

FORGING AHEAD



SUSTAINABILITY REPORT

STATEMENT BY THE BOARD OF DIRECTORS

We are in the fourth year of our sustainability-reporting journey. As we progress, we have set in place a process to systematically review our business practices to assess the impact on stakeholders who may be affected by its activities, or whose actions can affect the ability of the Group¹ to conduct its activities. Sustainability is essential to our operations and being a valued and respected corporate citizen, our focus on sustainability will create long-term value for our stakeholders.

The Board has set the strategy and direction for sustainability management through upholding high standards of governance across our value chain, promoting ethical and responsible business practices, prudent financial management, maintaining high standards of health and safety, managing environmental impact, efficient utilisation of resources, and engaging communities we operate in.

The Board drives the Group's sustainability direction and the Sustainability Committee assists the Board in carrying out all its sustainability efforts to continually identify, evaluate, monitor, manage and address environmental, social and governance ("ESG") factors material to our businesses. As sustainability is a journey that takes constant effort, we look forward to your continued support in creating a sustainable future for generations to come.

MESSAGE FROM CHIEF EXECUTIVE OFFICER ("CEO")

We are pleased to publish the HLA's Sustainability Report, which is prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option, and the Sustainability Reporting Guide of Singapore Exchange. Monitoring our sustainability practices has been beneficial as it helps us to quantify the actions that we have taken as a form of measuring the level of the Group's sustainable development.

We remain committed towards our responsibilities in addressing the ESG issues around us. During the year, the Management and Heads of Departments ("HODs") of respective business units continue to initiate, drive and monitor the sustainability practices, which have been embedded into our daily operations. We believe in striking a balance between achieving operational profitability and concurrently managing ESG risks and opportunities in order to sustain long-term business continuity.

We periodically review our approach to ensure that relevant sustainability challenges are appropriately addressed across our value chain. This includes enhancing our approach in engaging with various stakeholders, minimising environmental footprints from our operations, and improving the workplace health and safety of our employees.

Despite challenging business environment faced by the building materials industry in Malaysia, our Malaysian business unit held its annual dinner for its employees in November 2019 in appreciation of their invaluable contributions and continued commitments. 43 employees, who have served the unit for periods ranging from 10 to 40 years, received their long service awards.

Whenever feasible and practical, we continue to explore the use of alternative raw materials in our production processes as one of the ways to address environmental issues.

Our diesel engines business unit continues to receive awards during the year in recognition of its research and development in green technology and product innovation, which resulted in the production and sale of better emission standard, higher efficiency and more energy saving engines.

Due to the outbreak of COVID-19, we have taken various measures to safeguard our employees' health and safety, as well as activated our Business Continuity Plan to mitigate any challenges from any business disruption².

This report is a compilation of our efforts in 2019 and our aspirations for 2020. We welcome your feedback on this report as we continue our journey to improve our reporting and sustainability practices. Please send in your comments or questions to sustainability@hla-grp.com.



43

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

² Refer to the Chairman's Message in the Annual Report for details of the sustainability efforts on COVID-19.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This report has been prepared in accordance with the GRI Standards: Core option, and complies with the SGX requirements on sustainability reporting.

Information contained in this report reflects the sustainability progress of the Group’s building materials and diesel engines units from 1 January 2019 to 31 December 2019, unless otherwise specified. The 2018 Sustainability Report was issued in March 2019. We will continue to publish our progress on an annual basis.

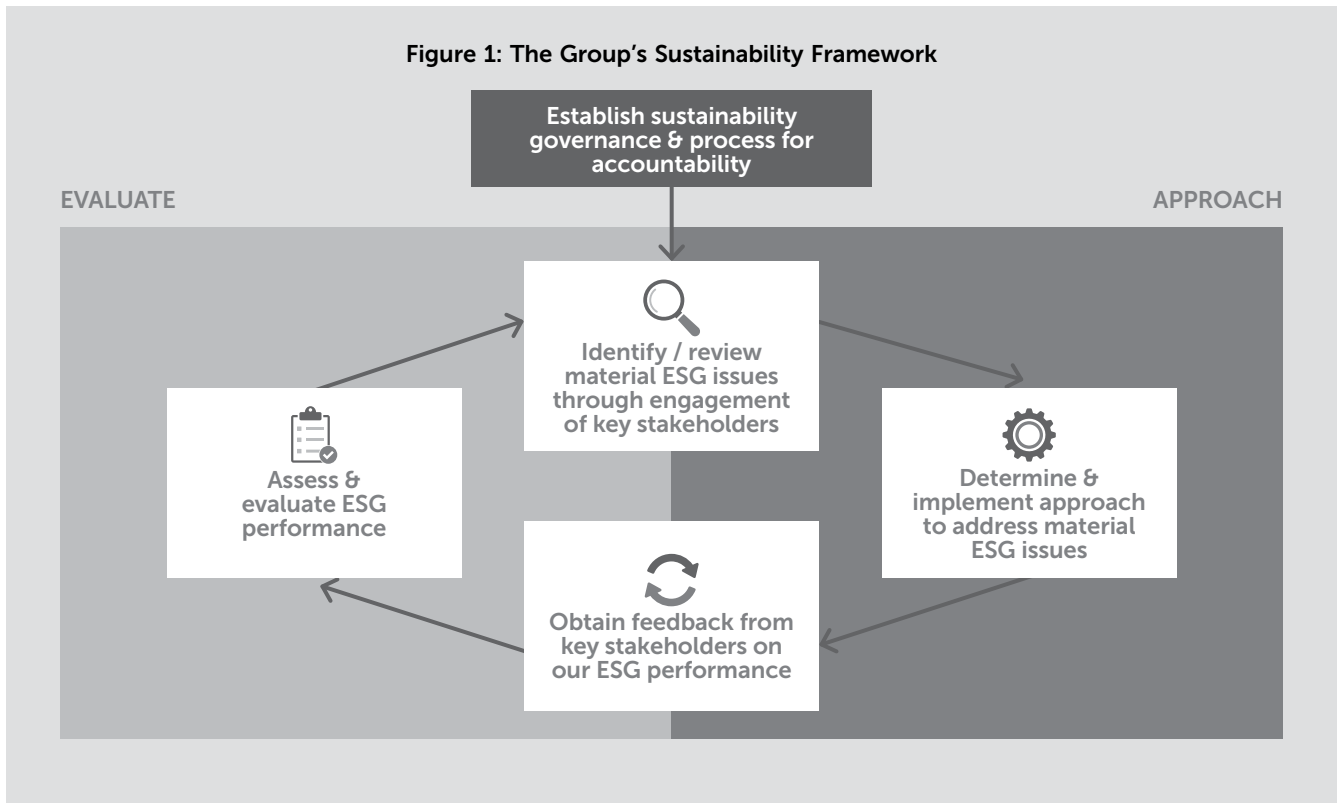
A historical comparison to the previous years has also been presented where possible. We seek to continue to assess and improve our data collection systems over time.

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

SUSTAINABILITY FRAMEWORK AND GOVERNANCE

As a means to ensure reliability, adequacy and effectiveness of the internal controls and risk management processes over our sustainability practices and reporting aspects, the Group has developed a framework to formalise the oversight procedures (Figure 1).

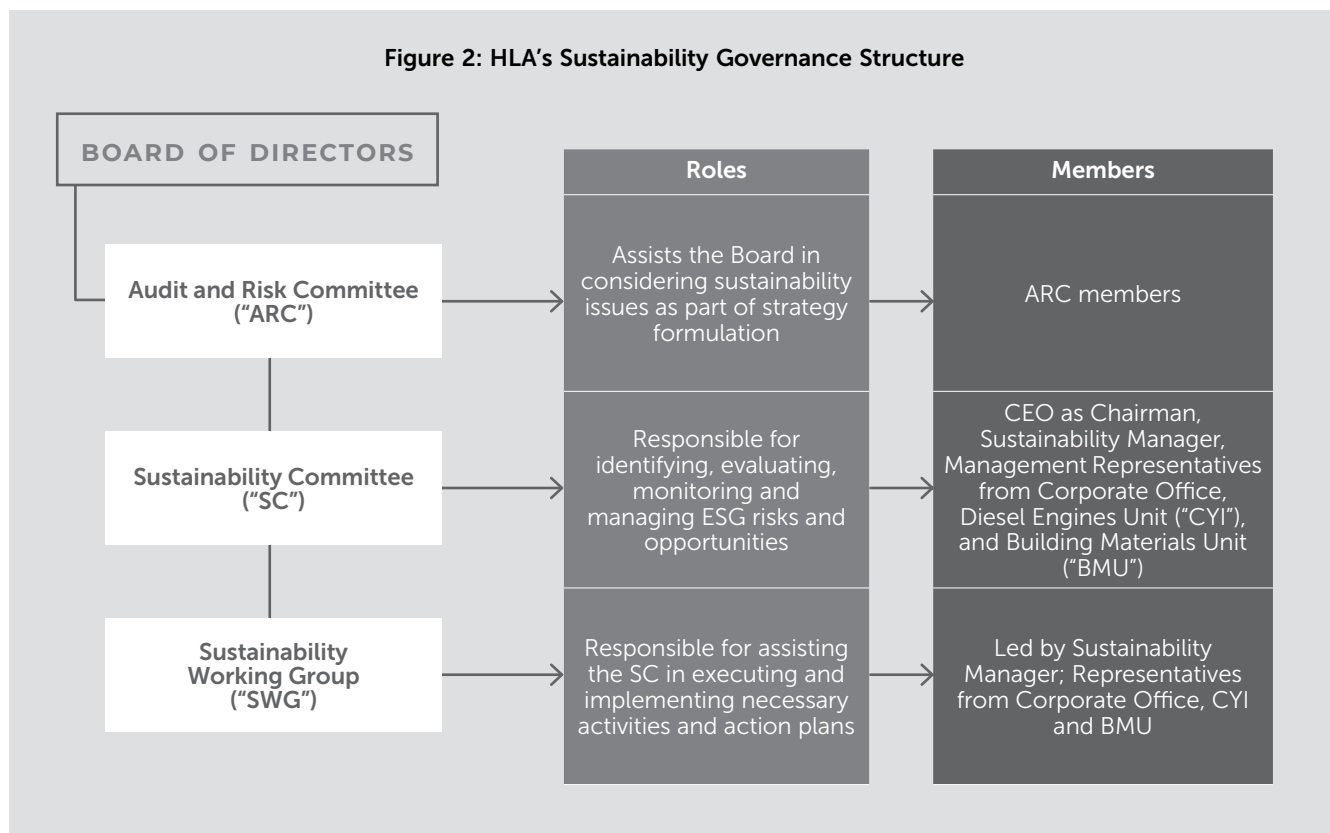
The Sustainability Committee is tasked to identify the material ESG issues and manage them, including target setting and reporting. The Management, led by the CEO, manages the internal control and risk management processes of the Group’s operations.



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

SUSTAINABILITY REPORT

Figure 2: HLA's Sustainability Governance Structure



THE GROUP'S KEY STAKEHOLDERS AND MATERIALITY ASSESSMENT PROCESS

KEY STAKEHOLDERS

The main purpose of any business is to create value for its shareholders. Value is commonly generated by providing products and services to customers, and this is supported by employees and suppliers of the business. The impact of the business on these stakeholders and the local communities affected is often managed by regulations from the government. The Group's business is typical of such a model. Therefore, our key stakeholders are identified as shareholders, customers, employees, government agencies, suppliers and the local communities.

Understanding issues affecting our relationships with our key stakeholders is important for the business to create value. As our business segments are diverse in industry and geography, a significant amount of input on material issues is obtained from the management teams of the business units. They have the most interaction with our key stakeholders on the ground and are therefore in the best position to assess the material ESG issues that need to be addressed by the Group Management.

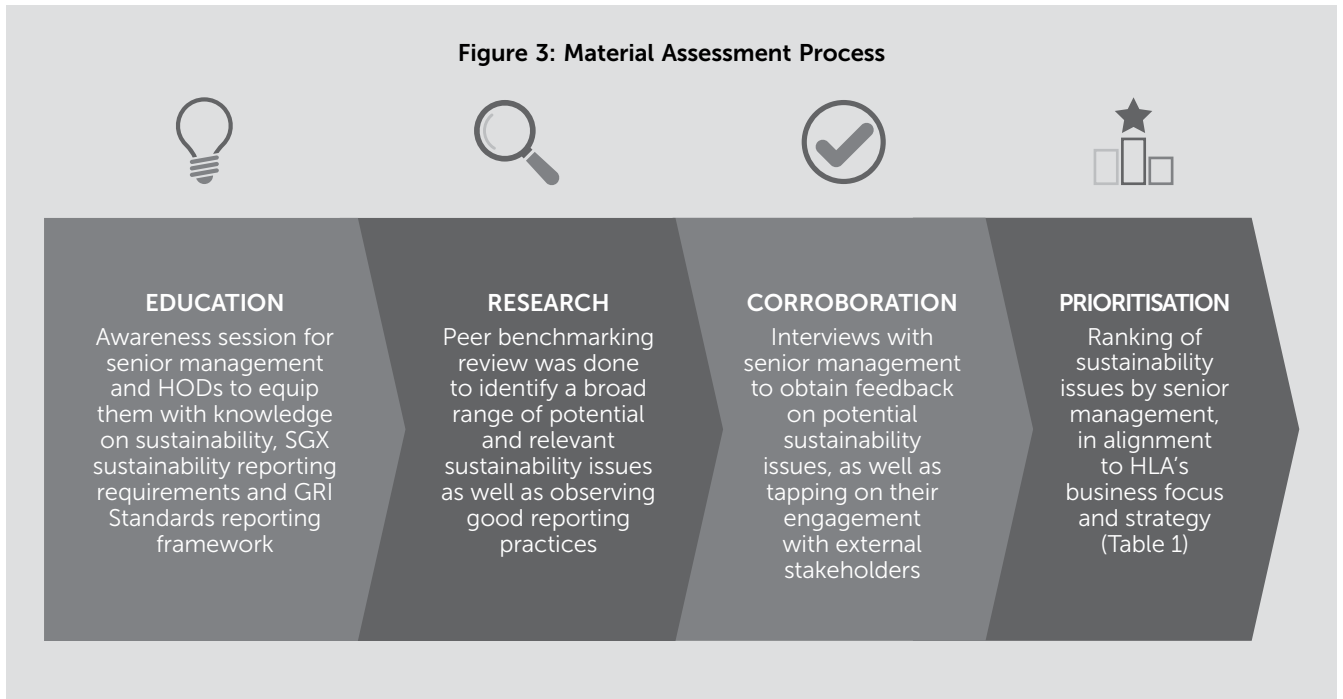
MATERIALITY ASSESSMENT

In 2016, with the assistance of external consultants, the Group conducted and formalised the process of our first sustainability materiality assessment (Figure 3), and derived the results of the key ESG concerns of our key stakeholders.

With the adoption of the new GRI Standards in 2018, the Group took the opportunity to reassess the material issues, using the same Material Assessment Process. Our focus remains on stakeholders' inclusiveness and sustainability context just as when the initial materiality assessment was conducted.

SUSTAINABILITY REPORT

Figure 3: Material Assessment Process



To facilitate the exercise, the management of each business units was first informed on the requirements of the GRI Standards, along with the updated sustainability reporting peer-benchmarking review. Interviews were also conducted with representatives of the business units on the potential relevant items to internal stakeholders. A universe of relevant sustainability issues was established through the benchmarking reviews and management-representative interviews, on which HODs voted for the priority sustainability issues to the Group. The HODs have the insights to both internal and external key stakeholders through their regular engagements and have the capacity to represent them.

From a pool of twenty two relevant sustainability issues, eight issues were identified as material and significant to the Group's operations and were reported in accordance with the GRI Standards reporting framework.

This year, the Sustainability Committee reviewed the ESG issues and validated that the eight material issues identified and determined in 2018 remain unchanged for the current reporting period (Table 1). Our Sustainability Report centres on the management's approach towards addressing our material ESG issues within the boundaries of the key stakeholder impacts, including gaps identified and our plans to address them.

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Table 1: Key stakeholders, their respective impacts, sustainability concerns and boundaries

Key Stakeholders	Boundary, Impact & Significance	Material Sustainability Issues
CUSTOMERS	Our customers are the reason for our business existence. Our customers' feedback and concerns are important inputs for our business decisions.	<ul style="list-style-type: none"> • Customer Satisfaction • Product & Service Quality
EMPLOYEES	Our employees are the backbone of the Group's success. The sustainability of our business is reliant upon their running of our day-to-day business.	<ul style="list-style-type: none"> • Employee Health & Safety • Fair Employment • Business Succession Plan
GOVERNMENT AGENCIES	Beyond meeting regulatory requirements, we recognize the importance of building working relationships with government agencies and strive to engage them both positively and regularly.	<ul style="list-style-type: none"> • Dust Emissions Management • Employee Health & Safety • Energy & Carbon Footprint • Regulatory Compliance • Ethical Business Conduct
LOCAL COMMUNITIES	Local communities are directly affected by our business operations. With such immediate reach, we strive to create positive impact on the local communities through our business.	<ul style="list-style-type: none"> • Dust Emissions Management • Regulatory Compliance
SHAREHOLDERS	Shareholders are owners of our company, and their views are crucial in determining the future directions of the Group.	<ul style="list-style-type: none"> • Ethical Business Conduct • Regulatory Compliance • Employee Health & Safety • Customer Satisfaction • Business Succession Plan
SUPPLIERS	We recognise the part we play in influencing the business practices of our suppliers. Right collaborations with our suppliers help to create a more sustainable value chain for the Group.	<ul style="list-style-type: none"> • Regulatory Compliance

OUR BUSINESS ENVIRONMENT

ETHICAL BUSINESS CONDUCT

Management Approach

To ensure the accountability of the Group to its shareholders, we conduct business with the highest ethical standard and have zero tolerance towards fraud, corruption, bribery and money laundering. Our commitment is reiterated through HLA's "I – ACE – IT" corporate values³ and Code of Business Conduct ("COBC"). We expect our employees to be exemplary in maintaining high level of professionalism and ethical behaviour when conducting the Group's operations.

The COBC is available to our employees, who are required to agree with it on joining the Group and make annual declarations that they have abided by the COBC during the year. The policy governs aspects including avoiding potential conflicts of interests, compliance with legal and regulatory provisions and ensuring proper internal controls within the organisation. Any breaches or misconduct with the COBC may result in termination of the employee. This policy is managed and reviewed periodically by the Human Resource ("HR") Department and approved by CEO.

³ Refer to the cover page of the Annual Report for more information on our "I – ACE – IT" corporate values, and Corporate Governance Report on Corporate Value and Conduct of Business.

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Our suppliers and business partners are also expected to adhere to the Group's ethical requirements when we enter into a contract with them. We have in place whistle-blowing procedures⁴ where employees or any other persons can raise, in confidence, concerns about possible improprieties in matters relating to financial reporting, or other malpractices and misconduct. The ARC has the responsibility of overseeing this, supported by the Head of Internal Audit. There is a mechanism in place to provide appropriate protection to the whistle-blower against any reprisals if disclosures are made in good faith. More information about the HLA's Whistle-blowing Policy can be found in the Corporate Governance Report⁴.

Performance

We take every credible whistle-blowing report very seriously. In 2019, despite our best efforts in reinforcing the zero-tolerance policy on unethical behaviour within the organisation, there was one confirmed incident of unethical business conduct raised through the whistle-blowing channel. Resultantly, after due investigation, an employee of a business unit had his services terminated and the matter was referred to the relevant enforcement agency. In the upcoming year, we plan to reinforce awareness programmes on this important subject, in particular to the employees of the said business unit. In line with the new Malaysian law on liability of corporations and directors regarding corrupt practices concerning employees, which will take effect in June 2020, policies and procedures on the subject matter will be strengthened to ensure that a more robust framework is in place to handle unethical conduct of employees. We plan to adopt similar framework throughout the Group including those of our plastic packaging and air-conditioning business units.

In upholding high standards of ethics and integrity across our value chain, we continue to increase our efforts in driving the awareness of COBC to our suppliers. During the year, they have been reminded of the various business units' whistle-blowing channels and ethical conduct policy.

There have been no cases of legal actions for non-competitive behaviour, anti-trust and monopoly practices in 2019.

REGULATORY COMPLIANCE

Management Approach

Compliance with government and local authority regulatory requirements is critical in maintaining the business units' licence to operate. This responsibility principally lies with the heads of each of the business units, and is delegated to the respective HODs to ensure that regulations within their scope of work are complied.

They liaise with the relevant government agencies and coordinate periodic inspections as required. The HODs will then report to the head of the business unit for an annual evaluation, or as and when there are regulatory changes.

Through the COBC for Suppliers, the Group communicates to our business partners and vendors the importance for them to comply with regulations when dealing with us.

Performance

Save as disclosed, the Group did not incur any material fines and sanctions related to environmental and social aspects during the year. The Group's building materials division received a notice of non-compliance of regulations from the local regulatory body pertaining to certain sale transactions conducted prior to 2018 due to administrative oversight. The business unit concerned had since taken the necessary corrective actions and put in place policies and procedures to prevent recurrence. Appeal had been submitted to the regulatory body to reconsider the penalty imposed on the business unit, on the basis that the non-compliance relates to failure to submit proper documentation without any financial loss to the government agency. The outcome of the appeal is pending at the date of this report. The business unit will continue to engage with the regulatory body to seek an amicable solution on this matter.

The Group understands the importance of adhering to the regulations of each jurisdiction that we operate in, and we will continue to work hard to ensure full compliance with rules and regulations.

⁴ Refer to the Corporate Governance Report in the Annual Report for further details on the Group's whistle-blowing policy and procedures.

SUSTAINABILITY REPORT

UNDERSTANDING OUR CUSTOMERS' NEEDS

Management Approach

Our customers are diverse across geography in the building materials and diesel engines industries, spanning mainly across China, Malaysia and Singapore. Therefore, the management teams of the business units, who know the customers best, set their own individual benchmarks on delivering quality products and services to achieve a high level of customer satisfaction, the latter primarily influenced by the quality of the product supplied and the associated services rendered.



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Gaining customers' confidence and trust in our products is key to the Group's continued success and growth. The ability to produce quality products to meet our customers' requirements begins with ensuring that our supply chain is well managed. Our business units have each established a pre-qualification process for significant tenders to include criteria such as only selecting suppliers which comply with local regulations and preference is given to those with relevant certifications on quality management systems. Major suppliers are evaluated at least once a year for quality of goods and services provided and ad hoc visits to our suppliers' sites are part of the evaluation, especially for new suppliers. When necessary, we also performed due diligence on our suppliers and those who do not meet the minimum benchmarks set are counselled or issued warning letters to improve; and those found with serious lapses terminated.

Throughout our manufacturing process, we have established strict standard operating procedures on quality assurance and control, using the ISO 9001 standard on quality management systems, to safeguard the level of quality of our outputs.

Our Sales & Marketing teams are proactive in engaging our customers to ensure that the products as well as pre and post order services meet or exceed our customers' requirements. This close interaction allows our Sales & Marketing teams, together with the Project teams, to address any issues promptly. The Marketing Department of each business unit conducts formal surveys to obtain an understanding of our customers' satisfaction with our products and services. Depending on the business units, some surveys are performed either monthly, at the end of each project, or annually. Through these surveys, we are able to assess the success of our previous strategies and identify areas for improvement.

Feedback on the need of new products and features is captured in these surveys, which are evaluated by the Management and the Research & Development ("R&D") personnel of the business unit for further action. For the diesel engines unit, the R&D team continually innovates to improve the safety and environmental aspects of the design of our engines. Customers are provided with detailed user manual and after-sales service is an integral part of our business operation. We also conduct maintenance training for Original Equipment Manufacturers and large customers as preventive measures for machine failures and reminders on safety. For the building materials unit, the R&D teams conduct various tests on the use of new or alternative materials or mixing formulas to produce products that meet the demand and requirements of customers.

Performance

From the surveys conducted with the customers of our various business units in 2019, we are pleased to report that all of the Group's business units surpassed the internal benchmarks set for customer satisfaction.

The high quality of service provided by our Sales & Marketing teams and good coordination with the Operation teams in production and delivery have been highlighted by our customers in the surveys. We are pleased to say that our employees are able to react promptly and deal with our customers professionally on any issues relating to our products and services. Notwithstanding, there were some constructive feedbacks received from our customers on our ready-mixed concrete operation to enhance on delivery intervals, to consider supplying at night, at certain project sites and increase frequency on truck maintenance. To address these issues, we have worked with our cartage contractors on improving the monitoring process of truck availability and productivity. When available and feasible, we would also look into setting up more site plants to meet customers' demand, reduce delivery lead-time and fulfil orders placed after normal operation hours. On our cement business, there were customers' feedbacks on the plant not being able to fulfil orders during certain periods such as when the plant was under maintenance or when there was sudden surge in demand. We are working to enhance our production planning, order allocation and delivery systems to address the feedback.

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We pride ourselves on being able to deliver quality products and services to our customers and for the need of the nations. Through R&D in green technology and product innovation, our diesel engines unit has built a series of engine products with better emission standard, higher efficiency and more energy saving. In 2019, the business unit won the 2019 China Agricultural Machinery Industry Product Gold Award from the Ministry of Agriculture and Rural Affairs for one of its engine products. It has also been awarded the 2019 National Quality Benchmark Award, 2019 Guangxi Industrial Enterprise Quality Management Benchmark Award, and the 2018-2019 Advance Unit Award by Guangxi Quality Management Equipment Supervision Association in recognition of its continuous improvements in engine production quality control systems.



DIESEL ENGINES
2019 National Quality
Benchmark Award,
Ministry of Industry
and Information
Technology



BUILDING MATERIALS
2019 *Green Building
Product Leader,
Singapore Green
Building Council

**Awarded for select ready-mix
concrete products*

As for our building materials unit, certain ready-mixed concrete products under the product brand of I-Envirocrete were awarded the top green building product rating by the Singapore Green Building Council based on the assessment criteria of The Singapore Green Building Product Certification Scheme.

During the year, the Group did not receive any reports regarding any incidents from the users of our products or visitors to our sites. The Group endeavours to improve on our customer satisfaction year- on-year and will continue to work with our customers and suppliers to increase the value creation for all parties.

LOOKING AFTER OUR PEOPLE

FAIR EMPLOYMENT PRACTICES

Management Approach

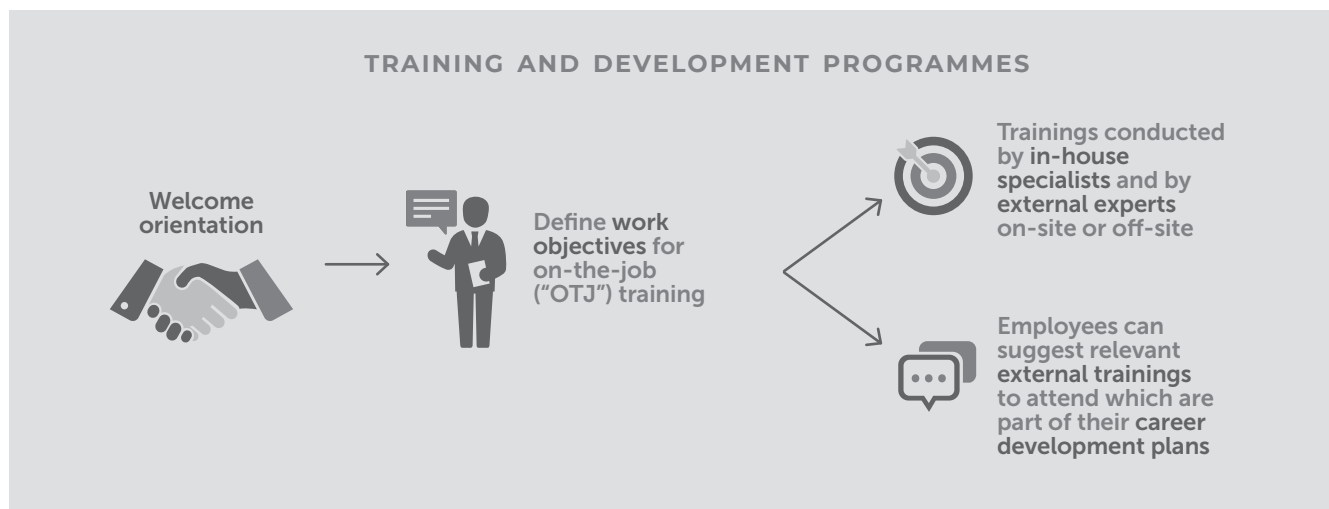
Employees are essential to our value chain and to the success of the Group. As a responsible corporate citizen, we treat all our employees equally and provide opportunities to qualified individuals based on their merits, competency, experience and other relevant qualities for their development within the organisation. We hope to retain high-performing employees to progress with the business, and keep our people motivated, as motivated employees tend to achieve more.

We recognise the importance of working diversity as it promotes innovation and sustainability, which are significant to respond to the evolving needs of customers and markets. We are committed to building a workforce and workplace that nurtures inclusion, equality and respect for all. Our COBC for Employees clearly states our commitment to respecting everyone in our culturally diverse workforce. This document is agreed by the employees at the beginning of their employment and is acknowledged annually. We do not practice discrimination in our recruitment, training and career opportunities.

We strive to maintain healthy relations with our employees. Dialogue between management and employees is integral to our work practices; employees are encouraged to voice any concerns and feedback in a timely manner to the Management either directly or through their supervisors, HODs, unions or during annual appraisals. For more serious grievances, our employees can use the whistle-blowing channel.

The HR Department along with the senior management teams of the business units are responsible for creating a positive working environment for our employees. Part of the growth of our employees is linked to the organisation's business succession plan. Key positions and employees are identified by the senior management to ensure that there is proper succession planning. The Group has a formal process in place to ensure a smooth transition and continued business operations as part of our business succession plan.

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We acknowledge that the sustainability of our business is highly dependent on strong human capital. Training and development programmes are essential to increase the work knowledge and skills of employees at each level and in building a pool of employees who can develop into management roles as part of the business' succession plan. This process also contributes to the long-term growth of our business.


+210
employees
year-on-year
from 2018 to
2019 in our
diesel engines
business unit

Training begins when an employee joins a business unit within the Group and is given a welcome orientation. Thereafter, their supervisors will go through with them their work objectives and provide on-the-job ("OTJ") training for their respective positions. Other than OTJ training, there are trainings conducted by in-house specialists and by external experts on-site or off-site. Our employees can also suggest to their supervisors on the external trainings they would like to attend, are relevant to their work or which are part of their career development plans.

Performance

As at the end of 2019, the Group employed 8,290 full-time staff (Table 2), of whom approximately 87% are covered by collective bargaining agreements. The headcount in the respective business units has remained stable during the year at less than 5% variance from the previous year.

For our diesel engines business unit in China, as at 31 December of the respective years, there is an increase of 210 employees year-on-year, from 6,721 employees in 2018 to 6,931 employees in 2019. The increase was primarily due to the changes in production capacity and operation requirements. More employees with the necessary skill sets and knowledge were also recruited during the year as the unit continues to innovate and use advance technology and artificial intelligence in its manufacturing operations.

The turnover rate in 2019 was relatively lower as the Group operated at an optimal size for the business growth. The business units monitored labour productivity along with business growth plans to make adjustments to new headcount, on top of replacement positions.

During the year, we organised more than 2,500 training sessions, equivalent to 400,000 hours⁵, in our diesel engines and building materials business units. The training encompassed inter alia, areas such as health and safety, laws and regulations, quality management systems, risk management, anti-bribery management system, scheduled waste management, specialised technical skills for production and operation personnel, energy management, financial and enterprise resource planning systems and process control improvements.

In the coming year, we will continue to invest in human capital by providing professional trainings in various skill sets for staff development. Business succession planning is an ongoing process. We will endeavour to develop and identify a pool of qualified personnel for important positions within the Group to ensure smooth running of our operations or to undertake new business opportunities.

⁵ Training sessions and hours disclosed in 2018 Sustainability Report were for building materials business unit only.

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Table 2: Summary of People Performance



EMPLOYEE PROFILE

Employment Type	China		Malaysia		Singapore		Total
	Male	Female	Male	Female	Male	Female	
Permanent	4,167	785	729	88	462	50	6,281
Temporary	1,742	238	22	5	2	0	2,009
							8,290



EMPLOYEE MOVEMENTS

Region	New Hires					Departures					Total	
	Age Group			Gender		Age Group			Gender			
	<30	30-50	>50	Male	Female	<30	30-50	>50	Male	Female		
China	374	51	5	384	46	430	112	81	27	186	34	220
(Rate ⁶)	4.5%	0.6%	0.1%	4.6%	0.6%		1.4%	1.0%	0.3%	2.2%	0.4%	
Malaysia	65	37	6	93	15	108	50	51	16	99	18	117
(Rate ⁶)	0.8%	0.4%	0.1%	1.1%	0.2%		0.6%	0.6%	0.2%	1.2%	0.2%	
Singapore	10	21	2	24	9	33	13	38	9	55	5	60
(Rate ⁶)	0.1%	0.3%	0.0%	0.3%	0.1%		0.2%	0.5%	0.1%	0.7%	0.1%	
						571						397

Health and Safety

Management Approach

One of the common vital ESG issues of the manufacturing industry is the safety of employees as there are heavy machineries and equipment used in the operations. Employees operating the equipment need to be well trained in using them, and employees on-site are made aware of the risk and safe zones.

All the business units have their dedicated Safety, Health & Environment ("SHE") Department. Their works include ensuring compliance with local rules and regulations, identification of health and safety risks and the corresponding mitigating actions, conducting regular on-site inspections, as well as organising and providing health and safety trainings for our employees.

New employees are given basic safety trainings upon joining the business units as part of the induction programme which includes on-site training where applicable. There are further OTJ trainings as and when necessary, and refresher training courses are conducted periodically particularly for technical, engineering and operations personnel. Employees working at high-risk areas typically undergo health checks before starting at their positions, and yearly health reviews conducted. Common health hazards, which may occur in the Group's manufacturing industries, include respiratory diseases and hearing loss. Wearing the correct personal protective equipment ("PPE") is a major part in mitigating both health and safety risks. Any employee caught not wearing the appropriate PPE is first given a warning. Repeated offenders face disciplinary actions including termination of employment.

For each major work site and work step, a risk assessment of the severity and likelihood of an injury is performed. Using the risk prioritisation matrix, work steps with a higher severity and likelihood of injury are required to implement risk controls. This includes assessing risk of developing occupational diseases such as respiratory diseases and hearing loss. The SHE Department works with the teams involved in the work steps to reduce the risk level to an acceptable level such that with appropriate PPE and safety training, that work steps are safe enough for our employees to operate.

⁶ The rates of new employee hires and employee turnover are calculated using the total employee numbers at the end of the reporting period.

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Our employees are encouraged to speak up and report whenever they observe any risks, hazards or offenders as we want all our employees to have a "Safety First" mind set and the assurance that the Group is committed to providing a safe environment for them to work. In the event of any safety incidents, regardless of whether anyone was injured, or whether the party is an employee, contractor or visitor, SHE Department will conduct investigation on the cause and details of the incident, and report to the Management together with recommendations for prevention of the incidents.

Performance

In 2019, our cement plant and precast concrete facilities which have in place a sound management system for occupational health and safety, have successfully migrated from OHSAS 18001 certification to the new ISO 45001 certification. This is a demonstration of our continuing efforts and commitment on the health and safety of our employees, and any persons working on site, including visitors, suppliers and subcontractors.

Our diesel engines business unit has not recorded any reportable work-related incident⁷ in 2018 and 2019. The number of incidents reported in Table 3 below refers to incidents happened in our building materials business unit. The number of injury incidents and injury rate for employees have reduced in 2019. Our contractors continued to report to us any injuries sustained at any of our work sites. Together with our contractors, we took preventive actions by implementing stringent measures to improve workplace safety and this joint effort has seen both the number of injury incidents and injury rate for contractors reduced in 2019 compared to 2018.

Health and safety remains a key focus area for the Group and we continue to make great efforts to increase awareness of our practices through training and regular communication to employees and contractors.

Table 3: HLA Statistics on Reportable Incident

Year	Employees				Contractors			
	Number of Injuries	Hours Worked	Injury Rate (per mil hours)	Fatalities	Number of Injuries	Hours Worked	Injury Rate (per mil hours)	Fatalities
2019	11	20,057,840	0.55	0	2	1,327,973	1.51	0
2018 ⁷	12	20,041,142	0.60	0	4	1,620,579	2.47	0

CARING FOR THE PHYSICAL ENVIRONMENT

ENERGY & CARBON FOOTPRINT^{8,9,10}

Management Approach

As a manufacturer, we understand the impact of our environmental footprint and have continuously put in effort to make certain changes within the Group. We remain committed in doing our part to make our manufacturing process cleaner and greener.

The more significant components of our environmental impact are the Group's energy consumption, carbon emissions and dust emissions. As such, we have put in place key indicators to measure and monitor the performance efficiency of our business units in these areas. There are systems in place to track and alert the relevant personnel in the event that the indicator exceeds our internal benchmarks.

The Production and Electrical & Energy Departments work together to manage our energy consumption. Devices are used to track and monitor consumption. Usage trends are compared to the production levels and any anomalies are reported to the Management for further investigation and prompt remedial actions.

⁷ Reportable incident refers to work-related accident, workplace accident, dangerous occurrence and occupational disease that require statutory reporting to the relevant local authorities as mandated by the local regulations. The number of injury incidents for 2018 had been restated to be in line with the reporting basis of 2019.

⁸ Source of default net calorific values for fuels used: 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

⁹ Source of Scope 1 emissions factors: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, GHG Protocol and Cement Sustainability Initiative database.

¹⁰ Source of Scope 2 emissions factors: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Singapore Energy Statistics, and International Energy Agency's CO2 Emissions from Fuel Combustion Highlights.

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The Group's cement manufacturing business unit is the largest consumer of energy within the Group as it requires a significant amount of energy in its manufacturing process. Coal is the main source of energy used to fire up the kiln for making clinker, a key input into the making of cement. The calcination process of clinker manufacturing is a significant contributor to the cement unit's greenhouse gas ("GHG") emission.

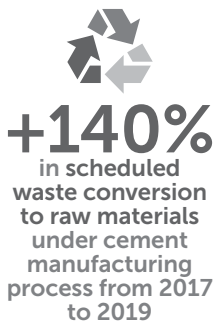
The Management at the cement plant is aware of the environmental impact and had established the Industrial Ecology Department ("IED") in 2016. The IED is tasked to explore alternative raw materials and fuel sources to manufacture cement, with the intention to decrease the quantity of clinker produced thereby reducing carbon emissions from calcination and to be part of the circular economy by using the by-products generated by other industries. We have been using ISO 14064 to measure our GHG emissions as a means to evaluate existing and new approaches towards managing our emissions.

Since the establishment of the IED at our cement plant in 2016, the business unit has tried and used numerous alternative raw materials such as fly ash and copper slag, as well as alternative fuels including waste oil, refuse-derived fuels, saw dust and soap sludge. The alternative raw materials reduce the amount of limestone required in clinker production which in turn reduces carbon dioxide emissions, while the use of alternative fuels involve burning industrial waste which would otherwise require separate treatment before dumping into the landfills.

Our diesel engines business unit is committed to use clean and green energy in its operation, and we have been harvesting solar energy from the solar panels installed at the roofs of our factory buildings. The use of this zero carbon emission energy amounted to approximately 10% of the total annual electricity consumption by the business unit.



Our diesel engines business unit is committed to use clean and green energy in its operation, and we have been harvesting solar energy from the solar panels installed at the roofs of our factory buildings



Performance

Our cement manufacturing business unit has adopted the Guidelines on Environmentally Sound Co-Processing of Scheduled Waste in Cement Industry developed by the Department of Environment of Malaysia and the cement industry players.

With this co-processing, we use scheduled wastes generated by other industries as alternative raw materials or fuels as a source to natural mineral resources and fossil fuels. This contributes positively to the environment by reducing the need to have more landfills and separate treatment for the waste. While there is a reduction in the use of alternative materials as alternative fuels as stated in "Others" fuel type (Table 4), primarily due to suitability and availability of such materials as well as processing issues, the use of scheduled wastes as alternative raw materials in our cement manufacturing process has grown from 10,000 metric tons in 2017 to about 24,000 metric tons in 2019. The business unit plans to install more facilities in the plant for co-processing in the coming years.

The decrease in overall energy consumption, Scope 1 and Scope 2 emissions intensities in 2019 (Table 4) is mainly due to the decrease in clinker production of our cement manufacturing business unit and higher quantity of blended cement produced using alternative raw materials, thus reduced clinker consumption.

We will continue to look into managing our electricity consumption more effectively in the coming year as it not only contributes significantly to the operational expenses of our building materials units but is also a major source of greenhouse gas emissions.

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Table 4: HLA's Energy and Carbon Footprint, by Fuel Type and Business Unit



ENERGY CONSUMPTION (NON-RENEWABLE)

	Unit measurement	2019	2018	2017 ¹¹
By Business Unit				
BMU	TJ	7,947	8,099	8,399
Diesel Engine	TJ	458	375	370
By Fuel Type				
Coal	TJ	7,064	6,962	6,727
Gas and Diesel Oil	TJ	720	629	586
Others	TJ	621	883	1,456
Total Energy Consumption	TJ	8,405	8,474	8,769
Overall Energy Intensity	TJ/\$ million	2.07	2.24	2.39
Scope 1 Emissions (By Business Unit)				
BMU	tCO ₂	1,759,408	1,841,504	1,740,384
Diesel Engine	tCO ₂	33,038	27,425	26,841
Scope 1 Total Emissions	tCO ₂	1,792,446	1,868,929	1,767,225
Scope 1 Emissions Intensity	tCO ₂ /\$ million	442	494	481



ELECTRICITY CONSUMPTION (BY BUSINESS UNIT)

	Unit measurement	2019	2018	2017 ¹¹
BMU	MWh	242,499	256,899	230,672
Diesel Engine	MWh	264,493	244,376	268,553
<i>Electricity Generated from Solar Energy</i>	%	9.3	9.9	9.1
Total Electricity Consumption	MWh	506,992	501,275	499,225
Overall Electricity Intensity	MWh/\$ million	125	132	136
Scope 2 Emissions (By Business Unit)				
BMU	tCO ₂	167,691	176,737	158,581
Diesel Engine	tCO ₂	184,997	169,728	188,249
Scope 2 Total Emissions	tCO ₂	352,688	346,465	346,830
Scope 2 Emissions Intensity	tCO ₂ /\$ million	87	92	94

¹¹ For consistency of presentation, the energy consumption and revenue data for 2017 had been restated to exclude the consumer products unit which had been deconsolidated from the Group in 2018.

SUSTAINABILITY REPORT

Dust Emissions

Management Approach

Dust emissions is a by-product of our building materials business units as there is grinding and mixing of clinker, cement, concrete and other raw materials in the production process. The dust emitted from our operations could affect the local communities around our work sites, and hence the heads of the plants are tasked to ensure dust emission mitigation actions are efficient and effective at all times, and to work towards an internal benchmark that meets or exceeds the requirement set by the local government.

Specific to our cement manufacturing business unit in Malaysia, the unit has established multi-department collaborations to implement and review the different fuel and raw material combinations as well as dust emissions mitigating technologies to control dust emissions more effectively in compliance with the more stringent dust emissions regulations, which came into effect in 2019.

The cement plant is equipped with online real time continuous dust emission monitoring system, which is linked to the local Authority's monitoring system with emission readings transmitted at regular intervals. Any dust emissions exceeding the internal limit set by the plant will trigger an alert to the Production Department for investigation and prompt remedial action. The neighbouring communities have a direct communication channel with the plant's SHE Manager such that any inconvenience caused by our plant to the communities are addressed in a timely manner.

Performance

With the new revised mandatory regulations, which came into effect in 2019, limiting the dust emissions from 100 mg/Nm³ to 50 mg/Nm³, our cement manufacturing business unit completed the first phase of upgrading the dust collectors from electrostatic precipitator to a European filter technology. The existing and upgraded dust filtering systems have been performing well during the year, meeting the dust emissions below the 50 mg/Nm³ level. In rare occasions of a spike in dust emission due to unexpected break down of certain plant processes, the operation personnel took prompt actions to rectify the issue and notified the regulators accordingly.

The cement manufacturing business unit will proceed with the second phase of upgrading in 2020 to continuously improve the dust filtering system to ensure that it is operating optimally at all times, in addition to strengthening the plant maintenance effort to reduce down time.

Other than the cement manufacturing business unit, we also placed equal emphasis across our ready-mixed concrete batching operations and precast plants, to ensure that our processes and maintenance of equipment to control dust emissions were working as required, and we will continue to do so in the coming years.

MOVING FORWARD

Since we started the sustainability reporting in 2016, we have successfully created a sustainable development culture within the Group and with our other stakeholders. We are committed to embedding sustainability considerations in all aspects of our operations across all business units. We endeavour to continuously advance in our sustainability reporting to track the sustainable growth of our businesses, and improve our processes by setting targets and achieving them.

This report is made in accordance with a resolution passed by the Board of Directors at its meeting held on 31 March 2020.

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GRI STANDARDS CONTENT INDEX FOR 'IN ACCORDANCE' – CORE

GRI Standards Disclosure Number	Description	Page Reference / Reasons for Omission, if Applicable
GENERAL STANDARD DISCLOSURES		
Organizational Profile		
102-1	Name of the organization	Cover page, 44
102-2	Activities, brands, products, and services	1
102-3	Location of headquarters	19
102-4	Location of operations	1, 2, 18
102-5	Ownership and legal form	Note 1 to the Financial Statements
102-6	Markets served	1-2
102-7	Scale of the organization	1-2, 18, 52-53, Balance Sheets, Note 24 to the Financial Statements
102-8	Information on employees and other workers	52-53
102-9	Supply chain	50
102-10	Significant changes to the organization and its supply chain	45
102-11	Precautionary principle or approach	45-47, Corporate Governance Report
102-12	External initiatives	Nil
102-13	Membership of associations	The Cement & Concrete Association of Malaysia
Strategy		
102-14	Statement from senior decision-maker	44
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Cover page, Corporate Governance Report
Governance		
102-18	Governance structure	45-47
Stakeholder Engagement		
102-40	List of stakeholder groups	48
102-41	Collective bargaining agreements	52
102-42	Identifying and selecting stakeholders	46-48
102-43	Approach to stakeholder engagement	48-57
102-44	Key topics and concerns raised	48
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Notes 7, 8, 9 to the Financial Statements
102-46	Defining report content and topic boundaries	45-48
102-47	List of material topics	48
102-48	Restatements of information	54, 56
102-49	Changes in reporting	Nil
102-50	Reporting period	45
102-51	Date of most recent report	45
102-52	Reporting cycle	45
102-53	Contact point for questions regarding the report	sustainability@hla-grp.com
102-54	Claims of reporting in accordance with the GRI Standards	44-45

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GRI Standards Disclosure Number	Description	Page Reference / Reasons for Omission, if Applicable
102-55	GRI content index	58-59
102-56	External assurance	We have not sought external assurance for our 2019 sustainability report

TOPIC SPECIFIC DISCLOSURES

Business Environment, Ethics and Regulatory Compliance

103-1	Explanation of the material topic and its boundary	48-49
103-2	The management approach and its components	48-49
103-3	Evaluation of the management approach	49
201-1	Direct economic value generated and distributed	Consolidated Income Statement, Notes to the Financial Statements
205-3	Confirmed incidents of corruption and actions taken	49
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	49
307-1	Non-compliance with environmental laws and regulations	49
419-1	Non-compliance with laws and regulations in the social and economic area	49

Understanding Our Customers' Needs

103-1	Explanation of the material topic and its boundary	50
103-2	The management approach and its components	50
103-3	Evaluation of the management approach	50-51

Looking After Our People

103-1	Explanation of the material topic and its boundary	51-54
103-2	The management approach and its components	51-54
103-3	Evaluation of the management approach	52-54
401-1	New employee hires and employee turnover	52-53
403-9	Work-related injuries	54

Dust Emissions, Energy & Carbon Footprint

103-1	Explanation of the material topic and its boundary	54-57
103-2	The management approach and its components	54-57
103-3	Evaluation of the management approach	55-57
302-1	Energy consumption within the organization	55-56
302-3	Energy intensity	55-56
305-4	GHG emissions intensity	55-56



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