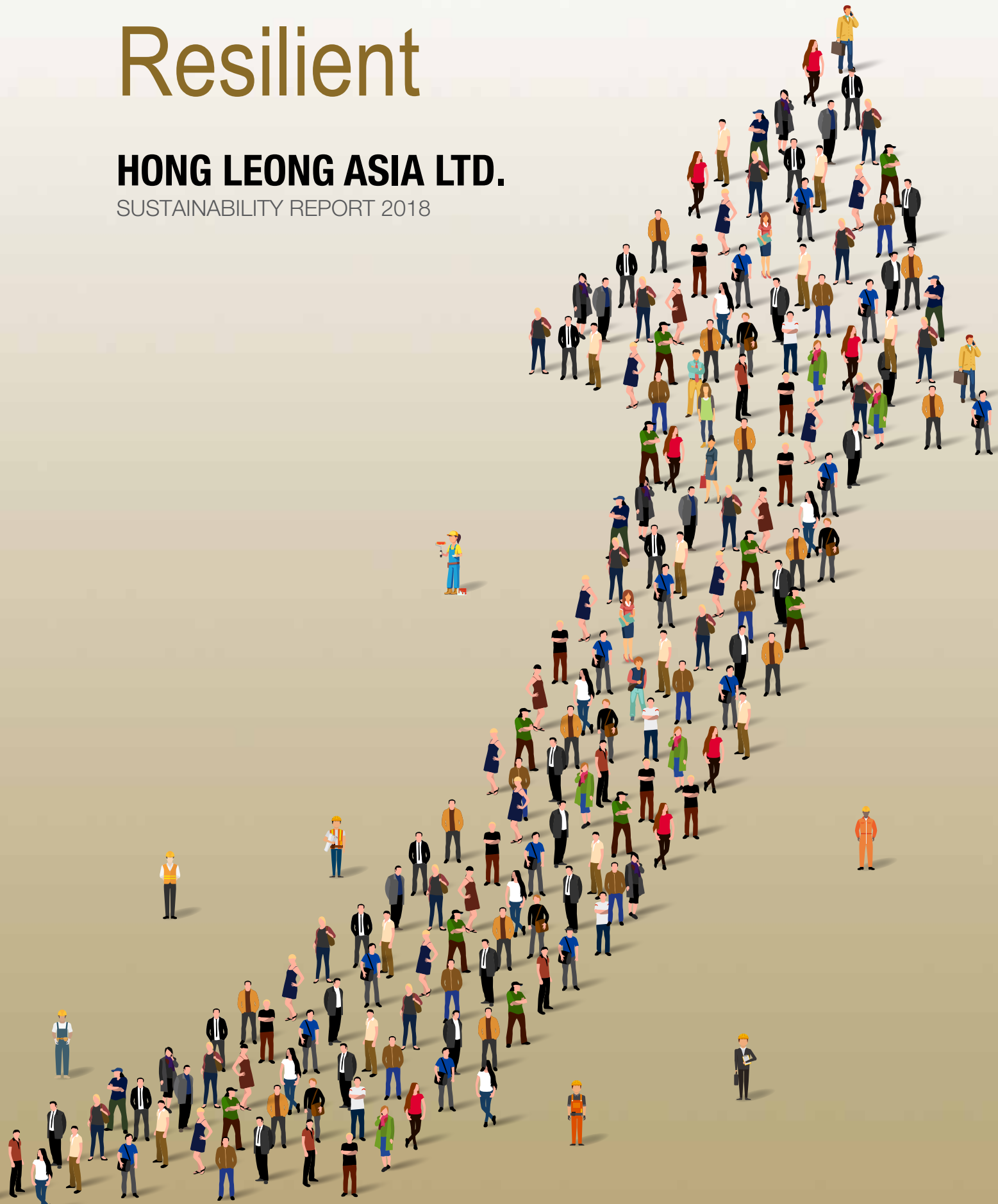


Staying Resilient

HONG LEONG ASIA LTD.

SUSTAINABILITY REPORT 2018



SUSTAINABILITY REPORT

Board Statement

As we progress on our sustainability reporting journey, the Group has set in place systematic reviews of its business practices to assess the impact on stakeholders who may be affected by its activities, or whose actions can affect the ability of the Group to conduct its activities. In the long term, our focus on sustainability will place the Group in a better position to create long-term value for shareholders while taking into account the interests of our material stakeholders.

The Board has set a strategic direction to achieve this through good corporate governance, prudent financial management, upholding health and safety standards, limiting environmental impact, utilising resources efficiently, and engaging communities we operate in. At HLA, the Board sets the tone and direction for all sustainability efforts, supported by the Sustainability Committee. Together, we continually identify, manage and address environmental, social and governance (“ESG”) factors material to our businesses. This sustainability journey takes constant effort and we look forward to your continued support in creating a sustainable future for generations to come.

CEO’s Message

This year marks the Group’s transition from the Global Reporting Initiative (“GRI”) G4 reporting framework to the GRI Standards. Given the GRI framework transition and the deconsolidation of our consumer products unit in 2018, we took the opportunity to review our material sustainability matters. This has allowed our report to be more streamlined and focused on the Management’s approach in addressing our key sustainability issues.

The Group strengthened its approach to business conduct through formal notification to its suppliers of acceptable ethical business practices and expects its own employees and all its business partners to abide by them. This includes a reminder to our employees and suppliers of the Group’s whistle-blowing channel and policy.

We are pleased to advise that our customers and employees have responded positively to the Group’s approach in active engagement with them. Customer satisfaction results through surveys have exceeded our internal targets, even in the business unit where the benchmark was raised. Employee retention rates have increased compared to last year and we are optimistic that this result will be sustained.

By continuously tracking the indicators for our material sustainability issues, the Group is able to monitor and remain accountable to its key stakeholders on the sustainable development of the business. We are hopeful that this on-going effort will result in improvements year-on-year.

About This Report

This report has been prepared in accordance with the internationally recognized GRI Standards: Core option, and complies with the SGX requirements on sustainability reporting. It focuses on the sustainability performance of our building materials and diesel engines units.

Unless otherwise stated, this report contains data of the Group’s building materials and diesel engines units from 1 January 2018 to 31 December 2018. The Group had ceased reporting on the consumer products unit since 1 October 2017 following the completion of its restructuring, and subsequent deconsolidation from the Group as of 21 May 2018¹. A historical comparison to the previous year has also been presented where possible. We seek to continue to assess and improve our data collection systems over time.

Sustainability Framework & Governance

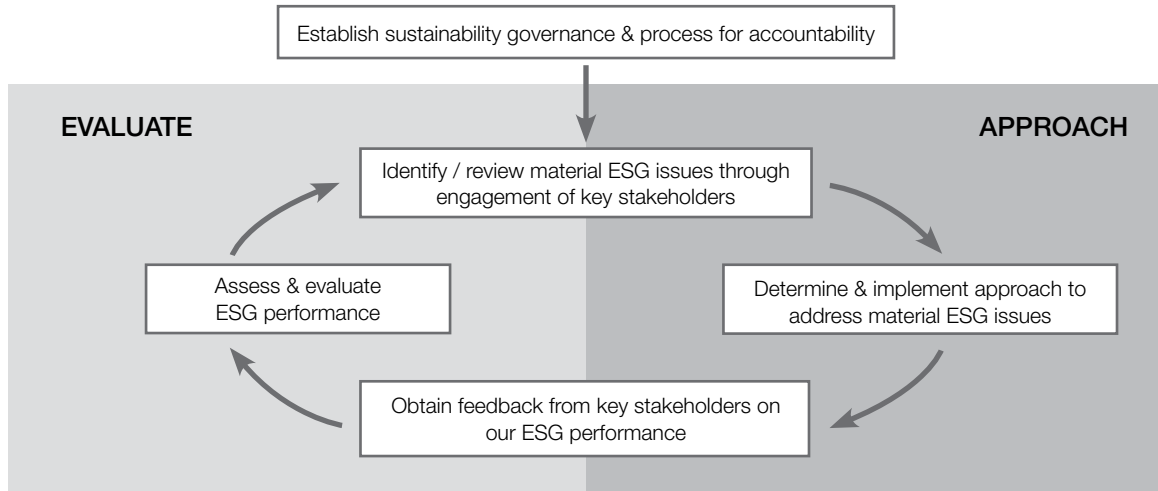
As a means to ensure reliability, adequacy and effectiveness of the internal controls and risk management processes over our sustainability practices and reporting aspects, the Group developed a framework to formalise the oversight procedures (Figure 1).

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

¹ Announcement on deconsolidation of the consumer products unit: www.hlasia.com.sg/news/HLA_20180626_1.pdf.

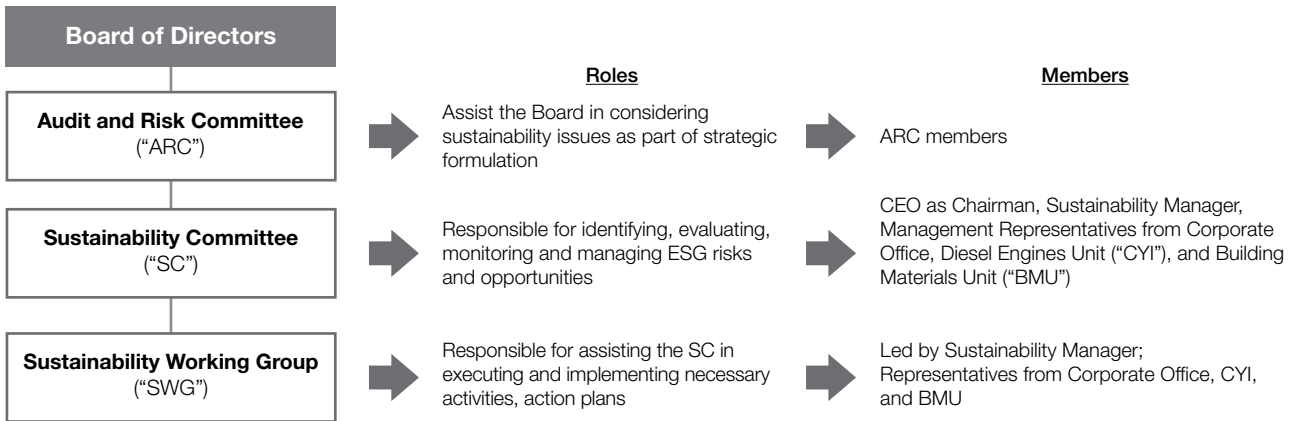
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Figure 1: The Group's Sustainability Framework



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 the business. Every year, this process and performance are evaluated and reviewed by the ARC. The ARC in turn reports to the Board to ensure that all requirements for sustainability compliance are met, and assists the Board in considering sustainability issues as part of strategic formulation for the Group (Figure 2).

Figure 2: HLA's Sustainability Governance Structure



The Group's Key Stakeholders & 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 the business' employees and suppliers. The impact of the business on these stakeholders and the local communities affected is 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 local communities.

Understanding issues affecting our relationship with our key stakeholders is important for the business to create value. As our manufacturing business segments are diverse in industry and geography, a significant amount of input on material issues is obtained from the respective business unit Management teams. They have the most interaction with our key stakeholders on the ground, and are in the best position to assess the material ESG issues which are then addressed by the Group Management.

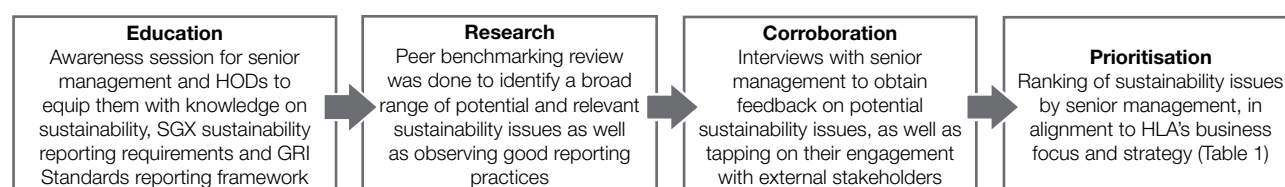
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Materiality Assessment

The Group formalised the materiality assessment process and conducted our first assessment in 2016, guided by external consultants (Figure 3). The process helped to verify the Group's key stakeholders and derive their significant ESG concerns. With the adoption of the new GRI Standards in 2018, the Group took the opportunity to reassess the material issues using the same process. Our focus remains on stakeholder inclusiveness and sustainability context just as it was the first time the materiality assessment was conducted.

To facilitate the exercise, the Management of the business units were 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 the Heads of Departments ("HODs") voted for the priority sustainability issues to the Group. The HODs have the insights to both internal and external key stakeholders through regular engagement, and have the capacity to represent them.

Figure 3: Materiality Assessment Process



From a pool of 22 relevant sustainability issues, 8 issues were identified as material and significant to the Group's operations and are reported in accordance with the GRI Standards Reporting Framework (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.

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

SUSTAINABILITY REPORT

Our Business Environment

Ethical Business Conduct

Management Approach

To ensure the accountability of the Group to its shareholders, it is integral that our practices take a stringent approach towards anti-corruption and that we conduct business with the highest ethical standard. Our commitment is reiterated through HLA's "I – ACE – IT" corporate values² and Code of Business Conduct ("COBC"). We expect our employees to be exemplary in maintaining 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 they make an annual declaration that they have abided by the COBC during the year. The policy governs aspects including avoiding potential conflicts of interests, compliance with legal requirements, and ensuring proper internal controls within the organisation. Any breaches or misconduct not in line 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 the Group CEO.

Our suppliers and business partners are also expected to adhere to the Group's ethical requirements when we enter into a contract with them. HLA has in place a whistle-blowing policy³ overseen by the ARC, where employees or any other persons can raise concerns on possible breach of ethical business conduct.

Performance

The Group takes credible whistle-blowing reports very seriously. In 2018, despite the Group's best efforts in reinforcing our zero-tolerance policy to unethical behaviour within the organisation, there were two confirmed incidents raised through the whistle-blowing channel, where employees were determined to have breached the ethical requirements of the Group following investigation. Appropriate disciplinary actions have been taken against these employees, including reporting to the relevant law enforcement agency.

In addition, the Group has implemented the COBC for Suppliers throughout most of the organisation, and our suppliers have been informed of our ethical conduct policy. They have been reminded of the various business units' whistle-blowing channels and we hope that this will send a strong message about our determination to ensure ethical practice across our value chain. There have been no cases of legal actions for non-competitive behaviour, anti-trust and monopoly practices in 2018.

Regulatory & Environmental Compliance

Management Approach

As seen in Table 1, most of our key stakeholders are concerned about the Group's adherence to government regulations. In order to maintain the Group's license to operate, it is critical for us to meet our regulatory requirements. This responsibility principally lies with the heads of each of the Group's business units, and is delegated to the respective HODs to ensure that regulations within their scope of work are complied with. 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 also comply with regulations when dealing with us.

Performance

The Group did not incur any material fines and sanctions related to environmental, social or economic aspects during the year. Our employees across the business units have put in a great amount of effort in ensuring that this is our business culture norm.

² Refer to the cover page of the Annual Report for more information on our "I – ACE – IT" corporate values.

³ Refer to the Corporate Governance Report for more on the Group's Whistle-blowing Policy.

SUSTAINABILITY REPORT

Understanding Our Customers' Needs

Management Approach

Our customers are diverse across geography in the building materials and diesel engines industries. Therefore, the respective business unit Management teams, who know the customers the best, set their own individual benchmarks on delivering quality products and services to achieve a high level of customer satisfaction. Customer satisfaction is mostly influenced by the quality of the product and the associated services received.

The ability to provide quality products to our customers begins with ensuring that our supply chain, spanning mainly across China, Malaysia and Singapore, is well-managed. Our major suppliers, such as providers of raw materials and fuels, are evaluated at least once a year by the Procurement Departments 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 perform due diligence on our suppliers. Suppliers who do not meet the minimum benchmarks set are counselled or issued warning letters to improve; those found with serious lapses may be 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 Departments of each business unit conduct formal surveys to obtain an understanding of our customers' satisfaction with our products and services. Depending on the business units, some surveys are performed 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 product features are captured in the surveys which are then passed onto the Research & Development ("R&D") teams 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, and we provide detailed user manual and after-sales service to guide our customers in this regard. Furthermore, we conduct maintenance trainings for Original Equipment Manufacturers and large customers, as preventive measures for machine failures and reminders on safety. In the event that our customers need to visit our sites, they have to be appropriately dressed and be equipped with the necessary personal protective equipment ("PPE"). In addition, our cement plant and precast concrete facilities have obtained the OHSAS 18001 certification, which is the international occupational health and safety management system that covers any person on the site, including employees and visitors.

Performance

Upon evaluating the 2018 survey results for our various business units, we are pleased to report that all of them had surpassed the internal benchmarks set for customer satisfaction. Outstanding customer service has been highlighted across the business units which is a reflection of the strong relationships our Sales & Marketing teams have built with our customers over the years. On the other hand, a common feedback received is the decrease in on-time delivery for our products largely due to greater traffic congestion in the cities where our customers are located. The respective business unit Management teams have incentive programmes in place to recognise well-performing Sales & Marketing team members, and are also working to enhance existing order and delivery systems to provide more timely products to our customers.

As a validation to the diesel engines unit's efforts in ensuring high-quality products, the Guangxi Quality Association awarded Yuchai with the "Guangxi Most Improved Quality Management Award" in 2018. Yuchai also won the coveted award of "China's Leading Enterprise for Bus Industry" as recognition of our R&D, joint venture and innovation efforts.

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.

SUSTAINABILITY REPORT

Looking After Our People

Fair Employment Practices

Management Approach

Employees are essential to our value chain. As a responsible business, we endeavour to treat all our employees equally and provide opportunities 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.

The Group's COBC for Employees clearly states the Group's commitment to respecting everyone in our culturally diverse workforce. This document is agreed by all employees at the beginning of their employment and acknowledged once every year. Recruitment, training and career opportunities within the Group are based on merit. Employees are encouraged to voice any concerns and feedback in a timely manner to the Management through their supervisors, HODs, unions or during annual appraisals. For more serious grievances, our employees can use the whistle-blowing channel managed by the Group Head of Internal Audit who investigates the validity of each incident³.

The HR Departments along with the business units' senior Management teams 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 in the event where the key position becomes vacant. The Group has a formal process in place to ensure a smooth transition and continued business operations as part of our business succession plan.

Continuous training aids the Group in building a pool of employees who can develop into management roles which forms part of the business succession plan. 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 want to attend which are relevant to their work.

Performance

As at the end of the year, the Group employed 8,116 full-time staff (Table 2), of whom approximately 86% are covered by collective bargaining agreements. The decrease in headcount from 2017 of about 29% is mainly due to the exclusion of the consumer products unit¹. Aside from that, the headcount in the rest of the business units has remained stable during the year at less than 5% variance from the previous year. Following restructuring exercises within the Group in 2017, the turnover rate in 2018 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, the Group organised more than 200 training sessions, translating to more than 8,500 hours of training for its employees in areas such as environmental management, health and safety, accounting and finance, as well as green technology.

In the coming year, the Group will review our business succession plans for the business units to ensure continued smooth running of our operations even with key personnel changes.

SUSTAINABILITY REPORT

Table 2: Summary of People Performance

Employee Profile						
Employment Type	China		Malaysia		Singapore	
	Male	Female	Male	Female	Male	Female
Permanent	4,223	805	742	91	487	49
Temporary	1,487	206	21	3	2	0

Employee Movements										
Region	New Hires					Departures				
	Age Group			Gender		Age Group			Gender	
	<30	30-50	>50	Male	Female	<30	30-50	>50	Male	Female
China (Rate ⁴)	305	154	16	417	58	187	252	69	431	77
	4%	2%	0%	5%	1%	2%	3%	1%	5%	1%
Malaysia (Rate ⁴)	108	62	10	154	26	65	70	10	127	18
	1%	1%	0%	2%	0%	1%	1%	0%	2%	0%
Singapore (Rate ⁴)	21	40	4	57	8	18	53	8	68	11
	0%	0%	0%	1%	0%	0%	1%	0%	1%	0%

Health & Safety

Management Approach

One of the common vital ESG issues of the manufacturing industry is the safety of employees as there are machineries and equipment heavily involved in the operations. Employees operating the equipment need to be well-trained in using them, and employees on-site need to be aware of the risk and safe zones. In addition to following local rules and regulations, our cement plant and precast concrete facilities have obtained the OHSAS 18001 certification, which is the international occupational health and safety management system that covers any person on the site, including employees and visitors.

A risk assessment of the severity and likelihood of an injury is performed for each major work site and work step. 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 which are common in the Group's manufacturing industries, such as respiratory diseases and hearing loss health hazards. The Safety, Health & Environment ("SHE") Departments work with the teams involved in the work step to reduce the risk level to an acceptable range such that with appropriate PPE and safety training, that work step is safe enough for our employees to operate.

Basic safety trainings to employees are conducted upon joining the business units as part of the induction programme which involves overall site training and the respective posting trainings. There are further OTJ trainings as and when necessary, and refresher training courses periodically depending on the posting. Employees working at high-risk areas, which may impact their health, typically undergo a health check before starting at their posts, and a health review is conducted annually for them. Common occupational diseases which occur in the Group's manufacturing industries include respiratory diseases and hearing loss health hazards. Wearing the correct PPE is a major part in mitigating both health and safety risks. Any employees caught not wearing the appropriate PPE are given warnings. Repeated offenders face disciplinary actions including termination.

⁴ According to GRI Standards 401-1 requirement, the reporting organization shall use the total employee numbers at the end of the reporting period to calculate the rates of new employee hires and employee turnover.

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All the business units have their respective SHE Departments and they are responsible for the identification of health and safety risks, the corresponding mitigating actions and conducting trainings as required. Our employees are encouraged to speak up whenever they observe any risks, hazards or offenders as we want all our employees to have a safe environment to work in.

Performance

The Group experienced a decrease in employee workplace injury rate (Table 3) as there has been a joint effort within the organisation, from senior management reinforcing safety as a top priority, to workers on the ground making it a point to raise any health and safety hazards to the SHE Departments for taking preventive and mitigative actions.

We have made it clear to our contractors that it is imperative that they report to us any injuries sustained on any of our work sites so that mitigation actions can be taken to prevent recurrence. Therefore, 2018 saw a significant increase in injury rate of our contractors, however, most of the injuries were very minor, requiring only on-site first aid. Common injuries sustained by employees and contractors included cuts by equipment and bruises or fractures from falls or traffic accidents. There were no fatalities reported within the Group.

Every health and safety incident regardless of whether anyone has been injured is investigated thoroughly so that the Group can take actions to prevent it from occurring again. 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 alike.

Table 3: HLA Safety Statistics

Year	Employees				Contractors			
	Number of Injuries	Hours Worked	Injury Rate (per mil hours)	Fatalities	Number of Injuries	Hours Worked ⁵	Injury Rate (per mil hours)	Fatalities
2018	16	20,041,142	0.80	0	10	1,620,579	6.17	0
2017	33	25,645,352	1.29	0	7	7,618,878	0.92	1

Caring for the Physical Environment

Energy & Carbon Footprint^{6,7,8}

Management Approach

As a manufacturer, the Group is concerned about our footprint on the environment. 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 business units' performance efficiency. There are systems in place to track and alert the relevant personnel in the event that the indicator exceeds our internal benchmark, as there is a risk that it might then go beyond the government's regulations.

The Production and Electrical & Energy Departments work together to manage our energy consumption. Consumption trends are compared to our production levels and anomalies are reported to the Management for further investigation.

5 The main reason for the decrease in contractors' hours worked is due to the deconsolidation of the consumer products unit: www.hlasia.com.sg/news/HLA_20180626_1.pdf.

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

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

8 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 carbon emissions are closely linked to the energy consumed, as well as from the calcination process in manufacturing clinker, a key component of cement. Infrastructure and construction are integral to any economy, and these require the use of cement and concrete. Until now, greatest efficacy is obtained in cement production when coal is used as a fuel source to fire up the kiln for making clinker. The calcination process of clinker manufacturing is a significant contributor to a cement manufacturer's greenhouse gas ("GHG") emissions. Therefore, it is inevitable that there is use of coal and release of carbon dioxide by our industry.

The Management at the cement plant is keenly aware of our environmental impact and established the Industrial Ecology Department ("IED") in 2016. The IED is tasked to explore alternative raw materials to manufacture cement with as well as alternative fuel sources. The intention of the former is to decrease the proportion of clinker consumed in cement production which will reduce carbon emissions from calcination, while the latter is our contribution towards being part of the circular economy by using the by-products of another industrial manufacturing process. We have been using ISO 14064 to measure our GHG emissions as a means to evaluate existing and new approaches towards managing our emissions.

Working with the local government, our diesel engines unit has been successful in implementing solar panels at the roofs of our factory buildings. We have been harvesting solar energy at zero carbon emissions amounting to approximately 10% of total electricity consumed annually by the business unit. While we are limited in the amount of space to expand solar-harvesting areas on our premises, the business unit continues to explore cleaner fuel sources. This is especially so as the global economy moves towards electric cars and the EURO 6 standards for diesel-fuelled vehicles. This trend decreases our consumption of diesel in our testing and R&D phases, using more electricity which can be produced in a more environmentally-friendly manner.

Performance

The cement plant in the BMU is the Group's largest consumer of energy. In the 2 years since the establishment of the IED at our cement plant, the Group tried numerous alternative raw materials such as fly ash and copper slag, as well as alternative fuels including waste oil, refuse-derived fuels ("RDF"), saw dust and soap sludge. The alternative raw materials reduce the proportion of clinker required in cement production which in turn reduces carbon dioxide emissions, while the use of alternative fuels involve burning industrial waste which would otherwise be dumped into the landfills.

During the year, we scaled back on the burning of waste oil and saw dust due to their scarcity as it has become more commonplace for the cement industry to use alternative burning resources, leading to a 40% decrease in "Others" fuel type (Table 4). Coupled with an increase in production of cementitious products and clinker production by 11% in the past year, the business unit had to revert to using traditional coal. Correspondingly, the energy and Scope 1 emissions intensities increased by approximately 10%, and it is the priority of the IED to explore other alternative materials going forward.

The diesel engines unit consumed a relatively stable amount of energy over the past 3 years, though electricity consumption spiked in 2017 due to unprecedented growth in the business unit. The decrease in total electricity consumed was mainly due to the deconsolidation of the consumer products unit in 2018 which had been excluded from sustainability reporting since October 2017.

The Group aims to stabilise our energy, electricity and emissions intensities over the next year by searching for alternative raw materials and further streamlining our manufacturing processes.

SUSTAINABILITY REPORT

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

Energy Consumption (Non-renewable)			
	2018	2017 ⁹	2016
By Business Unit			
BMU (TJ)	8,099	8,399	7,773
Consumer Products (TJ)	NA ¹⁰	32	47
Diesel Engines (TJ)	375	370	375
By Fuel Type			
Coal (TJ)	6,962	6,727	6,560
Gasoline and Diesel (TJ)	629	586	552
Others (TJ)	883	1,488	1,083
Total Energy Consumption (TJ)	8,474	8,801	8,195
Overall Energy Intensity (TJ / S\$ million)	2.24	2.22	2.24

Scope 1 Emissions (By Business Unit)			
	2018	2017 ⁹	2016
BMU (tCO ₂)	1,841,504	1,740,384	1,703,990
Consumer Products (tCO ₂)	NA ¹⁰	1,798	2,642
Diesel Engines (tCO ₂)	27,425	26,841	27,013
Scope 1 Total Emissions (tCO₂)	1,868,929	1,769,023	1,733,645
Scope 1 Emissions Intensity (tCO₂ / S\$ million)	494	446	474

Electricity Consumption (By Business Unit)			
	2018	2017 ⁹	2016
BMU (MWh)	256,899	230,672	245,415
Consumer Products (MWh)	NA ¹⁰	21,154	34,361
Diesel Engines (MWh)	244,376	268,553	246,634
– Electricity Generated from Solar Energy (%)	9.9	9.1	10.7
Total Electricity Consumption (MWh)	501,275	520,379	526,410
Overall Electricity Intensity (MWh / S\$ million)	132	131	144

Scope 2 Emissions (By Business Unit)			
	2018	2017 ⁹	2016
BMU (tCO ₂)	176,737	158,581	168,787
Consumer Products (tCO ₂)	NA ¹⁰	16,309	26,493
Diesel Engines (tCO ₂)	169,728	188,249	169,808
Scope 2 Total Emissions (tCO₂)	346,465	363,139	365,088
Scope 2 Emissions Intensity (tCO₂ / S\$ million)	92	91	100

9 Some 2017 figures have been retrospectively adjusted following an internal verification exercise as data collection process and accuracy are being refined.

10 The consumer products unit had been scaled down since October 2017, and completely deconsolidated from the Group as of 21 May 2018, hence it had been excluded from sustainability reporting since October 2017.

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Dust Emissions

Management Approach

Dust emissions is a by-product of our building materials units as there is grinding and mixing of clinker, cement, concrete and other raw materials in the production process. The heads of the plants are responsible for ensuring that dust emission mitigation actions are efficient and effective to reduce the impact of the dust emissions on our employees and the local communities around our work sites. We always work towards an internal benchmark that meets the requirements set by the local government.

Specifically for our cement manufacturing business unit, priority had been placed on reducing dust emissions in the past year as we worked towards meeting the upcoming revised mandatory regulations, limiting dust emissions from 100 mg/Nm³ to 50 mg/Nm³, effective from 1 June 2019. As these projects require expertise across departments, the business unit 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.

The local community near our cement plant has a direct communication channel with the plant's SHE Manager such that any inconvenience caused by our plant to the community can be rectified and addressed in a timely manner. The dust emissions readings are also captured periodically by the plant's Continuous Emission Monitoring System ("CEMS") which is linked to the local authority's monitoring system. Any dust emissions exceeding the internal limit set by the plant will trigger an alert to the Production Department for investigation.

Performance

The Group placed significant emphasis across the business units to ensure that our processes and maintenance of equipment to control dust emissions were working as required, and we will continue to do so. The cement plant in particular is in the midst of upgrading the dust collectors at the cement plant from electrostatic precipitator ("ESP") to an Italian filter bag technology which will reduce dust emissions to below 50 mg/Nm³. The conversion to filter bag system commenced in January 2019, and the first phase of installation and result of its operation has been very satisfactory. The Group will monitor the performance of the equipment already in place and execute the second phase of the installation during the year, enabling us to meet the new regulatory requirements.

Moving Forward

This sustainability report is an overview of our performance for the year, as well as a plan to continuously improve our processes by setting targets and moving towards them. We look forward to reporting on our progress in the following year and grow the business sustainably for the long-run. All sustainability-related queries and feedback can be sent to: sustainability@hla-grp.com.

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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
102-2	Activities, brands, products, and services	1
102-3	Location of headquarters	17
102-4	Location of operations	1-2
102-5	Ownership and legal form	Cover page
102-6	Markets served	2
102-7	Scale of the organization	2, 50-51
102-8	Information on employees and other workers	50-51
102-9	Supply chain	49
102-10	Significant changes to the organization and its supply chain	45
102-11	Precautionary Principle or approach	46-47
102-12	External initiatives	Nil
102-13	Membership of associations	Cement & Concrete Association of Malaysia
Strategy		
102-14	Statement from senior decision-maker	45
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	Cover page
Governance		
102-18	Governance structure	46-47
Stakeholder Engagement		
102-40	List of stakeholder groups	47
102-41	Collective bargaining agreements	50
102-42	Identifying and selecting stakeholders	46-47
102-43	Approach to stakeholder engagement	48-55
102-44	Key topics and concerns raised	47
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Notes 7, 8 and 9 of the financial statements
102-46	Defining report content and topic Boundaries	47
102-47	List of material topics	47
102-48	Restatements of information	54
102-49	Changes in reporting	Nil
102-50	Reporting period	45
102-51	Date of most recent report	2017
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	sustainability@hla-grp.com
102-54	Claims of reporting in accordance with the GRI Standards	45
102-55	GRI content index	56-57
102-56	External assurance	We have not sought external assurance for our 2018 sustainability report

SUSTAINABILITY REPORT

GRI Standards Disclosure Number	Description	Page Reference / Reasons for Omission, if Applicable
TOPIC SPECIFIC DISCLOSURES		
Business Environment, Ethics and Regulatory Compliance		
103-1	Explanation of the material topic and its Boundary	48
103-2	The management approach and its components	48
103-3	Evaluation of the management approach	48
201-1	Direct economic value generated and distributed	Consolidated Income Statement
205-3	Confirmed incidents of corruption and actions taken	48
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	48
307-1	Non-compliance with environmental laws and regulations	48
419-1	Non-compliance with laws and regulations in the social and economic area	48
Understanding Our Customers' Needs		
103-1	Explanation of the material topic and its Boundary	49
103-2	The management approach and its components	49
103-3	Evaluation of the management approach	49
Looking After Our People		
103-1	Explanation of the material topic and its Boundary	50-52
103-2	The management approach and its components	50-52
103-3	Evaluation of the management approach	50-52
401-1	New employee hires and employee turnover	50-52
403-9	Work-related injuries	50-52
Dust Emissions, Energy & Carbon Footprint		
103-1	Explanation of the material topic and its Boundary	52-55
103-2	The management approach and its components	52-55
103-3	Evaluation of the management approach	52-55
302-1	Energy consumption within the organization	52-55
302-3	Energy intensity	52-55
305-4	GHG emissions intensity	52-55