments and key assumptions to derive expenses relating to carbon pricing.

The significance of these climate-related risks and impacts informed by the climate scenario analysis was previously outlined in the Strategy section.

Going forward, as data becomes more readily available, we intend to expand the analysis further in future years, such as quantifying the potential impact of other climate-related risks and opportunities.

# TCFD RECOMMENDATIONS

## RISK MANAGEMENT

**b) Describe the organisation's processes for managing climate-related risks.**

The results from our climate scenario analysis serve to inform possible climate outcomes so that we can effectively manage our climate-related impacts. This pertains to both risks and opportunities that may arise from climate-related changes. Going forward, we will utilise these results to refine our overarching business strategy, as well as incorporate them into our Business Units' operational strategies to promote economic growth and enhance sustainability.

Short-term climate-related risks that we have prioritised include potential material increases in carbon pricing as well as cooling costs due to rising global temperatures. These risks are addressed through initiatives and measures aimed at decarbonising our operations. At present, we are focused on lowering energy consumption across our business to reduce Scope 1 and 2 emissions. For example, the Building Materials business has taken steps to use alternative fuels to replace coal and substituting clinker with materials such as pulverised fly ash and ground-granulated blast furnace slag. This reduces the carbon intensity of cement production. We have also installed solar panels in our Powertrain Solutions operations in China and Precast operations in Singapore and continue to consider other operations where possible.

Nonetheless, there remain challenges to decarbonize in our value chains over the short to medium term, being in hard-to-abate sectors, particularly for the cement industry which will have to align to national energy transition and the national Long-Term Low Emission Development Strategies (LT-LEDS).

As we look towards the medium and long-term, potential financial impact from risks such as higher carbon pricing and cooling costs remain a priority while transition risks such as higher risk of investment in new technology and increasingly stringent engine emission regulation become greater priority areas. At present, to support long-term plans to reduce our Scope 3 emissions, we have implemented a supplier code of conduct to impose stricter ESG requirements and are actively pursuing research and development into greener products across our core businesses. For the Powertrain Solutions business, we are also looking to increase the sales of greener products by meeting the growing demand for New Energy Vehicles. This is in line with changes in demand for Powertrain Solutions that are increasingly evident in the commercial vehicle market in China.

These are discussed with the Board when shaping the direction of the Group's strategy. In the long run, we strive to develop a clear carbon reduction pathway for our businesses.

# TCFD RECOMMENDATIONS

## RISK MANAGEMENT

**c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.**

The Group’s approach to risk management is to proactively identify, evaluate and manage significant risks inherent in the business to ensure responsible and informed risk taking. Risk management activities serve to protect the interests of our Board and shareholders and are aligned to the Group’s strategic objectives and priorities.

**Hong Leong Asia’s existing Enterprise Risk Management (“ERM”) framework**

In line with this, our ERM framework seeks to formalise and document the internal processes to identify, assess, monitor, manage and evaluate significant strategic, financial, operational, compliance and IT risks to our business.

The Board determines the Group’s levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of the risk management and internal control systems. At both corporate and business unit levels, the risk committees, consisting of cross functional personnel, implement and maintain risk management policies and initiatives across the Group. The risk management processes at the key business units are driven by their respective risk committees, with regular reporting to the ERM committee (comprising members of the Management and headed by the CEO), who in turn reports to the ARC.

The key steps in the risk management process are risk identification, risk assessment, risk treatment and risk monitoring. Furthermore, Management reviews the Group’s business operations on an ongoing basis to identify key risk areas and risk mitigating strategies so as to ensure that risks are adequately managed within the Group’s risk tolerance limits. Reports on risk management issues are presented by the ERM Manager to the ARC on a regular basis.

We have also engaged our Internal Auditors to perform an independent review of the Group’s risk management policies and systems. At present, “Environmental Sustainability” as a result of stricter regulatory requirements on sustainability reporting and environmental management has been identified as a strategic risk, presented in the Corporate Governance section of our FY2023 Annual Report on page 77.

Looking ahead, we will progressively integrate climate risks into the Group’s risk management framework across all business units and geographies, including our ERM framework which involves the assessment of the climate risk and mitigation or adaptation responses that would reduce and respond to the identified climate risks. As we advance on these plans, we will also update our internal reporting process to provide timely updates and recommendations on climate risk management to the BSC. Additionally, we also place strong emphasis on creating climate risk awareness, promoting accountability and setting the appropriate tone at the top. Risk management training is conducted to communicate and enhance the Group’s risk culture, with a risk management oversight and reporting structure in place to enable Management to effectively carry out their roles and responsibilities under the ERM framework.

# TCFD RECOMMENDATIONS

## METRICS & TARGETS

**a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**

We have been committed to providing performance against ESG-related metrics since the start of our sustainability reporting journey. Based on our material topics, we have established key metrics to measure and monitor our environmental performance, the details of which can be found in our Sustainability Report 2023. These metrics include, but are not limited to, the following:

1. Scope 1 and 2 GHG emissions (t CO<sub>2</sub> / SGD Revenue (millions))
2. Scope 3 GHG emissions (t CO<sub>2</sub>)
3. Fuel consumption (litres and %)
4. Energy consumption – Fossil fuels and electricity (TJ)
5. Energy intensity (TJ/SGD Revenue (millions))
6. Waste generated (T and %)
7. Waste directed to disposal (T)
8. Waste diverted from disposal (T)
9. Percentage of recycled/alternative raw materials in total concrete volume
10. Percentage of sales volume from innovative / certified green concrete products under Green Mark / SGBC (Singapore)
11. Water consumption (m<sup>3</sup>)
12. SO<sub>x</sub>, NO<sub>x</sub>, VOC emissions
13. Dust emission levels

We report on these metrics for the performance year, but also includes historical data to provide insights into our performance trends over time. Environmental data for our operations are prepared in accordance with the Global Reporting Initiative (“GRI”) disclosure standards.

# TCFD RECOMMENDATIONS

## METRICS & TAGETS

**b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**

We calculate our emissions according to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, GHG Protocol and Cement Sustainability Initiative.

2016 was established as the base year for absolute targets as this represents a business-as-usual scenario and was a year where our emissions were high.

The Group’s Scope 1 emissions are primarily from the combustion of fossil fuels and calcination of limestone while Scope 2 emissions result from electricity consumption across our operations.

### TABLE OF SCOPE 1 AND 2 EMISSIONS

Emissions (tCO <sub>2</sub> e)	FY 2021	FY 2022	FY 2023
Direct (Scope 1) GHG Emissions	1,427,567	1,335,005	1,644,689
Indirect (Scope 2) GHG Emissions	284,181	227,711	265,284
Total Scope 1 and 2 emissions	1,711,748	1,562,716	1,909,973



# TCFD RECOMMENDATIONS

## METRICS & TARGETS

**b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**

For the Group’s Scope 3 emissions, a preliminary screening exercise was conducted in 2021 to determine which of the categories would be most dominant in terms of the Group’s emissions and operations. Subsequently, in FY2022, we then selected the most pertinent categories and undertook detailed emissions calculations based on the requirements stated by the GHG Protocol. Some Scope 3 categories were not investigated as they are not applicable to the Group’s operations. The 3-year emission data is still being validated for accuracy. Hence, we have presented a breakdown of the Group’s Scope 3 emissions profile below:

### BREAKDOWN OF SCOPE 3 EMISSIONS

Scope 3 Categories	Details	% of Total Scope 3 Emissions
Category 1: Purchased goods & services	Purchase of raw materials including cement, aggregates, steel etc.	78.6
Category 11: Use of sold products	Diesel engines used in its (lifetime*)	11.5
Category 3: Fuel- and energy-related activities not included in Scope 1 & Scope 2	Mainly from purchased electricity and fuels for operations	7.9
Category 4: Upstream transportation and distribution	Majority attributed to road freight	0.8
Category 10: Processing of sold products	Processing of cement into other products example precast/concrete	0.6
Category 2: Capital goods	Related to CAPEX and machinery expenses	0.4
Category 5: Waste generated in operations	Landfilling of waste materials generated from operations	0.1

Note: Figures may not add up to 100% due to rounding.  
 \*Note: HLA is currently assuming 15 years for diesel engine lifetime.

As governments around the world make greater efforts to decarbonise their economies, potential risks related to GHG emissions could adversely affect the Group’s operations. These risks include, but are not limited to, stricter requirements aimed at reducing diesel and petrol use, regulations that limit emissions, volatile fuel and energy costs associated with operations and difficulties in accurate calculations of Scope 3 emissions.

For further details on our GHG emissions performance, kindly refer to our FY2023 Sustainability Report pages 16 - 19.

## TCFD RECOMMENDATIONS

### METRICS & TARGETS

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**c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.**

Hong Leong Asia has set key metrics and targets across various parts of our businesses, relating to our commitment towards a low-carbon and circular economy. These targets are set to be achieved by 2025 for each of these areas and the progress of these targets are monitored and reported to the BSC on a regular basis.

Please refer to page 15 of this Report to view these metrics and targets under our environmental pillar, "Driving Innovation for a Low-Carbon and Circular Economy".

# GRI CONTENT INDEX

**Statement of use** Hong Leong Asia has reported the information cited in this GRI content index for 2023 (1 January to 31 December) with reference to the GRI Standards

**GRI 1 USED** GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	2-1 Organizational details	Annual Report - About Us, Corporate Profile (1), Our Portfolio (28-31), Subsidiaries (143-145), Shareholdings (215-216), Operating Network (Back Cover)
	2-2 Entities included in the organization's sustainability reporting	Sustainability Report - (3)
	2-3 Reporting period, frequency and contact point	Sustainability Report - (3)
	2-4 Restatements of information	Sustainability Report - (16, 30, 38-39)
	2-5 External assurance	None
	2-6 Activities, value chain and other business relationships	Annual Report - What We Do (6-7), How We Create Value (8-9), Our Portfolio (28) Sustainability Report - (7- 13)
	2-7 Employees	Sustainability Report - (40- 41)
	2-9 Governance structure and composition	Annual Report - Corporate Governance Report (52-53)
	2-10 Nomination and selection of the highest governance body	Annual Report - Corporate Governance Report (60-64, 66-68)
	2-11 Chair of the highest governance body	Annual Report - Board of Directors (16-20), Corporate Governance Report (65)
	2-12 Role of the highest governance body in overseeing the management of impacts	Annual Report - Chairman's Message (12-15), Sustainability Board Statement (36-39), Corporate Governance Report (54-57) Sustainability Report - (7- 13)
	2-13 Delegation of responsibility for managing impacts	Annual Report - Our Sustainability Highlights (45), Corporate Governance Report (54-57)
	2-14 Role of the highest governance body in sustainability reporting	Annual Report - Our Sustainability Highlights (45), Corporate Governance Report (52-89) Sustainability Report - (7- 13)
	2-15 Conflicts of interest	Annual Report - Corporate Governance Report (55, 60, 82-83, 195-196)
	2-16 Communication of critical concerns	Annual Report - Corporate Governance Report (52-89) Sustainability Report - (7- 13)

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 2: GENERAL DISCLOSURES 2021</b>	2-17 Collective knowledge of the highest governance body	Annual Report - Corporate Governance Report (52-89) Sustainability Report - (7- 13)
	2-18 Evaluation of the performance of the highest governance body	Annual Report - Corporate Governance Report (52-89) Sustainability Report - (7- 13)
	2-19 Remuneration policies	Annual Report - Corporate Governance Report (52-89) Sustainability Report - (7- 13)
	2-20 Process to determine remuneration	Annual Report - Corporate Governance Report (52-89)
	2-22 Statement on sustainable development strategy	Sustainability Report - (4-6)
	2-23 Policy commitments	Sustainability Report - (4-13, 48-50, 53-54)
	2-24 Embedding policy commitments	Sustainability Report - (49-50, 53-54, 58)
	2-25 Processes to remediate negative impacts	Annual Report - Corporate Governance Report (52-89)
	2-26 Mechanisms for seeking advice and raising concerns	Annual Report - Corporate Governance Report (52-89) Sustainability Report - (7- 13)
	2-27 Compliance with laws and regulations	Annual Report - Corporate Governance Report (52-89) Sustainability Report - (26, 49, 54, 58)
	2-28 Membership associations	The Cement & Concrete Association of Malaysia, China Internal Combustion Engine Industry Association
	2-29 Approach to stakeholder engagement	Annual Report - Corporate Governance Report (87-88) Sustainability Report - (9-11)
	2-30 Collective bargaining agreements	Sustainability Report - (41)

# GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 3: MATERIAL TOPICS 2021</b>	3-1 Process to determine material topics	Annual Report - Corporate Governance Report (74-78) Sustainability Report - (12)
	3-2 List of material topics	Annual Report - (76-78) Sustainability Report - (7,13)
	3-3 Management of material topics	Annual Report - Corporate Governance Report (74-78) Sustainability Report - (7-13, 15, 37, 48)
<b>GRI 201: ECONOMIC PERFORMANCE 2016</b>	201-2 Financial implications and other risks and opportunities due to climate change	Sustainability Report - Task Force for Climate-Related Financial Disclosures (64-67)
<b>GRI 205: ANTI-CORRUPTION 2017</b>	205-2 Communication and training about anti-corruption policies and procedures	Sustainability Report - (49)
	205-3 Confirmed incidents of corruption and actions taken	Sustainability Report - (49)
<b>GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Sustainability Report - (49)
<b>GRI 301: MATERIALS 2017</b>	301-2 Recycled input materials used	Sustainability Report - (25)
<b>GRI 302: ENERGY 2016</b>	302-1 Energy consumption within the organization	Sustainability Report - (16-17)
	302-3 Energy intensity	Sustainability Report - (18)
	302-4 Reduction of energy consumption	Sustainability Report - (16-17)
<b>GRI 303: WATER AND EFFLUENTS 2022</b>	303-5 Water consumption	Sustainability Report - (24)
<b>GRI 305: EMISSIONS 2016</b>	305-1 Direct (Scope 1) GHG emissions	Sustainability Report - (18)
	305-2 Energy indirect (Scope 2) GHG emissions	Sustainability Report - (18)
	305-3 Other indirect (Scope 3) GHG emissions	Sustainability Report - (19)
	305-4 GHG emissions intensity	Sustainability Report - (18)
	305-5 Reduction of GHG emissions	Sustainability Report - (16-17)
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Sustainability Report - (26)

## GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 306: WASTE 2022</b>	306-3 Waste generated	Sustainability Report - (23)
	306-4 Waste diverted from disposal	Sustainability Report - (23)
	306-5 Waste directed to disposal	Sustainability Report - (23)
<b>GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016</b>	308-1 New suppliers that were screened using environmental criteria	Sustainability Report - (52-53, 58)
<b>GRI 401: EMPLOYMENT 2016</b>	401-1 New employee hires and employee turnover	Sustainability Report - (41)
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018</b>	403-1 Occupational health and safety management system	Sustainability Report - (53-54, 58)
	403-9 Work-related injuries	Sustainability Report - (55-56, 59)
<b>GRI 404: TRAINING AND EDUCATION 2016</b>	404-1 Average hours of training per year per employee	Sustainability Report - (38-39)
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016</b>	405-1 Diversity of governance bodies and employees	Annual Report - Corporate Governance Report (61-64) Sustainability Report - 41
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report - (51, 58)

**HONG LEONG ASIA LTD.**

CO. Reg. No. 196300306G

16 Raffles Quay,  
#26-00 Hong Leong Building,  
Singapore 048581

**[www.hlasia.com.sg](http://www.hlasia.com.sg)**