

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ABOUT THIS STATEMENT

This Statement describes the value created from our sustainability journey in Hap Seng Consolidated Berhad (“the Group” or “Hap Seng”), in line with our corporate vision of “Creating Value Together, To a Better Future”. We endeavour to ensure our sustainability reporting addresses all the environmental, social and governance (“ESG”) issues material to our businesses and our stakeholders. Coverage of information has included all our business divisions operating within Malaysia to provide an overall ESG performance as a Group.

Reporting Period and Scope

This Sustainability Statement encompasses our sustainability performance for FY2021, commencing 1 January 2021 to 31 December 2021, from across our corporate headquarters in Kuala Lumpur to our six business divisions operating within Malaysia: Plantation, Property Investment & Development (“Property”), Credit Financing, Automotive, Trading and Building Materials.

Divisions	Company Name
Plantation	<ul style="list-style-type: none"> Hap Seng Plantations Holdings Berhad
Property	<ul style="list-style-type: none"> Hap Seng Land Development Sdn. Bhd. Hap Seng Properties Development Sdn. Bhd. Hap Seng Land Sdn. Bhd.
Credit Financing	<ul style="list-style-type: none"> Hap Seng Credit Sdn. Bhd.
Automotive	<ul style="list-style-type: none"> Hap Seng Star Sdn. Bhd. Hap Seng Trucks Distribution Sdn. Bhd. Hap Seng Trucks Sdn. Bhd.
Trading	<ul style="list-style-type: none"> General Trading Hap Seng Trading (BM) Sdn. Bhd. Hap Seng (Oil & Transport) Sdn. Bhd. Hap Seng Fertilizers Sdn. Bhd. Hap Seng Chemicals Sdn. Bhd. Malaysian Mosaics Sdn. Bhd.
Building Materials	<ul style="list-style-type: none"> Hap Seng Building Materials Sdn. Bhd. Hap Seng Clay Products Sdn. Bhd.

Our Plantation Business Division, Hap Seng Plantations Berhad (“Hap Seng Plantations”), a public listed entity, publishes a standalone Sustainability Report. The Report and its full ESG disclosures can be found at: <https://www.hapsengplantations.com.my/sustainability-report.html>. Within this Statement, only key ESG performance of Hap Seng Plantations will be disclosed to provide the overall ESG performance as a Group. Additionally, sustainability performance for Hafary Holdings Limited, a subsidiary of the Group listed on the Singapore Exchange Limited (SGX), can be found in its Annual Report, which is available at: https://www.hafary.com.sg/investor_relations/annual_reports.

Reporting Framework

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

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Assurance

This Sustainability Statement has been reviewed by our Annual Report Committee and presented to the Board of Directors for approval.

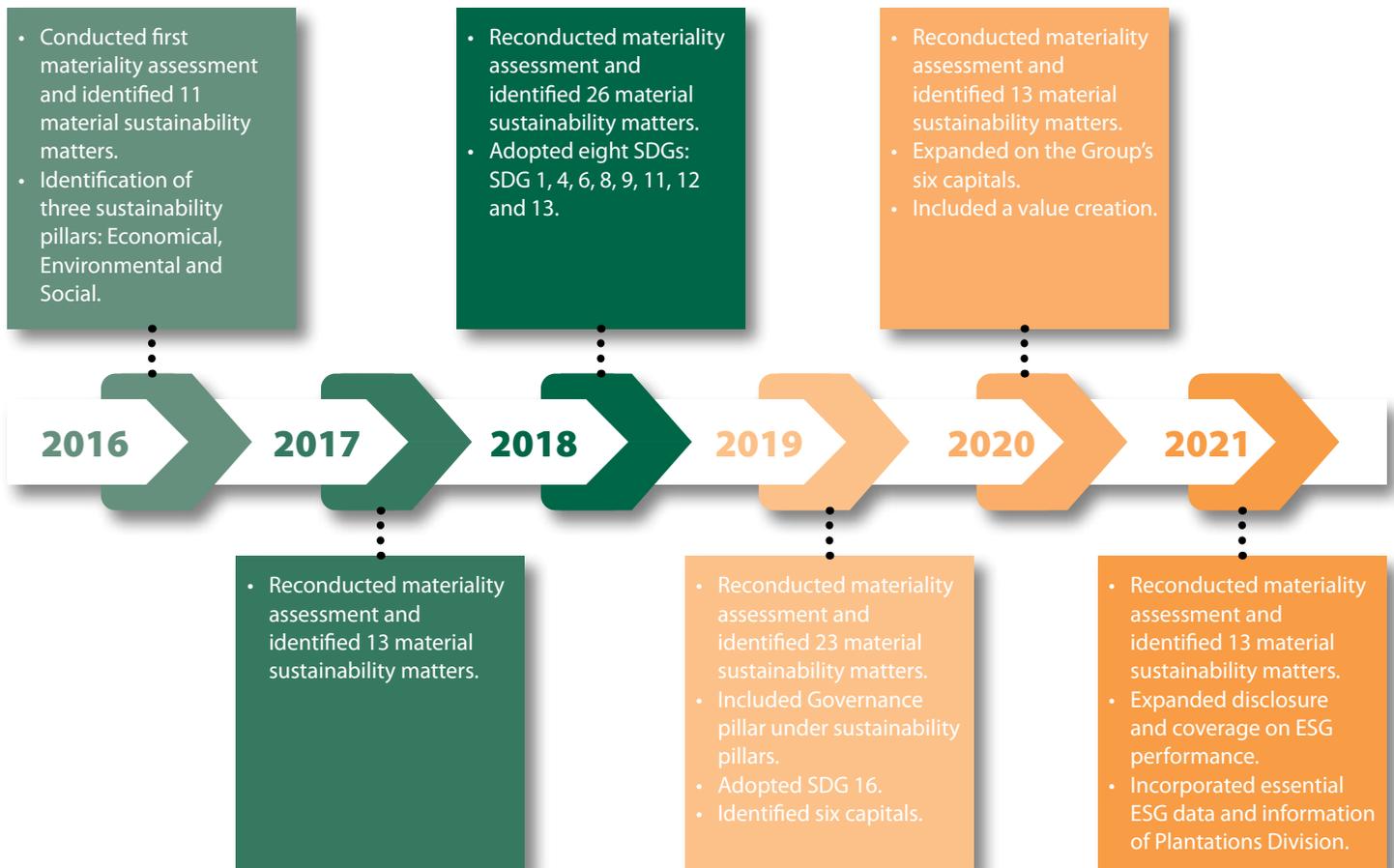
Feedback

We welcome any feedback from our stakeholders regarding this statement. If you would like to submit feedback or request further clarification, kindly contact:

Name : Andrew Kuan
Designation : Senior General Manager
Department : Corporate Planning & Investor Relations
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HAP SENG'S SUSTAINABILITY JOURNEY

FY2021 had been the year where we sought to take ESG disclosure to the next level by disclosing more information and data in accordance to GRI – Core Option and FTSE Russell's ESG requirements. We believe that consistent disclosure of our material matters, in line with the global standards, will develop a solid foundation for our sustainability journey.



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KEY SUSTAINABILITY HIGHLIGHTS IN FY2021

 <p>CERTIFICATION</p>	<p>Maintained RSPO, MSPO and ISCC EU certifications for all the palm oil mills.</p>
 <p>AWARD</p>	<p>Awarded “Best Refinable CPO Supplier” and “Highest Quality CPO Supplier” by IOI Edible Oil.</p>
 <p>RATINGS</p>	<p>Received an MSCI ESG Rating of “A” in FY2021.</p>
 <p>ELECTRICITY</p>	<p>3 out of 4 palm oil mills equipped with biogas plant, generated 14.8 million kWh of electricity in FY2021.</p>
 <p>AUTOMOTIVE</p>	<p>Automotive Division reduced 11.7% gross GHG emissions and yielded 370,177 kWh of electricity credit from solar energy harvesting.</p>
 <p>RECYCLE</p>	<p>106,468 MT of non-scheduled waste generated from Plantations, Property and Building Materials was recycled and reused.</p>
 <p>HEALTH & SAFETY</p>	<p>Recorded zero work-related fatality case.</p>
 <p>VACCINATION</p>	<p>99.99% employees vaccinated against COVID-19.</p>
 <p>EDUCATION</p>	<p>Contributed more than RM528,000 for education and development programmes that has benefited more than 700 students and 70 teachers.</p>

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AWARDS & RECOGNITION

Business Division	Award/ Recognition	Operating Unit
Plantation	Roundtable on Sustainable Palm Oil ("RSPO") Certification	100% of oil mills 11 out of 14 estates
	Malaysian Sustainable Palm Oil ("MSPO") Certification	100% of oil mills and estates
	International Sustainability & Carbon Certification ("ISCC EU")	100% of oil mills 10 out of 14 estates
	Hazard Analysis Critical Control Point ("HACCP") Certification	100% of oil mills
	Makanan Selamat Tanggungjawab Industri ("MeSTI") Certification	100% of oil mills
	Halal Certification	100% of oil mills
	Awarded Best Refinable Crude Palm Oil ("CPO") Supplier by IOI Edible Oils	Tomanggong Palm Oil Mill
	Awarded Highest Quantity CPO Supplier by IOI Edible Oils	Tomanggong Palm Oil Mill
Property	Green Real Estate ("GreenRE") Certified	Hyatt Centric Kota Kinabalu Mercedes-Benz Setia Alam Autohaus
	Leadership in Energy and Environmental Design ("LEED") Certified	Menara HS 3 Plaza Shell
	Green Building Index ("GBI") Certified	Menara HS 2
	Bronze Category in Asia Pacific Space Designer Association Award ("APSDA")	Menara HS 3
	Rated 5-stars in Safety and Health Assessment System in Construction ("SHASSIC")	Hyatt Centric Kota Kinabalu
Automotive	Environmental Management System (ISO 14001) Certified	HSS Kinrara, HSS Jalan Sultan Ismail
	Quality Management Systems (ISO 9001) Certified	HSS Kinrara, HSS Jalan Sultan Ismail
	Dealer of The Year Award	
	Mercedes-Benz Services Malaysia Award: Best in Retention (Insurance) 2021 – Champion	HSS Kuching
	Mercedes-Benz Services Malaysia Award: Best in Retention (Finance) 2021 – Champion	HSS Kota Kinabalu
	Mercedes-Benz Services Malaysia Award: Best in Retention (Finance) 2021 – 1 st Runner-up	HSS Bukit Tinggi
	Best in Financial Services 2021 – Champion	HSS Kinrara
	Best in Financial Services 2021 – 1 st Runner-up	HSS Bukit Tinggi
	Best in CSI (5 Star Rater) 2021 – Champion	HSS Melaka
	Best in CSI (5 Star Rater) 2021 – 1 st Runner-up	HSS Bukit Tinggi
	Best in 5 Star Rater (Sales) 2021 – Champion	HSS Melaka
Best in Customer Services 2021 – 2 nd Runner-up	HSS Setia Alam	

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Business Division	Award/ Recognition	Operating Unit
Automotive	Most Improved Dealer 2021	HSS Kuala Lumpur
	Dealer of The Year 2021	HSS Kinrara
	Service Excellence Award	
	Service Excellence Award 2021 (Champion League) - Champion	HSS Bukit Tinggi
	Service Excellence Award 2021 (Champion League) – 1 st Runner up	HSS Melaka
	Service Excellence Award 2021 (Super League) – Champion	HSS Kuching
	Service Excellence Award 2021 (Super League) – 1 st Runner up	HSS Kota Kinabalu
	Service Excellence Award 2021 (Super League) – 2 nd Runner up	HSS Setia Alam
Trading	Environmental Management System (ISO 14001) Certified	MMSB Site 2 MMSB Site 3
	Quality Management Systems (ISO 9001) Certified	MMSB Site 3
	Occupational Health and Safety Management Systems (ISO 45001) Certified	MMSB Site 2 MMSB Site 3
	Classifications, Characteristics and Marking Requirements for Ceramic Tiles (ISO 13006) Certified	MSSB Site 1 MMSB Site 2 MMSB Site 3
	Singapore Green Label Certified	MMSB Site 2 MMSB Site 3
Building Materials	Brick certified by SIRIM and BOMBA for Integrity, Insulation, Strength and Hose Stream Test	HS Building Materials

As a Group, Hap Seng received an MSCI ESG Rating of “A” in FY2021.



MSCI ESG Research provides MSCI ESG Ratings on global public and a few private companies on a scale of AAA (leader) to CCC (laggard), according to exposure to industry-specific ESG risks and the ability to manage those risks relative to peers. Learn more about MSCI ESG ratings at <https://www.msci.com/>

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MEMBERSHIP OF ASSOCIATIONS

The Group is a member of various industry associations and trade groups. Through these associations, we regularly engage with key industry players, keeping us abreast with the latest industry developments and best practices.

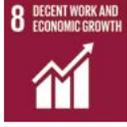
Division	Entity	Association
Corporate	Hap Seng Consolidated Berhad	Federation of Public Listed Companies ("FPLC")
		Malaysian-German Chamber of Commerce ("MGCC")
Plantation	Hap Seng Plantations Holdings Berhad	Roundtable on Sustainable Palm Oil ("RSPO")
		Malaysian Palm Oil Association ("MPOA")
		Malaysian Palm Oil Board ("MPOB")
		Malayan Estate Owners' Association ("MEOA")
		Malayan Agricultural Producers Association ("MAPA")
Property	Hap Seng Land Development (Puchong) Sdn. Bhd.	Real Estate and Housing Developers' Association ("REHDA") Malaysia
	Hap Seng Properties Development Sdn. Bhd.	Sabah Housing and Real Estate Developers' Association ("SHAREDA")
	Hap Seng Land Sdn. Bhd.	International Real Estate Federation ("FIABCI") Malaysia
Credit Financing	Hap Seng Credit Sdn. Bhd.	Asset Financing and Leasing Association of Malaysia ("AFLAM")
Automotive	Hap Seng Star Sdn. Bhd.	Malaysian Retail Chain Association ("MRCA")
		Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor ("KLSCCCI")
		Malaysian Automotive Association ("MAA")
	Hap Seng Trucks Sdn. Bhd.	Kuantan Chinese Chamber of Commerce and Industry ("KCCCI")
Trading	Hap Seng Fertilizers Sdn. Bhd.	Fertilizer Industry Association of Malaysia ("FIAM")
	Malaysian Mosaics Sdn. Bhd.	Federation of Malaysian Manufacturers ("FMM")
	Hap Seng Trading (BM) Sdn. Bhd.	Building Materials Distributors Association of Malaysia ("BMDAM")
		Master Builders Association Malaysia ("MBAM")
		Malaysia Steel Association ("MSA")

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OUR RESPONSIBILITY TOWARDS SUSTAINABLE DEVELOPMENT

Supporting the United Nations Sustainable Development Goals

As part of our commitment to the United Nations Sustainable Development Goals (“SDGs”), we have identified and adopted nine of the 17 SDGs outlined by the United Nations. The SDGs were identified based on potential opportunity to create value by leveraging on our resources and nature of operations.

<div style="text-align: center;">  <p>1 NO POVERTY</p> </div> <div style="background-color: #e91e63; color: white; padding: 5px; text-align: center; font-weight: bold;"> End poverty in all its forms everywhere. </div> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • Provided employment opportunities to 1,638 persons. • 546 units of affordable home available for sale. • Provided financier services to 3,125 Small and Medium Enterprises (“SMEs”). 	<div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div> <div style="background-color: #e91e63; color: white; padding: 5px; text-align: center; font-weight: bold;"> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. </div> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • Contributed RM528,840 for education and development programmes. • Contributed RM386,156 to the Humana Child Aid Society. • More than 700 students and 70 teachers benefited from our education and development programmes. • Accepted 35 graduate students for internship programme at our Automotive, Property and Plantations Divisions. • Providing Technical and Vocational Education and Training (“TVET”) programme to school leavers. 	<div style="text-align: center;">  <p>6 CLEAN WATER AND SANITATION</p> </div> <div style="background-color: #00bcd4; color: white; padding: 5px; text-align: center; font-weight: bold;"> Ensure availability and sustainable management of water and sanitation for all. </div> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • Rainwater harvesting facility at Plantation, Property and Automotive Divisions. • Buildings equipped with water-efficient dual flush toilet and automatic faucets to reduce water consumption.
<div style="text-align: center;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> <div style="background-color: #8e2433; color: white; padding: 5px; text-align: center; font-weight: bold;"> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. </div> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • 60.4% of procurement spent on local suppliers and service providers. • Exercise non-discriminatory hiring practices. • Employee retention rate at 77.45%. • 100% of our employees assessed for key performance indicators (“KPI”). • Achieved zero workplace-related fatality case. 	<div style="text-align: center;">  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> <div style="background-color: #e67e22; color: white; padding: 5px; text-align: center; font-weight: bold;"> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation. </div> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • Incorporated eco-friendly fittings in properties constructed. • Renewable energy generation from biogas, palm biomass and solar energy. • Recorded zero data mismanagement within the reporting period. 	<div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <div style="background-color: #f39c12; color: white; padding: 5px; text-align: center; font-weight: bold;"> Make cities and human settlements inclusive, safe, resilient and sustainable. </div> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • Certified for various industry and internationally recognised ESG and green building certifications (refer to Awards & Recognition Section on p.g. 85 to 86). • Raised over RM18,000 worth of supplies for flood victims. • Implemented various preventive measures to minimise risk of exposure to COVID-19.

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<div style="text-align: center;">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> <p style="text-align: center;">Ensure sustainable consumption and production patterns.</p> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • Implemented 3R (Reduce, Reuse and Recycle) measures to reduce resource consumption and waste generation. • Recovered 106,468 MT of non-scheduled wastes through recycle and reuse. • Achieved various industry and international quality certifications (Please refer to Certifications & Awards section on p.g. 85 to 86). • Continuous improvement through proactive customer satisfaction survey (Please refer to Quality Products & Services section on p.g. 101 to 103). 	<div style="text-align: center;">  <p>13 CLIMATE ACTION</p> </div> <p style="text-align: center;">Take urgent action to combat climate change and its impacts.</p> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • 31.89% of energy consumption derived from renewable energy. • Conserved 2,459 hectares of area in Plantations Division. • Quantified the Scope 1 & Scope 2 greenhouse gas (“GHG”) emissions within Malaysia’s operations. • Carbon emissions reduction of 185,193.55 t CO₂-e through carbon sequestration and credit. 	<div style="text-align: center;">  <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> </div> <p style="text-align: center;">Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.</p> <p><u>Our Contribution</u></p> <ul style="list-style-type: none"> • Established a groupwide Anti Bribery and Corruption policy. • Maintained zero corruption case. • Continuous compliance to ESG requirements. • Provided channels to report incidents of malfeasance in the organisation.
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Sustainability Governance

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

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

Our Approach to Sustainability

As a progressive and forward-looking diversified conglomerate, Hap Seng emphasises on value creation, operational excellence and sustainability to consistently deliver value to our stakeholders.

In the course of undertaking business operations and to remain competitive, the Group recognises the importance of addressing relevant ESG risks which form the sustainability pillars for the Group.

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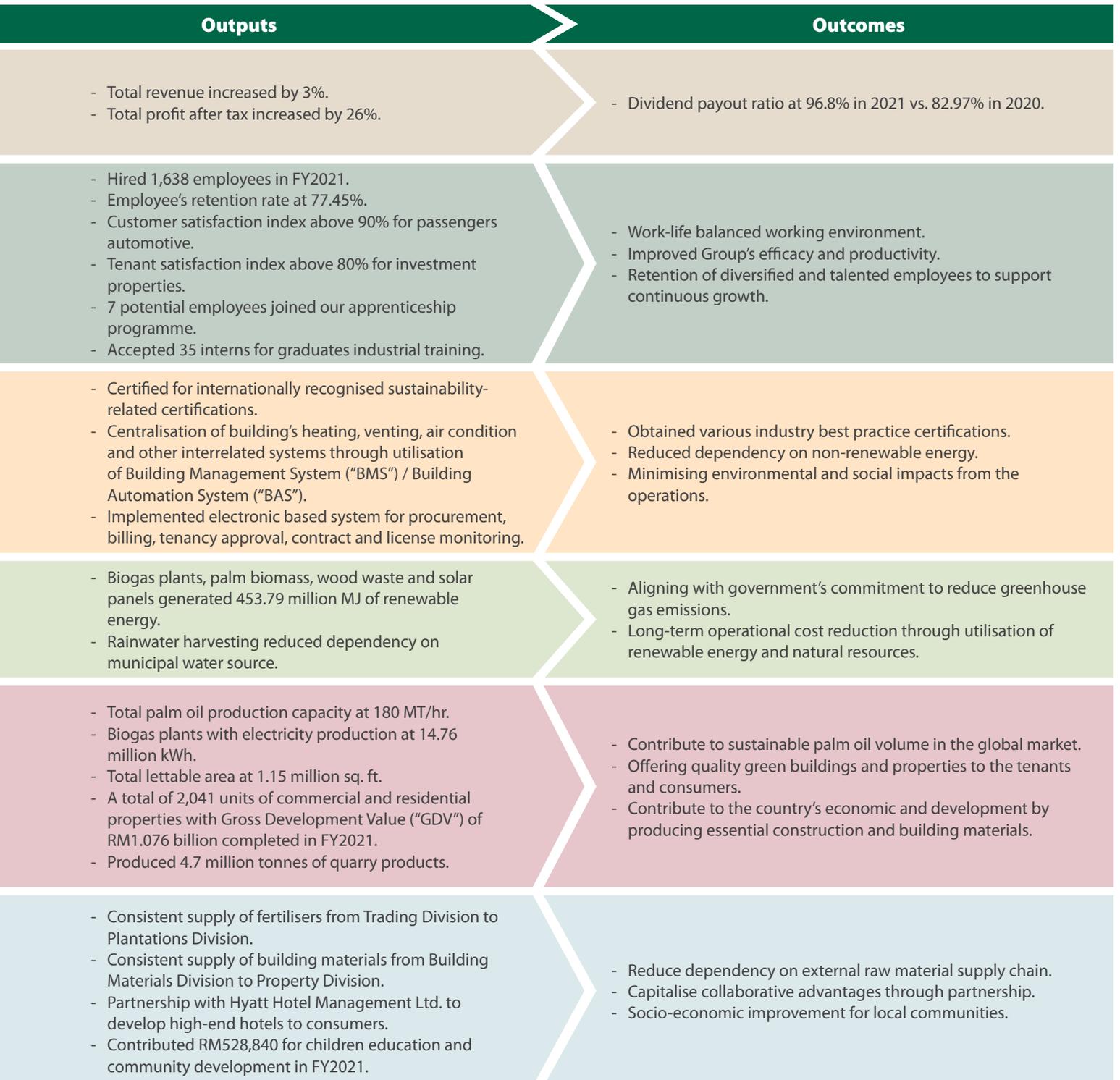
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VALUE CREATION MODEL

Hap Seng looks to facilitate long-term value creation by effectively managing and utilising our capitals. Below is the illustration of how we utilise our tangible and non-tangible capitals and transform them into value-added activities for our businesses and stakeholders.



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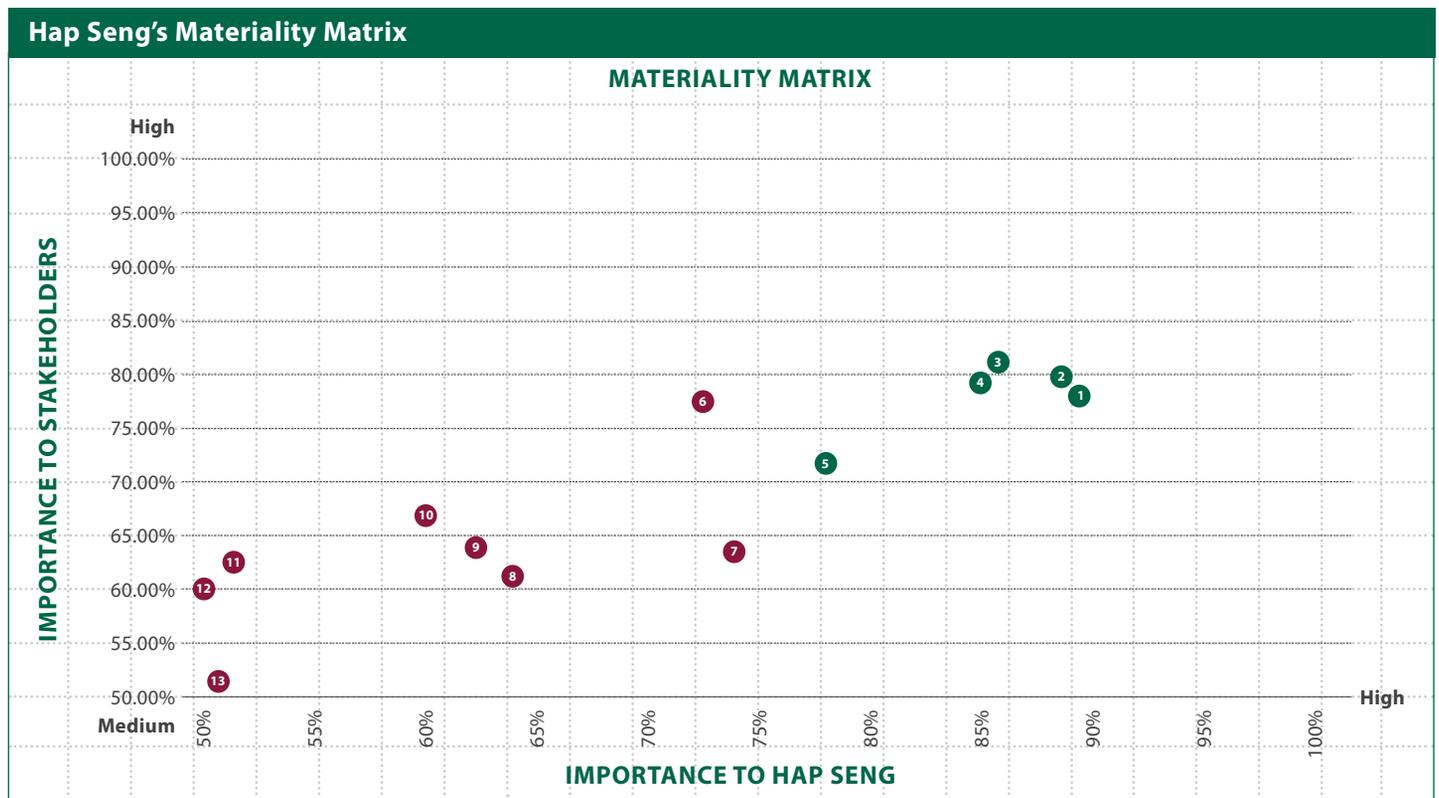
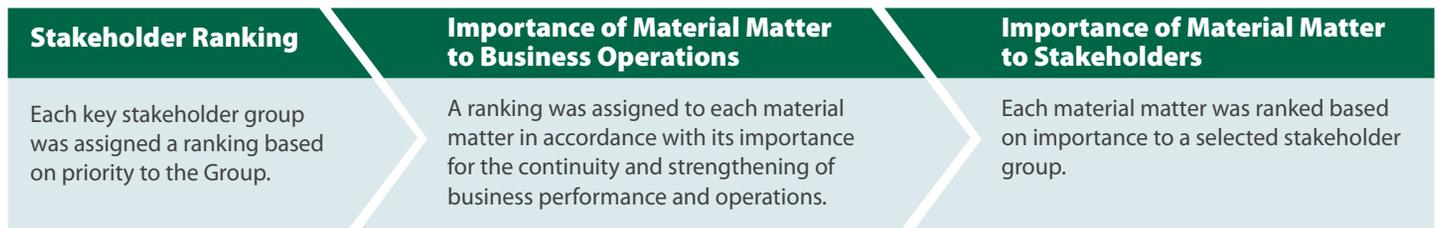


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OUR MATERIAL SUSTAINABILITY MATTERS

Materiality assessment is a formal exercise aimed at engaging internal and external stakeholders to evaluate the importance of relevant ESG issues to the stakeholders and our businesses. The insights gained from materiality assessment enables us to identify and create value for long-term sustainable growth. This assessment is conducted once a year to ensure identified material matters remain relevant to the Group’s ESG focus areas.

Material matters were selected upon deliberation among key management personnel who have visibility to the industry, stakeholders and global ESG trend. A total of 13 material matters were identified from the process.



- #### Top 5 most important material matters
1. Corporate Governance & Transparency
 2. Economic Performance
 3. Data Protection
 4. Products Quality & Services
 5. Occupational Health & Safety

- #### Other material matters
6. Supply Chain Management
 7. Talent Management
 8. Climate Change
 9. Supporting Small & Medium Enterprises
 10. Environmental Stewardship
 11. Eco-solutions
 12. Empowering Local Communities
 13. Affordable Housing

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Description of Our Material Matters

Material Matter	Why This Is Material to Hap Seng and Our Stakeholders	Potential Risk	Potential Opportunity	Link to Adopted UNSDG	Link to Our Capital	Link to Our Stakeholders
Corporate Governance & Transparency 	Robust governance structure and good business ethics will strengthen brand reputation and lead to long-term value creation.	- Increased cost from non-compliance and losing brand reputation.	- Improve stakeholders' confidence by demonstrating ability to fulfil current and future ESG requirements.	 	Human, Social and Relationship	<ul style="list-style-type: none"> - Regulators and government bodies - Shareholders, investors and analysts - Customers
Economic Performance 	Consistent and strong economic growth from a sustainable business model will create long-term value to the company and stakeholders.	- Limited local economic development and low employment rate.	- Contribute to local economic development and provide employment opportunity.		Financial	<ul style="list-style-type: none"> - Employees - Communities - Regulators and government bodies - Shareholders, investors and analysts
Data Protection 	We uphold stringent data protection practices to ensure confidential data is kept securely and not misused in any way.	- Leaking of confidential and personal data can be reputationally and financially detrimental.	- Improved stakeholders' confidence.		Social and relationship	<ul style="list-style-type: none"> - Employees - Regulators and government bodies - Suppliers - Customers
Products Quality & Services 	Continuous improvement in products quality and services will provide good customer experience and ensure the business remains relevant to the market.	- Diminishing brand value and reputation.	- Competitive advantage through improved products and services that meet or exceed customers' expectation.		Manufactured	<ul style="list-style-type: none"> - Employees - Customers - Shareholders, Investors and Analysts - Media
Occupational Health & Safety 	Ensuring a healthy and safe working environment and optimal productive workforce to cater customers' demand.	- Poor health and safety practices would lead to operational inefficiency, legal non-compliance and fines.	- Improved working environment, productivity and regulatory compliance.		Social and relationship	<ul style="list-style-type: none"> - Employees - Regulators and government bodies - Media
Supply Chain Management 	Reliable and consistent supply chain will ensure seamless raw materials procurement and product distribution.	- Disruption in supply chain may increase cost of production.	- Well managed supply chain ensures sustainable business growth for the company and its suppliers.		Social and relationship	<ul style="list-style-type: none"> - Suppliers - Customers

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Material Matter	Why This Is Material to Hap Seng and Our Stakeholders	Potential Risk	Potential Opportunity	Link to Adopted UNSDG	Link to Our Capital	Link to Our Stakeholders
Talent Management 	Effective and functional workforce are important for continuous development of our businesses.	<ul style="list-style-type: none"> - Under motivated and incompetent workforce may limit the organisation's growth potential. 	<ul style="list-style-type: none"> - Effective and skilled workforce increase competitive advantage and continuous innovation. 		Human	<ul style="list-style-type: none"> - Employees
Climate Change 	We acknowledge our role in supporting the global climate agenda by mitigating climate change through best operational practices and implementation of eco-solutions.	<ul style="list-style-type: none"> - Deferment in transitioning to low-carbon operation may potentially become the future opportunity cost for increasing demand in low carbon footprint products and services. 	<ul style="list-style-type: none"> - Opportunity in contributing to the global climate agenda. - Improved reputation as a responsible company. - Improved competitive advantage by capturing opportunities in low-carbon economy. 		Natural	<ul style="list-style-type: none"> - Employees - Communities - Regulators and government bodies - Suppliers - Customers - Shareholders, investors and analysts - Media
Supporting Small & Medium Enterprises 	We provide opportunity for SMEs to grow their businesses through financing products and services, consequently supporting the local economy.	<ul style="list-style-type: none"> - Inadequate support to SMEs may limit local businesses growth opportunity. 	<ul style="list-style-type: none"> - SME contributing about 39% of Malaysia's Gross Domestic Product ("GDP")¹. <p>¹ Bank Negara Malaysia Annual Report 2020</p>		Social and Relationship	<ul style="list-style-type: none"> - Regulators and government bodies - Customers
Environmental Stewardship 	Environmental protection leads to long-term sustainable growth and maximising resources use efficiency.	<ul style="list-style-type: none"> - Irresponsible production may lead to negative environmental impact and potential legal non-compliances. 	<ul style="list-style-type: none"> - Minimising direct environmental impact and expenses on waste management. 	  	Natural	<ul style="list-style-type: none"> - Employees - Communities - Regulators and government bodies - Media
Eco-solutions 	Adoption of eco-solutions enable businesses to operate at higher capacity while minimising the environmental costs through innovation and technology driven solutions.	<ul style="list-style-type: none"> - Increasing stakeholder's requirements on environmentally friendly products and services. 	<ul style="list-style-type: none"> - Enable businesses to operate at higher efficiency, reducing cost of operation and minimising impacts to environment. 	  	Intellectual, Natural	<ul style="list-style-type: none"> - Employees - Customers - Shareholders, investors and analysts

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Material Matter	Why This Is Material to Hap Seng and Our Stakeholders	Potential Risk	Potential Opportunity	Link to Adopted UNSDG	Link to Our Capital	Link to Our Stakeholders
Empowering Local Communities 	We are committed to create value to local communities, particularly to the underprivileged and children through our Corporate Social Responsibility (“CSR”) and educational programmes.	- Under developed local community may negatively impact economic development.	- Empowered community will directly elevate socio-economy and business opportunities.	   	Social and Relationship	- Communities - Media
Affordable Housing 	We continue to develop affordable housing to provide home ownership opportunity to the communities.	- Housing development focusing on medium to high-end housing projects may not serve the increasing demand for affordable housing.	- Increasing prospective customers are demanding for affordable housing.		Manufactured, Social and Relationship	- Communities - Customers - Media

STAKEHOLDER ENGAGEMENT

In Hap Seng, we are constantly engaging with our key stakeholders to ensure the approach in addressing relevant sustainability issues, take into account their concerns and expectations. The table below covers the list of stakeholder groups, our engagement methods, and the way we respond to the identified material matters.

Stakeholder Groups	Channels of Engagement	Frequency of Engagement	Material Matters	Our Response
Employees	<ul style="list-style-type: none"> - Employees’ intranet - Internal emails - Annual performance appraisal - Training - Internal meetings - Interviews 	Ongoing, Annually	<ul style="list-style-type: none"> - Corporate governance and transparency - Occupational health and safety - Talent management 	<ul style="list-style-type: none"> - Continuous feedback and rectification through grievance and whistleblowing channels. - Regularly provide updates on health and safety preventive measures. E.g. COVID-19 pandemic. - Career development, attractive remuneration and benefits package.
Communities	<ul style="list-style-type: none"> - Community engagement sessions and community programmes - Corporate website and social media 	Ongoing, Annually	<ul style="list-style-type: none"> - Climate change - Environmental stewardship - Empowering local communities 	<ul style="list-style-type: none"> - Organising programmes to uplift socio-economy of communities. - Minimising potential impact to the communities through resources use efficiency and pollution prevention measures. - Regular engagement and socialisation with local communities. - Respecting Free, Prior and Informed Consent (“FPIC”) on new development involving community land rights.

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Stakeholder Groups	Channels of Engagement	Frequency of Engagement	Material Matters	Our Response
Regulators	<ul style="list-style-type: none"> - Regular compliance reporting - Participating in government led initiatives - Continuous engagement 	Ongoing	<ul style="list-style-type: none"> - Corporate governance and transparency - Occupational health and safety - Environmental stewardship 	<ul style="list-style-type: none"> - Establishing and implementing robust corporate governance across the Group. - Adhering to the Anti-bribery & Corruption Policy. - Adopting health and safety management system and preventive measures to minimise potential workplace accident. - Regular monitoring on environmental and social compliance.
Suppliers	<ul style="list-style-type: none"> - Tender process and supplier feedback mechanism - Regular communication 	Ongoing	<ul style="list-style-type: none"> - Supply chain management - Supporting SMEs 	<ul style="list-style-type: none"> - Practised equal business opportunity through tendering process. - Procure from responsible and sustainable suppliers to minimise supply chain disruption. - Supporting SMEs through loan moratorium and property lease rebate during COVID-19 pandemic. - Supporting SMEs' growth by providing optimal financial solutions.
Customers	<ul style="list-style-type: none"> - Customer networking event - Customer satisfaction survey - Online feedback 	Ongoing	<ul style="list-style-type: none"> - Data protection - Products quality and services - Supply chain management - Affordable housing 	<ul style="list-style-type: none"> - Proactively request feedback from customers through customer satisfaction survey. - Strengthening internal cybersecurity and data management system to safeguard customer's data. - Timely product and service delivery to customer. - Developing adequate affordable housing to cater demand for lower cost houses.
Investors	<ul style="list-style-type: none"> - Annual General Meeting - Investor engagement sessions - Regular communication 	Ongoing, Quarterly	<ul style="list-style-type: none"> - Corporate governance and transparency - Economic performance 	<ul style="list-style-type: none"> - Annual General Meeting is organised every year to update shareholders, investors and analysts on the Group's performance and strategy. - Analyst briefings are conducted quarterly or as and when required to discuss financial performance of the Group. - Press release is published as and when required to communicate latest business developments.
Media	<ul style="list-style-type: none"> - Press release - Information on the company's websites 	Ongoing	<ul style="list-style-type: none"> - Corporate governance and transparency - Economic performance 	<ul style="list-style-type: none"> - Direct engagement to communicate latest and upcoming developments from the Group.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

OUR ACHIEVEMENTS AND TARGETS

We strengthened our commitment to sustainable development through the establishment of general KPI. We have developed the following KPIs which vary across the different business divisions and corporate office.

Material Matter	Achievements in FY2021	Future Targets
Corporate Governance & Transparency	<ul style="list-style-type: none"> - All the palm oil mills certified for RSPO, ISCC EU and MSPO certifications. - Five of the investment properties certified with one or more green building certification (GreenRE, GBI, LEED). - 100% employees underwent performance appraisal. - Establishment of Biodiversity Policy for Plantations Division. 	<ul style="list-style-type: none"> - To maintain the sustainability-related and green building certification. - Establishing Sustainability Framework and Group Sustainability Committee. - To conduct inaugural Group Sustainability Committee meeting.
Data Protection	<ul style="list-style-type: none"> - Zero data breach. 	<ul style="list-style-type: none"> - To maintain zero data breach.
Supply Chain Management	<ul style="list-style-type: none"> - 60.4% of procurement spent on local suppliers. 	<ul style="list-style-type: none"> - To maintain more than 50% procurement spent on local suppliers.
Quality Products & Services	<ul style="list-style-type: none"> - Respectable feedback through Customer Satisfaction Index from Property, Automotive and Malaysian Mosaics ("MMSB"). - All of our palm oil mills are certified for HACCP certification. - All the palm oil mills certified for MeSTI and Halal certifications. - Awarded the "Best Refinable CPO Supplier" and "Highest Quantity CPO Supplier" by IOI Edible Oils. 	<ul style="list-style-type: none"> - Maintain or improve on Customer Satisfaction Index scoring. - Maintain compliance to the relevant food quality certifications.
Supporting SMEs	<ul style="list-style-type: none"> - 76% customers from Credit Financing Division are SMEs. 	<ul style="list-style-type: none"> - To provide financing service to more than 70% SMEs.
Climate Change	<ul style="list-style-type: none"> - Accounted most of the Scope 1 & Scope 2 GHG emissions at Group level. 	<ul style="list-style-type: none"> - Aligning climate change disclosures and reporting with Task Force on Climate-related Financial Disclosures ("TCFD").
Environmental Stewardship	<ul style="list-style-type: none"> - No significant fines or non-compliance to environmental regulations. - 31.89% of total energy sourced from renewable energy. - Plantations Division recycled and reused 99.71% of non-scheduled wastes. - Building Materials Division recycled and reused 100% of non-scheduled wastes. 	<ul style="list-style-type: none"> - To fully comply to environmental regulations. - Progressive transition to renewable energy. - Recycle and reuse more than 70% of non-scheduled waste.
Eco-solutions	<ul style="list-style-type: none"> - Quantified energy savings from renewable energy. 	<ul style="list-style-type: none"> - To continue to install solar panels and rainwater harvesting at our operations. - To identify opportunities on other eco-solution initiatives at our operations.
Occupational Safety & Health	<ul style="list-style-type: none"> - Zero workplace-related fatality case. 	<ul style="list-style-type: none"> - To maintain zero workplace-related fatality case.
Affordable Housing	<ul style="list-style-type: none"> - 546 units of affordable home available for sale. 	<ul style="list-style-type: none"> - To continue to meet the communities demand on affordable housing.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

RESPONSIBLE GOVERNANCE

Align to SDG:



Our Approach

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

The duties and responsibilities of the Board are explained in the Board Charter, which is available on the Group’s corporate website. Further information on the Board can be found on p.g. 48 to 58 of this Annual Report and in our Corporate Governance Report.

Business Ethics and Policies

Apart from the well-structured governance to ensure the sustainability commitments and risks are adequately managed, we believe that promoting good corporate value such as good business ethics and high integrity are essential for a sustainable long-term business. In Hap Seng, those values are built on our five core principles and ingrained as part of standard behavior for all employees. The values are communicated to the employees during induction training and documented in the Employee Handbook and the Group’s Code of Conduct (“Code”). The Employee Handbook and Code are accessible through the employee’s intranet portal.



Five Core Principles of Hap Seng

Zero tolerance towards bribery and corruption are embedded in the groupwide Anti-Bribery and Corruption Policy (“ABC Policy”) which has been implemented since June 2020. The policy is in line with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. It outlines the expected standards of conduct when engaging on behalf of or with the Group. Employees, business associates and external providers are required to sign an integrity declaration form to acknowledge their adherence to the

ABC Policy. An Integrity Management Committee (“IMC”) was formed to oversee the implementation of the ABC Policy and to evaluate its adequacy and effectiveness in protecting the Group from bribery and corruption risks. As part of the measures to assess the risk of corruption within the Group and to develop relevant control measures, a corruption risk assessment is performed annually. Based on this year’s assessment, the corruption risk was found to be low.

All of the employees have been trained on the policy which was conducted by the Legal and Compliance Department. The policy was also communicated to the employees through email and the company’s website. In FY2021, there was no reported incidence of non-compliance to the ABC policy.

Whistleblowing and Grievance Management

The Group established a whistleblowing channel to report violations of the ABC Policy. Incidents concerning employees are reported to the Employee Relations Manager, while incidents involving members of the Board or management are reported to a designated Senior Independent Director. Details of the procedure are available in the ABC Policy.

Employees are also requested to report any other unethical behaviour through the grievance procedure. Through this procedure, unethical behaviour, employee’s rights and incidents that occur at the workplace should be reported to the immediate superior for prompt resolution. An unresolvable issue can be escalated to the Group Human Resource Department for further investigation. The grievance procedure is communicated to the employees through the Employee Handbook.

Although cases submitted through these channels will be processed transparently with the involvement of affected parties, the identity of the whistleblower and grievance raiser will be protected throughout the investigation and resolution process to prevent potential threats and retaliation. There was one grievance case raised by our employee during the reporting period, which was resolved amicably.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Regulatory Compliance

In line with one of our core principles of “Compliance to Law”, the Group will continuously comply with relevant regulations to ensure the operations meet the highest industry standards. The Group has an in-house Legal and Compliance Department that monitors the changes in applicable laws and regulations and make necessary improvements to comply with the necessary requirements.

The main laws and regulations that we adhere to include:

- Companies Act 2016
- Employment Act 1955
- Personal Data Protection Act 2010 (“PDPA”)
- Capital Markets and Service Act 2007
- Environmental Quality Act 1974
- Occupational Safety and Health Act 1994
- Factories and Machinery Act 1967
- Children and Young Persons (Employment) Act 1966
- Employees’ Minimum Standards of Housing, Accommodations and Amenities Act 1990
- Malaysian Anti-Corruption Commission (Amendment) Act 2018

The risk of legal non-compliance has been adequately identified and mitigated through our internal sustainability and risk management. In the event of non-compliance, we will undertake corrective measures to remediate the matter and prevent any recurrence.

As a public listed company focusing on creating value to our stakeholders, we do not condone any lobbying practices nor do we make any political contributions. During the reporting period, there was also no major incident of non-compliance with environmental, social and governance related laws or regulation within our operations.

Risk Management

Hap Seng’s Risk Management Committee is responsible for conducting a robust annual risk assessment as well as ensuring the implementing and managing of risk mitigation measures for identified risks.

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

More information on Hap Seng’s approach to risk management can be found on p.g. 77 to 81 of this Annual Report.

Data Protection

Data protection and cybersecurity are increasingly important to our operations, especially during the COVID-19 pandemic where working from home became the norm. Progressive digitisation of systems and processes within the business operations have also increased our dependency on technology to manage and store data. This has led to greater information and cybersecurity risks. To ensure that customer data is protected, we exercise prudence by adhering to the requirements of the Personal Data Protection Act (“PDPA”) 2010.

Only authorised personnel are allowed to access customer personal data in our business systems. For further security, annual reviews are conducted by the Group IT Department to evaluate user access to these business systems across all business divisions. Each business division has a designated PDPA officer, responsible for managing and resolving matters related to data privacy and security. Additionally, we have established data management policies and procedures across our operations. The Employee Personal Data Privacy Policy was adopted to ensure employees’ data is appropriately managed.

The Group IT Department provides regular cybersecurity awareness training to the employees on how to identify and handle malware, phishing and other forms of potential cyber-attacks. In 2021, a beginner and intermediate training on Cybersecurity Awareness was organised, involving participation from more than 700 employees. The Group IT Department also proactively sends out alert notifications whenever suspicious emails are detected to protect the employees and company from potential phishing malware.

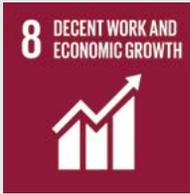
In view of our rigorous data protection practices, we have recorded zero report and complaint of data mismanagement during this reporting period. Nonetheless, we have developed corrective measures for potential scenarios of data breaches which are outlined in the Group’s Data Breach Policy.

For incidence of data breach, the Group IT Department is responsible for conducting an investigation within 24 hours of occurrence. Risk assessment will be performed to determine the impacts of the breach on the affected individuals and the Group. Upon investigation, remedial measures will be developed and undertaken to contain the breach. The investigating team will then provide recommendations to the Group’s Chief Information Officer for improvement to prevent recurrence of similar incidents.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ECONOMIC RESILIENCE

Align to SDG:



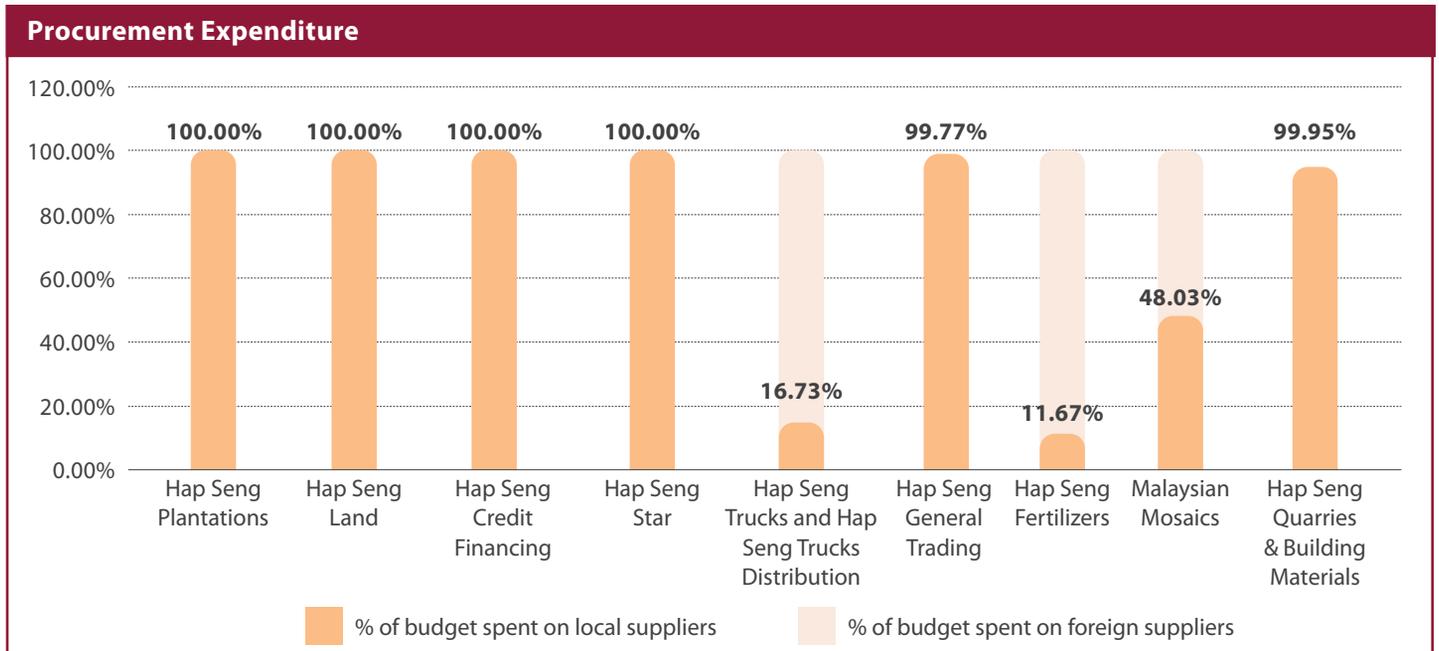
Our Approach

As a conglomerate with substantial value chain, our Group’s economic resilience is largely dependent on the success of our business partners and relevant stakeholders. We capitalise on our scale and presence to provide opportunity and to create positive impacts for our value chain. As part of our business strategy, we create value through inclusivity by providing the necessary support to our stakeholders, amidst the current challenging economic environment affected by the COVID-19 pandemic. We intend to create better resilience within our operations through prudence and to assist our stakeholders by providing fair business opportunity, assistance, and produce the best product and services to meet the customers expectation.

Supply Chain Management

In Hap Seng, suppliers are selected through a fair and transparent tender process. All potential suppliers are given equal opportunity based on a set of criteria to ensure the selected suppliers are able to deliver competitive products and services that commensurate to the expectations of our customers.

As part of our responsibility to empower local businesses and indirectly stimulate domestic economic growth, the Group aims to procure from local suppliers and service providers whenever possible. In FY2021, 60.42% of the Group’s total procurement expenditure was spent on local companies, with the majority of our business division fully procuring their materials and services from local suppliers and service providers. However, due to the nature of their businesses, a major portion of Hap Seng Trucks Distribution, Hap Seng Fertilizers and MMSB’s procurement expenditure were spent on international suppliers.



Supporting Small and Medium-Sized Enterprises

Enterprises that employ between 50 to 150 full time employees are considered as medium-sized while those that employ 5 to 50 are considered as small-sized. SMEs have played a vital role in fostering growth, employment and income by contributing close to 39% of Malaysia’s GDP and make up almost 50% of total employment¹.

Within FY2021, 76% of the customers from our Credit Financing Division consist of SMEs. The proportion of customers from SMEs has been steadily rising over the years as we managed to provide optimal financing solutions with the aim of advancing their businesses.

¹ Bank Negara Malaysia Annual Report 2020

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Economic disruption resulting from the COVID-19 pandemic, significantly impacted the business resilience of our valued customers. In order to assist them to weather through financial difficulty, we helped them to restructure their outstanding term loans and industrial hire purchase through moratorium and tenure extension.

As part of the assistance provided to our investment property tenants, to mitigate the financial impact from prolonged business closure and reduced footfall during various movement control orders, the Property Division continues to provide lease rebates to the tenants.

Supporting Smallholders and Outgrowers

In most cases, smallholders and outgrowers usually have limited knowledge and resources to implement sustainability practices within their oil palm estates. Limited support from stakeholders within the supply chain make it even harder for smallholders and outgrowers to capitalise on sustainability practices to enhance resilience in their business. Recognising this limitation, our Plantation Division provides necessary support, such as training on best agricultural practices and assisting them to obtain international sustainability certifications. To date, six out of 11 of our independent outgrowers and smallholders have received MSPO certification. In addition, three of those independent outgrowers and smallholders are RSPO certified. We are in the process of assisting more outgrowers and smallholders to achieve these certifications. Improvement on agricultural practices and achieving internationally recognised certifications have improved the smallholders and outgrowers income significantly through higher FFB selling price from the increased quality and yield of their FFB. Such partnership not only brings value to the independent outgrowers, smallholders and local economy, but also ensures consistent supply of FFB to our palm oil mills and to ensure sustainable practices are implemented throughout our supply chain.



Quality Products & Services

Aligned with one of our corporate missions, resilience in our businesses is backed by our consistency in providing quality products and excellent services that differentiates us from the others. Internally, we are committed to deliver the highest standards of product and service quality by meeting the industry and internationally recognised standards. The Group also has an internal audit department to assure adequacy on the internal control system.

As the success of our businesses are highly dependent on customers experience, we continuously strive to improve the quality of our human resources by providing necessary training. This is to ensure our employees are able to deliver and reflect the value of our products and services to the customers. Proactiveness in engaging and listening to our customers, is part of the priorities to help us take advantage of the opportunities for improvement.

In our Plantation Division, we regularly communicate with our palm oil buyers to ensure we meet their ESG requirements. We meet the demand for responsible and sustainably sourced palm oil by ensuring we only sourced from suppliers that were able to comply with our Sustainable Agriculture Policy. The palm oil quality we supply to the buyers, are consistently meeting or exceeding the vital parameters quality set by the industry. As a result, our Tomanggong Palm Oil Mill was recognised as the “Highest Quantity CPO Supplier” and “Best Refinable CPO Supplier” by IOI Edible Oils in FY2021.

Our palm oil mills have also obtained food safety and quality certifications such as HACCP, MeSTI and Halal. Compliance to these certifications enabled us cater to the stringent requirement of global buyers.

Vital Parameter	Average Quality (FY2021)	Industry Standards
Free Fatty Acid	3.86	≤ 5.00%
Moisture & Impurities	0.148	≤ 0.25%
Deteriorating of Bleachability Index	2.65	≥ 2.30



Recognition received from our CPO buyer

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

The quality of our products and services are monitored through feedback from our customers. We proactively collect feedback on our products and services through customer satisfaction survey and we develop continuous improvement plan to address the feedbacks.

We regulate the quality of our properties through the implementation of an internal Quality Management System. A purchaser satisfaction survey is conducted by our Property Division, measuring parameters such as the quality of properties, cleanliness, purchase experience and overall customer service. In FY2021, we managed to achieve scores

of between 3.4 to 4.4 out of 5 for our newly-developed residential properties.

Residential Property	Purchaser Satisfaction Index
Kingfisher Inanam (Phase 2)	3.4
Kingfisher Putatan (Phase 2)	3.8
Southville Apartments (Phase 1)	4.2
Southville Apartments (Phase 2)	4.4



Our Customer Satisfaction Surveys for Property Development include the following criteria:

Helpfulness of the customer service representative.

Rating of the development in these areas:

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

Overall satisfaction with the vacant possession experience.

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

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

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

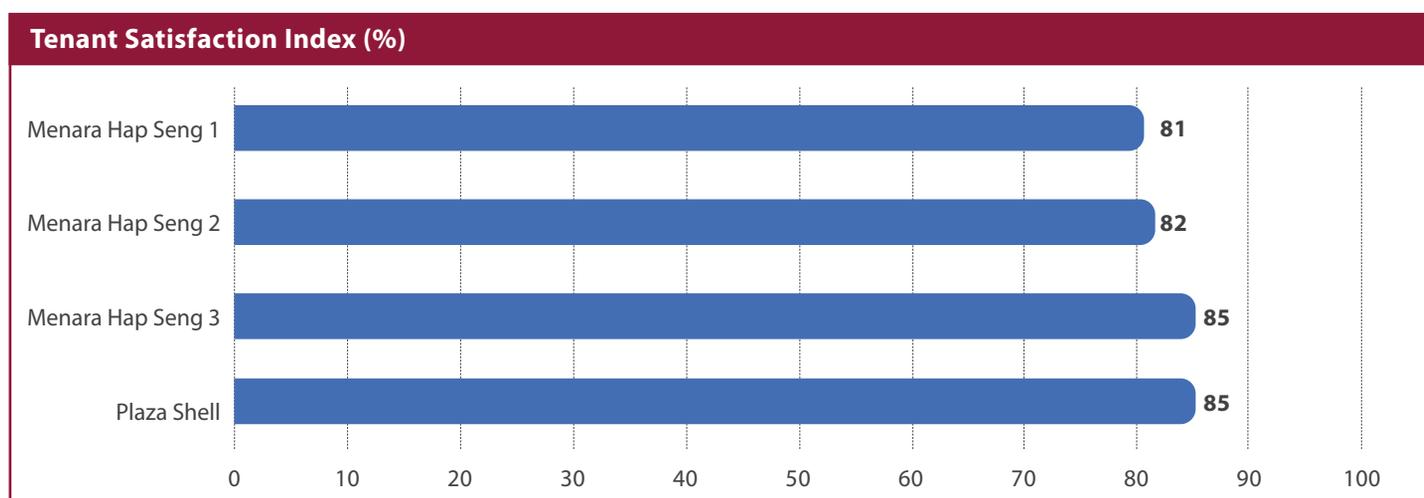
Aspect of the product/service they are most satisfied with:

- Quality
- Cleanliness
- Purchase Experience
- Customer Service

Any complaint and feedback received from a customer will be promptly attended to by a specially assigned sales consultant or customer service officer to investigate and seek effective resolution to the issue within three working days.

As we are aware that continuous engagement and the extent of support given to the tenants in our investment properties will differentiate us from the competitors, we utilise customer management approach in managing our tenants. Aside from providing continuous customer management support, a Tenant Satisfaction Survey is conducted annually to gather comprehensive feedback. We managed to improve our Tenant Satisfaction Index scoring in FY2021 by achieving more than 80% for all of our investment properties.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



In order to ensure our new projects are constructed as per the quality requirement of the industry, selected new building constructions were voluntarily assessed with the Quality Assessment System in Construction (“QLASSIC”). QLASSIC is a system initiated by the Construction Industry Development Board to measure and evaluate the workmanship quality of a building construction work based on the Construction Industry Standard (CIS 7:2006). In FY2021, three of our buildings were assessed through QLASSIC and scored between 73 to 81%.

Building Construction	QLASSIC Score (%)
Mercedes-Benz Setia Alam Autohaus	79
Akasa (Phase 1)	73
Akasa (Phase 2)	81

In our Automotive Division, a Customer Satisfaction Index (“CSI”) survey is sent to customers three days after delivery of their vehicle. Aside from the quality of vehicle, customers are requested to provide feedback on overall buying experience, such as experience on dealing with the sales executive, showroom, test drive service, vehicle delivery process and post-delivery follow-up. In FY2021, Hap Seng Star achieved an overall score of between 92.8% to 100%. Several of our showrooms also emerged as winner and runner-up in the Service Excellence Award and Dealer of The Year Award Event by Mercedes-Benz Malaysia, as recognition for the end-to-end premium service experience provided by Hap Seng Star to the customers (Please refer to Awards & Recognition section on p.g. 85 to 86 for more information).

The result of the annual Customer Satisfaction Survey conducted by MMSB reaffirmed the high-quality customer



Awards received by Hap Seng Star

service provided to the customers. MMSB achieved a satisfaction score of over 90% for the services by sales representatives. The overall satisfaction score received from both domestic and international customers in FY2021 were 83% and 76% respectively. At MMSB, customer complaints are managed through a digital system which is operated under the purview of the Total Quality Management (“TQM”) Department. Upon receiving a complaint, an investigation is launched by the TQM department and a report is produced within seven working days.

Survey Parameters	Satisfaction Score (%)	
	Domestic Customers	International Customers
Product Offerings	72	65
Product Quality	83	88
Product Price	55	41
Sales Representative Service	97	94
Sales Admin Service	90	88
Logistic Service	86	82
Delivery Leadtime	76	65
Overall Score	83	76

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ENVIRONMENTAL PROTECTION

Align to SDG:



Our Approach

As a conglomerate with businesses that thrive from natural resources, we are aware on the importance of protecting the environment by minimising our operational impacts. We believe, effective and responsible management of environment and natural resources eventually leads to long-term sustainable growth to our businesses. We endeavour to meet the highest industry environmental standards in our businesses such as complying to RSPO, MSPO and ISCC EU in the Plantation Division, GreenRE, GBI and LEED in our Property Division, complying to Environmental Management System ISO 14001:2015 in our Automotive Division and adhering to the Malaysia Ambient Air Quality Standard (“MAAQS”) in our Building Materials Division. Best management practices in resources use efficiency, as implemented in our Credit Financing and Trading Divisions where the core activities are undertaken within the office environment. Environmental performance as monitored by the respective business division for continuous improvement. In FY2021, there were no significant fines due to non-compliance to environmental regulations.

Environmental management in Hap Seng focuses on six areas of interest: Climate, Energy, Water, Waste, Biodiversity and Eco-solutions.

Climate Change

In Hap Seng, we recognise the various potential negative impacts caused by climate change and have outlined the approach we take in the progress of transitioning to a low-carbon operation. As a Group, we are still in the early stage of addressing climate change and we are building our internal capacity and awareness in mitigating climate change within our operations. During this reporting period, we have accounted for most of Scope 1 and Scope 2 GHG emissions from our business divisions within Malaysia. We are currently building our capacity to estimate Scope 3 emissions. We have also partially used TCFD recommendations to guide our disclosures on how we manage climate-related risks and opportunities.

The table below describes Hap Seng’s approach in managing climate-related risks and opportunities based on the key pillars of TCFD.

TCFD’s Key Pillars	Our Approach
Governance	Medium to long-term roadmap, goals and targets on climate change related parameters will be established and monitored by the Sustainability Committee. Representative from business divisions to contribute in continuous improvement and innovation through regular sharing of best practices in minimising operational GHG.
Strategy	The Group utilises approaches in reducing the net GHG emissions resulting from our operations through change of practices and adoption of available technology in renewable energy. The net GHG emissions from operations will be reduced through efficient resources utilisation, which may involve improvement in the operational processes and practices. Alternative lower GHG processes and practices may be utilised to further reduce GHG emissions. Renewable energy such as solar energy, biogas and any future technology will be utilised to reduce dependency on non-renewable energy whenever practical.
Risk Management	Climate-related risks and measures to reduce the risks will be assessed and discussed by the Risk Management Committee. Transition and physical risks in alignment to TCFD will be disclosed in future reporting.
Metrics and Targets	In FY2021, combination of our Scope 1 and Scope 2 GHG emissions valued at 369,823.78 t CO ₂ -e. Our net GHG emissions after deducting the carbon sequestration and credits was 184,630.23 t CO ₂ -e. Our overall GHG emissions intensity valued at 0.03 Kg CO ₂ -e/ RM Revenue. GHG reduction target will be established and reported in the upcoming Report.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

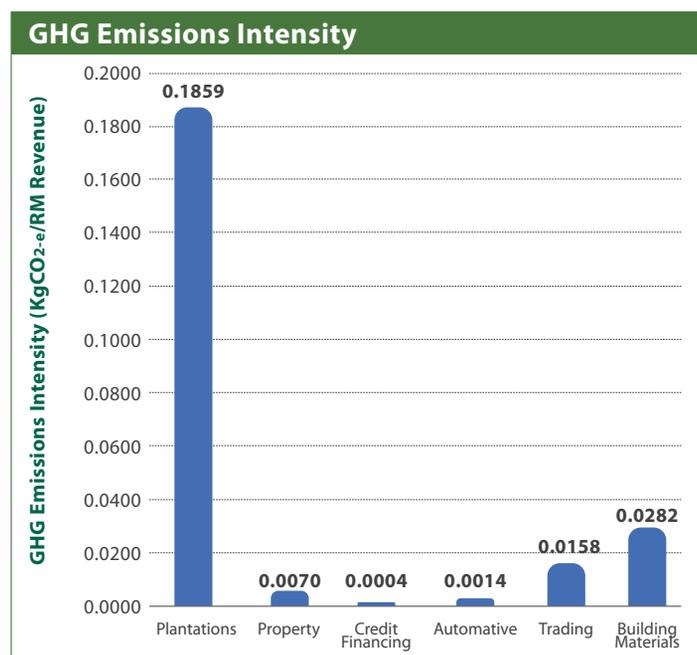
Greenhouse Gas Emissions

Our GHG reporting boundary covers Scope 1 and Scope 2 emissions of all six business divisions operating within Malaysia. GHG emissions calculation for our Plantations Division was based on RSPO PalmGHG calculation methodology. As for the other five business divisions, calculation was based on the factor published by the U.S. Environmental Protection Agency, World Resource Institute and Institute for Global Environmental Strategies.

Scope 1 GHG Emissions: Direct GHG emissions that occur from sources that are controlled or owned by the Group.

Scope 2 GHG Emissions: Indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

GHG Emissions	Unit	Plantations	Property	Credit Financing	Automotive	Trading	Building Materials	Total
Scope 1 Emissions	t CO ₂ -e	309,713.00	190.91	0.00	101.22	20,639.89	10,493.98	341,138.99
Scope 2 Emissions	t CO ₂ -e	0.00	10,614.71	128.61	1,744.11	11,363.58	4,833.78	28,684.79
Gross GHG Emissions	t CO ₂ -e	309,713.00	10,805.62	128.61	1,845.32	32,003.46	15,327.76	369,823.78
GHG Sequestration & Credit	t CO ₂ -e	184,977.00	0.00	0.00	216.55	0.00	0.00	185,193.55
Net GHG Emissions	t CO ₂ -e	124,736.00	10,805.62	128.61	1,628.77	32,003.46	15,327.76	184,630.23
GHG Emissions Intensity	Kg CO ₂ -e/RM Revenue	0.1859	0.0070	0.0004	0.0014	0.0158	0.0282	



More than 60% of the net GHG emissions in FY2021 was contributed by the Plantation Division. Most of the emissions originated from land use change activity during initial establishment of the plantations. However, emissions from land use change will gradually reduce as the Group has committed to 'No Deforestation' for future developments. Emissions from palm oil mill effluent ("POME") were significantly minimised through the biogas facility installed

at the palm oil mills. POME, which is the most significant contributor to the overall emissions, will be further reduced with the commissioning of another biogas facility in 2022. This has also reduced dependency on electricity from diesel generation. Some of the mills are also equipped with belt press facility for removal of solids from POME, which is one of the effective ways to minimise methane gas generation from POME. More than 50% of gross GHG emissions from the plantations were offset through carbon sequestration from conservation areas and existing oil palm trees.

The Trading Division was the second largest GHG contributor, contributing about 17% of the net GHG emissions, mainly from utilisation of natural gas and consumption of electricity for the production of tiles.

Aside from reducing dependency on non-renewable energy such as fossil fuel and electricity from grid, utilisation of renewable energy such as biogas, biomass and solar energy harvesting, potentially provides carbon credit to the operations by feeding excess electricity to the grid. In FY2021, the Automotive Division managed to reduced 216.55 t CO₂-e or 11.7% of its gross GHG emissions from feeding excess electricity generated from solar energy harvesting.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Air Quality Management

We are mitigating air pollutants that may impact the environment by adhering to the Environmental Quality (Clean Air) Regulations 2014 and MAAQS 2020. Air pollutants such as dust and chemical vapours are identified at our Plantations, Automotive and Building Materials Divisions.

Dust emission from the boiler in our palm oil mills is significantly reduced by multi-cyclones that effectively filters out generated dust. The new boiler in Jeroco Palm Oil Mill 1 has been installed with Electrostatic Precipitator System to further reduce dust emission to less than 400 mg/Nm³. A similar system will be installed in all the other mills by FY2022.

Sulphur dioxide and paint particles have been identified as air pollutants from vehicle paint spraying activity at our Automotive Division. Air filters are available in the enclosed vehicle painting booths to ensure air pollutants are confined and filtered within the booths.



Employee working in the enclosed car painting booth

Suspended particulate matters in the form of dust are commonly associated with quarry operations. Water sprinklers are installed at strategic locations to minimise particulate matters in the air. The dust-water mixture are eventually channelled to the enclosed retention pond to prevent the pollution of natural waterways. Quarterly air quality monitoring is being performed by an external consultant to ensure the particulate matters at the quarry is kept well below the permissible limit at 260 µg/m³.



Water sprinkled stones prior to aggregation process results in dustless stockpile

Energy Management

We recognise the potential opportunities in reducing our GHG emissions and cost of energy from practices and initiatives that lead to better energy management. As a Group, we consumed 1.42 billion MJ of energy derived from renewable and non-renewable energy. Renewable energy generated from biogas, wood waste, oil palm biomass and solar constitute 31.89% of the overall energy consumption. Our Plantations Division consumed the most energy due to the scale of operations and high energy demand from palm oil milling process. However, more than 54% of the total energy demand in the Plantations Division was derived from renewable energy generated from biogas plants and the utilisation of oil palm biomass as burning fuel. Dependency on non-renewable energy will be further reduced with the commissioning of another biogas plant in 2022.

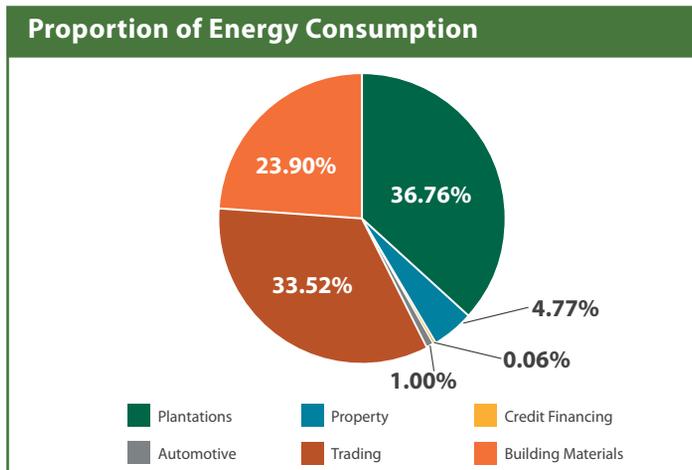
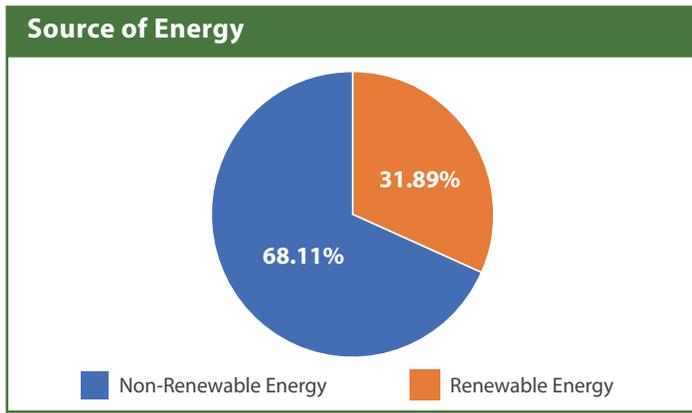
High dependency on fossil fuel usage in the Building Materials Division was partially mitigated by utilisation of wood waste as fuel for renewable energy. Utilisation of wood waste as burning fuel, accounts for 49.62% of the overall energy demand in Building Materials Division.

Aside from meeting more than 14% of the total energy demand, solar energy harvesting implemented at the Automotive Division yielded 1,332,637 MJ of excess energy for feeding to the electricity grid. Further details of our renewable energy and energy efficiency initiatives are available in the Eco-solution section on p.g. 110 to 111. In addition, the reduction in energy usage in FY2021 is partially due to work-from-home measures implemented throughout the various movement control orders.

Non-renewable Energy	Renewable Energy
Electricity from grid	Biogas
Diesel	Oil palm fibre
Petrol	Solar
Natural Gas	Wood waste

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Energy Consumption and Intensity	Unit	Plantations	Property	Credit Financing	Automotive	Trading	Building Materials	Total
Non-Renewable Energy	MJ	240,000,171.98	67,896,680.42	791,470.80	12,161,528.19	476,970,393.56	171,311,154.23	969,131,399.18
Renewable Energy	MJ	283,010,410.80	0.00	0.00	2,080,071.25	0.00	168,698,400.00	453,788,882.05
Excess Electricity Feed to Grid	MJ	0.00	0.00	0.00	1,332,637.20	0.00	0.00	1,332,637.20
Total Energy Consumption	MJ	523,010,582.78	67,896,680.42	791,470.80	14,241,599.44	476,970,393.56	340,009,554.23	1,422,920,281.23
Energy Intensity	MJ/RM Revenue	0.780	0.044	0.003	0.012	0.235	0.626	

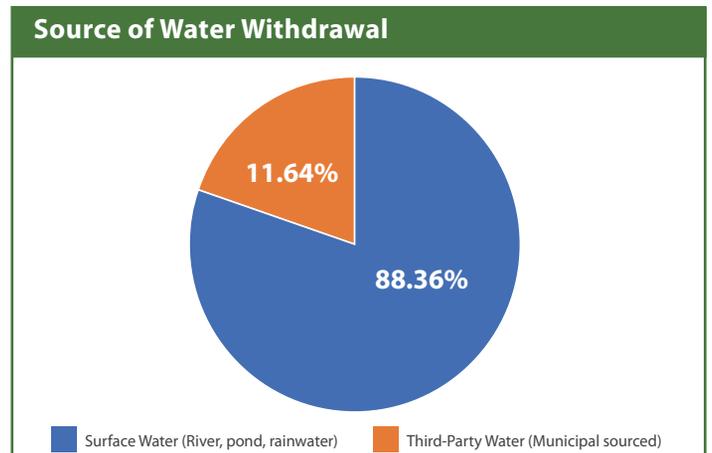


Boiler producing renewable energy from oil palm fibre

- ### Best practices in energy use efficiency:
- Central controlled air conditioning system.
 - Lights-off during non-office hours and vacant sections.
 - Timer and motion sensor-controlled lighting system.
 - Progressive replacement of existing lighting to LED lighting.
 - Utilisation of solar energy.
 - Utilisation of biomass to generate renewable energy.
 - Installation of smart meter.

Water Security

In Hap Seng, we require all our business divisions to monitor their water consumption and minimising wastewater discharge by practicing water use efficiency and water recycling whenever practical. Our business divisions are mainly utilising water sourced from the local municipal. Our Plantations and Building Materials Division also source water from surface water such as river, pond and rain water which accounted about 88.36% of the total water withdrawal. Proportion of surface water could be higher as the volume of rainwater harvested at our Plantations, Property and Automotive Divisions were not completely recorded during the reporting period. Aside from ensuring water security within our operations, we are also committed to ensuring that the generated wastewater is treated and discharge, in accordance with the Environmental Quality Act 1974.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Source of Water Withdrawal	Unit	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)
Surface Water	m ³	2,661,545.00	0.00
Groundwater	m ³	0.00	0.00
Seawater	m ³	0.00	0.00
Third-Party Water	m ³	350,501.63	0.00
Total	m³	3,012,046.63	0.00

Destination of Water Discharge	Volume (m ³)
Surface Water	767.98
Groundwater	0.00
Seawater	0.00
Third-Party Water	0.00
Total	767.98

Overall Water Consumption (m ³)
3,011,278.65

There is minimal risk of operation disruption due to water shortage within our business divisions that mainly rely on municipal water source. Business divisions that are significantly dependent on natural water sources, such as Plantations and Building Materials Divisions, have permanent water reservoir ponds to keep sufficient surface water in case of severe drought. Various initiatives were implemented to reduce reliance on municipal water source, such as installation of rainwater harvesting facilities at our investment properties and passenger car service centres. The harvested rainwater is used for cleaning, landscaping, washrooms and car washing. Water-efficient dual flush toilet and automatic faucets were also installed at our facilities to reduce water consumption.



Part of the rainwater storage tanks at Kinrara Autohaus

Wastewater discharged from the Plantations Division consist mainly of POME. Management of POME is governed by strict environmental regulation. POME has to be treated and comply with the quality limit set by the Department of Environment (“DOE”) such as ensuring the Biological Oxygen Demand (“BOD”) not exceeding 20 ppm prior to discharge for surface land irrigation. The management is also proactively measuring the Chemical Oxygen Demand (“COD”) although it is not a requirement by the authority. Aside from ensuring zero wastewater discharge to the natural waterways, POME land irrigation will also improve soil nutrient and moisture for the oil palms.

Financial Year	Average POME BOD (ppm)	Average POME COD (ppm)
2021	13.9	343
2020	20.0	348
2019	20.0	332

Wastewater generated from MMSB’s tiles production is being fully treated and reused for production, which resulted in zero wastewater discharge from the operation.



Wastewater treatment plant at MMSB and comparison of treated (right) and untreated (left) wastewater

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Waste Management

The Group aims to manage resources responsibly and to minimise waste generation through the practice of resource use efficiency, recycling and reuse. Type and amount of waste generated from the business divisions were monitored to ensure resources are efficiently utilised.

Scheduled wastes generated are strictly managed in accordance to the storage, labelling and disposal requirements as per the Environmental Quality (Scheduled Wastes) Regulations 2005. Scheduled waste was mainly generated by the Plantations, Property, Automotive and Trading Divisions. There was no scheduled waste generated by Credit Financing as the nature of its operations are mainly office-oriented

Types of scheduled waste generated:

SW102	: Waste of lead acid batteries in whole or crushed form.
SW305	: Spent lubricating oil.
SW306	: Spent hydraulic oil.
SW311	: Waste oil or oily sludge.
SW327	: Waste of thermal fluids (heat transfer such as ethylene glycol).
SW110	: e-Waste.
SW409	: Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil.
SW410	: Rags, plastics, papers, or filters contaminated with scheduled wastes.

Waste Management	Unit	Scheduled Waste	Non-Scheduled Waste*	Total
Amount Generated	MT	2,017.26	112,000.01	114,017.27
Recycled & Reused	MT	0	106,468.23	106,468.23
Disposed	MT	2,017.26	5,531.78	7,549.04

* Data on non-scheduled waste was recorded from Plantations, Property and Building Material Divisions only

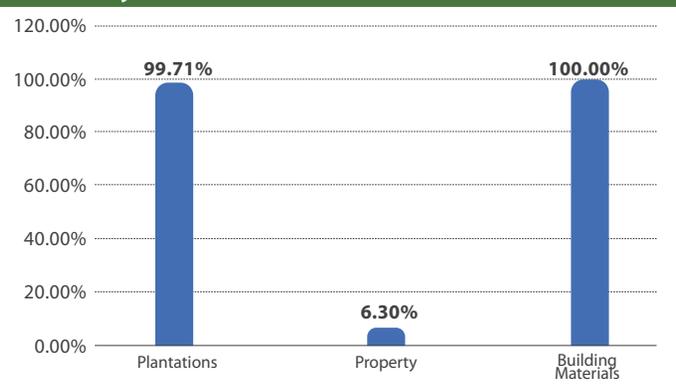
Aside from the efforts to reduce waste generation through resource use efficiency, we are continuously exploring additional value from the generated waste by practicing reuse and recycling. Such practices managed to reduce the amount of waste disposal to the environment while reducing the cost of waste management. We have recorded 114,017 MT of waste in FY2021. 106,468 MT of non-scheduled waste generated from Plantations, Property and

Building Materials Divisions was eventually recycled and reused within the respective business divisions. Although practices on recycling and reusing have been implemented throughout the Group, the amount of non-scheduled waste has not been quantified by some of our business divisions. Quantification of non-scheduled waste will be a part of our continuous improvement in the subsequent reporting.

Major types of non-scheduled waste recycled & reused:

- Plantation Division
 - Empty fresh fruit bunches ("EFB") for field mulching to provide additional nutrient to the oil palm trees.
 - Oil palm fibre as renewable fuel for boiler.
- Property Division
 - Used steel bars, wood and metal pieces for recycling.
- Building Materials Division
 - Broken and rejected bricks reused to repair bricks drying kiln.

Recovery Rates of Non-Scheduled Waste



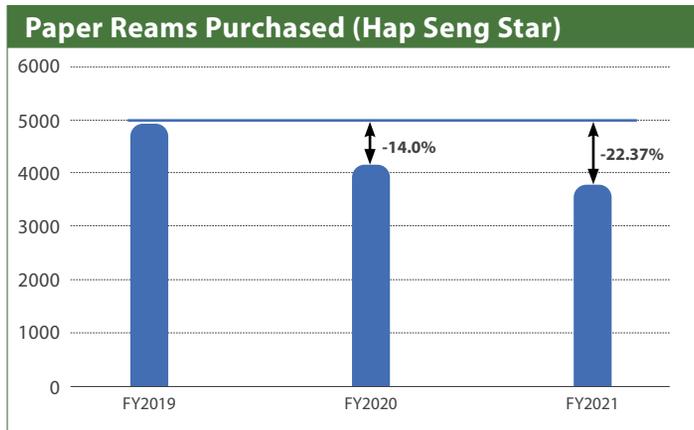
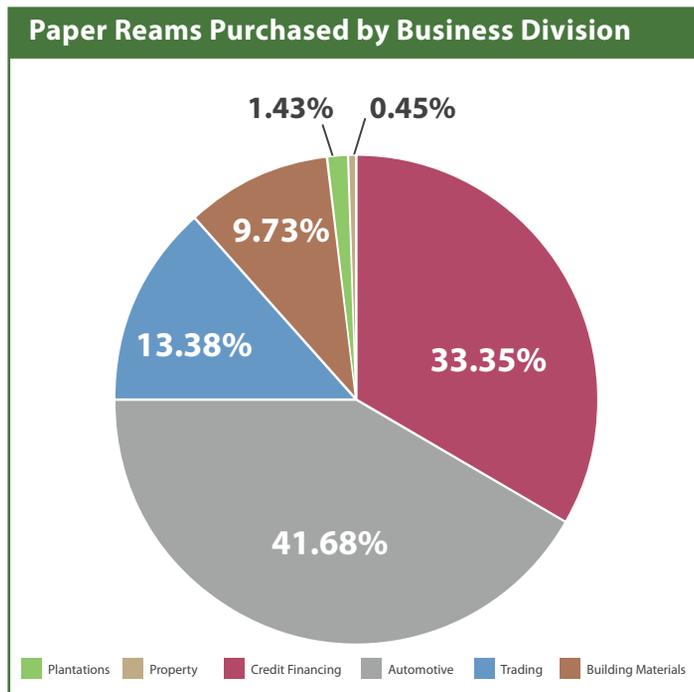
We continuously cultivate the awareness of reuse and recycling within our community through relevant campaigns at our plantations, investment properties, offices and operating units. Dedicated recycling bins are available at the properties we manage.

Progressive transition to digitalisation in our business processes has significantly reduced paper consumption. Internally, we also promote the use of document sharing through employee portal and various electronic platforms to reduce paper usage. Employees are also encouraged to only print when necessary and to utilise both sides of the paper.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

We have extended the monitoring of paper usage by including data from all business divisions for this reporting period. As a Group, we purchased 11,228 reams of paper in FY2021 with 75% of the paper used in Automotive and Credit Financing Divisions.

Hap Seng Star, which consumed the most paper when compared to the other business units, recorded progressive decline in its paper consumption since FY2019. Consumption for the reporting period declined by 22.37% when compared to FY2019.



Eco-solutions

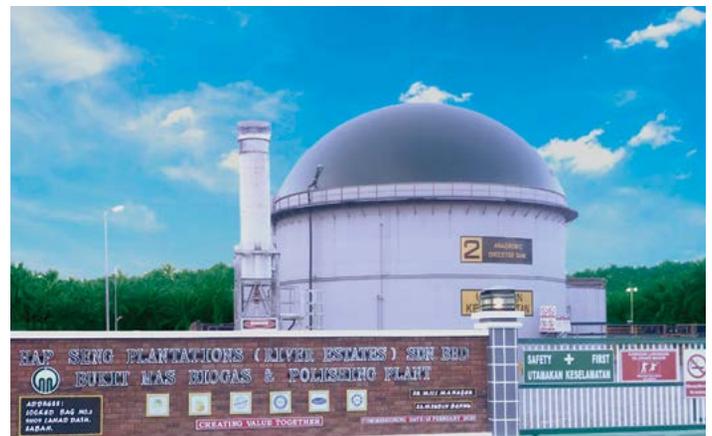
We are continuously exploring the possibility of integrating new eco-solutions into our operations wherever feasible. Utilisation of eco-solutions has enabled our businesses to operate at higher efficiency, reducing cost of operation and minimising our potential impact to the environment.

Knowing the potential environmental benefits of light-emitting diode (“LED”) lighting, we are progressively replacing conventional fluorescence lighting in our operations. LED lighting generally lasts longer and reduces the generation of e-waste from our operations.

We have constructed biogas plants at three of our palm oil mills to generate renewable electricity for plantations operations. Electricity produced from the biogas plants sufficiently meets the electricity demand for the plantation operations resulting in minimal dependency on electricity from the grid. The 14,756,003 kWh of renewable electricity generated from the biogas plants in FY2021 was equivalent to energy produced by 1.46 million litres of diesel.

Our Property Division adopted various industry recognised green certification standards such as GreenRE, GBI and LEED in our investment properties. In FY2021, five of our investment properties were certified with one or more green building certification. Aside from demonstrating our commitment in sustainable development, the green buildings which focuses on efficiency of resource use, lower carbon impact and cost efficiency will reduce the cost of ownership and overall impact in the long run (Please refer to the Award and Recognition section on p.g. 85 to 86 for more details).

Solar panels which were installed at our Kinrara Autohaus in 2017 is continuously generating renewable energy and reducing our dependency on electricity from the grid. The installed solar panels, with the capacity of 800.72 kWp, sufficiently fulfilled 17.66% of the total electricity demand by Kinrara Autohaus in FY2021. In addition, a surplus of 370,177 kWh electricity was fed to the national grid as electricity credit. We have planned to install solar panels at another two dealership centres at Balakong and Shah Alam Body and Paint Centre with capacity at 760 kWp and 990 kWp respectively in FY2022.



Biogas plant at Bukit Mas Palm Oil Mill

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



Solar energy harvesting system at Kinrara Autohaus

Dust collected at the quarry through the water sprinkler system to control air pollution, can be utilised to produce manufactured sand (“m-sand”) which is a value-added by-product from the quarry operations. M-sand is used as an alternative to river sand. This indirectly reduces river sand mining activity which may negatively impact the aquatic ecosystem.

Biodiversity Management

As a Group, we are committed in promoting biodiversity protection, conservation and urban greenery across our operations. We prioritise and allocate more resources for managing biodiversity to the business divisions that have potential direct impact to biodiversity. Due to the nature of our operations, Credit Financing, Automotive and Trading Divisions have minimal impact to the biodiversity.

Biodiversity management is crucial for our Plantations Division which manages 39,727 hectares landbank situated in Sabah, one of the most biodiverse states in Malaysia. We have committed to no deforestation and no new planting on forested peatland. These commitments are published in the Plantations Division’s Sustainable Agriculture Policy and is further strengthened through its Biodiversity Policy. New suppliers of FFB will have to go through rigorous screening to ensure the origin of their FFB are from legal and responsible sources. Various efforts have been carried out to ensure our suppliers are complying with the highest industry standards.

We have identified the High Conservation Value (“HCV”) areas within our landbank and these areas are being conserved or set aside for natural rehabilitation. The riparian zone along the waterways within our landbank, have been identified to preserve the riverine ecosystem and to serve as fauna movement corridors. Hunting, logging, possessing and trafficking of wild animals, including those categorised as rare, threatened and endangered (“RTE”) as listed in the International Union for Conservation of Nature (“IUCN”) Red List, are prohibited in our estates. Regular patrolling and monitoring at the boundary of the conservation areas are conducted to inspect for any sign of encroachment. The management is also in regular contact and work with the local Wildlife Department and Forestry Department whenever necessary. Please refer to Hap Seng Plantations Holdings Sustainability Report for more information on our efforts in biodiversity management at the plantations.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Type of Conservation Area	Area (Hectares)
HCV	1,401.98
Riparian Buffer	1,056.74

Impact from fire-related incident could be detrimental to biodiversity and their ecosystems. As our Plantation Division covers a vast area, continuous preventive measures such as patrolling and monitoring using latest tools such as Global Forest Watch Fire Portal and GeoRSPO have efficiently prevented fire incident within and adjacent to our estates since 2014. In cases of fire incident, our internal Emergency Response Team is prepared to provide early response prior to the arrival of local Fire and Rescue Department.



Conservation area at our Plantation

Biodiversity impact from building projects by our Property Division is found to be minimal as all of the developments are situated in urban areas which are far from forested landscape. Potential risk to biodiversity was assessed at the planning stage through site-specific assessments focusing on flora and fauna, waste management, topography and hydrology. Pollution to waterways was avoided by preventing land erosion and minimising sedimentation. Wastes generated throughout the construction phase, including domestic waste and sewage, were managed according to our waste management plan. Materials such as wood, steel and aluminum were reused and recycled where practical to ensure minimal waste generation (Please refer to Waste Management section on p.g. 109 to 110 for more information). Potential impact to biodiversity was mitigated through enhancing the ecological capacity of the development area by creating new habitats for the existing flora and fauna. Availability of space for flora within the high-rise building was redefined in Menara Hap Seng 3 where 27,000 individual pots of 10 different plant species were planted on a 91.55-metre-high indoor green wall. Similar initiatives may be extended to other suitable high-rise buildings to enhance greenery in our buildings.



Indoor green wall at Menara Hap Seng 3

Extraction of natural resources such as quarrying activity may potentially impact the surrounding environment and biodiversity if not managed appropriately. Thus, we had extensively assessed the potential environmental risks of our quarry sites by conducting Environmental Impact Assessment (“EIA”) prior to development. Commissioning of quarrying activity will only be initiated after the EIA has been approved by the DOE and potential environmental risks are adequately controlled or mitigated. Relevant environmental quality monitoring report will be submitted to the DOE regularly to ensure continuous compliance. It is also a requirement to rehabilitate decommissioned quarry sites to expedite regeneration of natural vegetation and to restore the ecological functions to support the biodiversity.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

PEOPLE AND COMMUNITY DEVELOPMENT

Align to SDG:



Our Approach

Creating value to our employees and local communities remains the priority agenda in our sustainability journey. In Hap Seng, we strongly believe our employees and local communities play an instrumental role in developing a sustainable business that will eventually contribute to the socio-economic development. As we are still grappling with the COVID-19 pandemic, some of the initiatives and activities are tailored to ease the obstacles arising from the pandemic and creating a safe and desirable working and living environment for our employees and communities. Throughout FY2021, business divisions within Hap Seng did not incur any fines in relation to non-compliance with regulatory requirements on health and safety or labour rights.

Health and Safety

Creating a healthy and safe working environment across our businesses have always been our priority. We endeavour to ensure a safe and healthy working environment with the ultimate aim of maintaining zero fatality. We have established Safety and Health Committees within relevant business divisions. These committees involve participation from both employer and employee representatives to collaboratively minimise health and safety risks from the operations. Employee representatives are responsible, to gather feedback and concerns regarding workplace health and safety matters from their fellow colleagues, to deliberate with the committee.

Potential health and safety related risks from operations are reviewed through Hazard Identification, Risk Assessment and Risk Control (“HIRARC”). The review is conducted when there are changes in process or activities which may affect the risk level at workplace. Chemical Health Risk Assessment (“CHRA”) is also conducted at the operations that involve handling of chemicals. Preventive measures and controls to mitigate potential identified risks will be communicated, implemented and monitored at each individual business division. Regular training on health and safety practices based on training needs analysis are provided to the employees and contractors to improve their awareness of relevant best practices.

In order to ensure that our health and safety measures extends to our contractors, we require our contractors to commit to the safety and health requirements as stipulated in their contract agreement. Generally, contractors working within our operations are required to adhere to the similar health and safety standards as practiced by our employees.

We had recorded zero work-related fatality case and 33 work-related injury cases in FY2021, which translates to lost time injury rate of 1.49 and 0.20¹ per million hours worked for our employees and contractors respectively. Recorded work-related injuries mainly involved minor injuries from cuts, fell from height, overexertion, vehicle accident and minor burns which require medical attention and resulted in one or more lost days from work. There was no injury case recorded at Credit Financing and Automotive Divisions.

Three work-related ill health cases which resulted in hearing loss were recorded at the Building Materials Division. Noise-induced hearing loss is identified as one of the potential work-related health risks at the Building Materials Division. We have implemented noise management measures to protect our employees from exposure to excessive noise by conducting Noise Risk Assessment, imposed the requirement to wear personal protective equipment such as ear plugs or ear muffers and conduct baseline and regular Audiometric Test to monitor employees’ hearing ability. Engineering controls were practiced to suppress excessive noise by adopting relevant industry best practices and technology. For example, we are utilising 3-dimensional laser technology in the quarry operations which allowed us to precisely determine the amount of explosive energy required and reduce unnecessary blasting error which is one of the major sources of noise.

Mobile sirens are implemented at quarry sites adjacent to communities to provide initial notification prior to blasting process. Adjacent communities are also given necessary information on grievance communication procedure. There was no complaint received from adjacent communities in relation to quarry operations in FY2021.

¹ Injury data on contractors excluded Plantation Division due to unavailability of data

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Health and Safety Performance	Unit	Employee	Contractor
Work-related Injury			
Fatality Case	No. of case	0	0
High-consequence Injury	No. of case	0	0
Other Work-related Injury*	No. of case	32	1
Fatality Rate	No. of case/million hours worked	0.00	0.00
High-consequence Injury Rate	No. of case/million hours worked	0.00	0.00
Lost Time Injury Frequency Rate	No. of case/million hours worked	1.49	0.20
Work-related Ill Health			
Fatality Case	No. of case	0	0
Work-related Ill Health	No. of case	3	0

* Other work-related injury reported include minor injuries (first aid cases).

In order to minimise the risk of infection from COVID-19, we had developed a guideline on COVID-19 Outbreak at the Workplace in January 2021. The guideline provided comprehensive guidance on actions that are required to be taken in the event of infection or in close contact with an infected patient. Measures implemented by the Group to minimise risk of exposure to COVID-19 included alternate work-from-home arrangement, staggered working hours to reduce physical contact, encourage virtual meetings, provide free face mask to employees and ensuring employees adhere to the standard operating procedures at all time. We recognise the travel lockdown measures imposed by the authority to control the spread of COVID-19 may have resulted in emotional stress on our employees, especially those separated from their families. An online webinar on Mental Health Matters was organised by the Property Division in November 2021 to provide awareness on managing mental well-being among our employees and property tenants.



Vaccination programme in collaboration with the Ministry of Health

In order to ensure the employees are fully protected against COVID-19, the Group encouraged all its employees to be fully vaccinated. Our Plantations Division collaborated with the Ministry of Health to vaccinate more than 250 employees in June 2021. Our Property Division amplified the importance of vaccination among employees through a Vaccination Awareness Campaign in September 2021 and planned to extend a similar programme to our relevant external stakeholders such as consultants, contractors, and business associates to promote a safer workplace. As of December 2021, 99.99% of our employees have been fully vaccinated.



Badge and sticker of our Covid-19 vaccination campaign

Our support in the prevention of COVID-19 pandemic extended from our employees to the communities around us. In order to support the local government in handling increasing cases, our Plantations Division donated essential materials and equipment to Hospital Kinabatangan for setting up a temporary COVID-19 treatment centre in November 2021.

TALENT MANAGEMENT

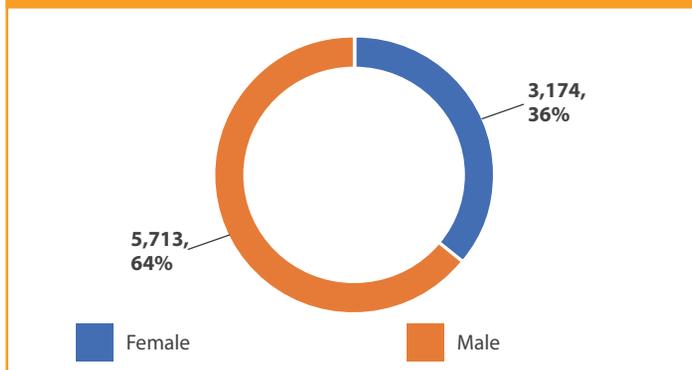
Diversity and Inclusion

In Hap Seng, we strongly acknowledge our workforce is one of the key drivers in determining the progress of our businesses. Having of our COVID a diversified and inclusive workforce with different experiences and cultures, allows us to gain a competitive advantage in our businesses where human intervention is imperative. We are committed to create a working environment that is diversified and inclusive by providing equal opportunity and remuneration regardless of race, religion, gender, age, sexual orientation, disability and nationality. As at 31 December 2021, our overall workforce consists of 8,887 diversified employees with East Malaysia operations accounted majority of the workforce.

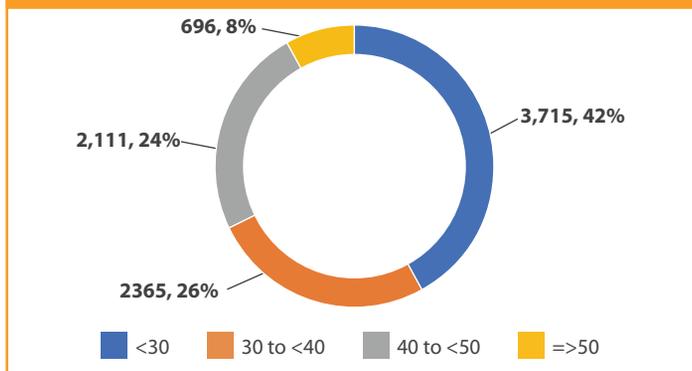
SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Employment Level	Male	Female
Board	9	1
Top Management	53	11
Senior & Mid Management	206	128
Executive & Supervisory	431	417
Graded	5,014	2,617
Total	5,713	3,174
	8,887	

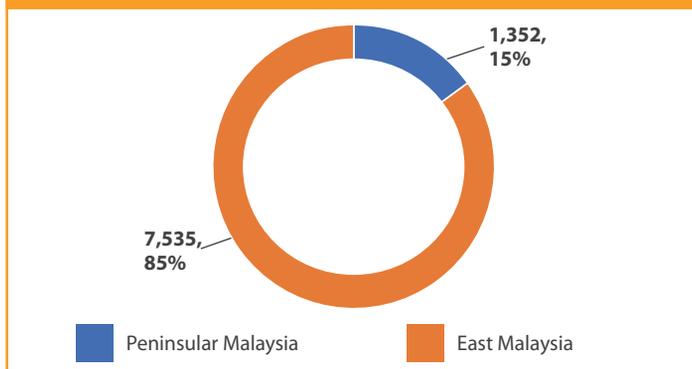
Workforce Gender Diversity



Workforce Age Diversity



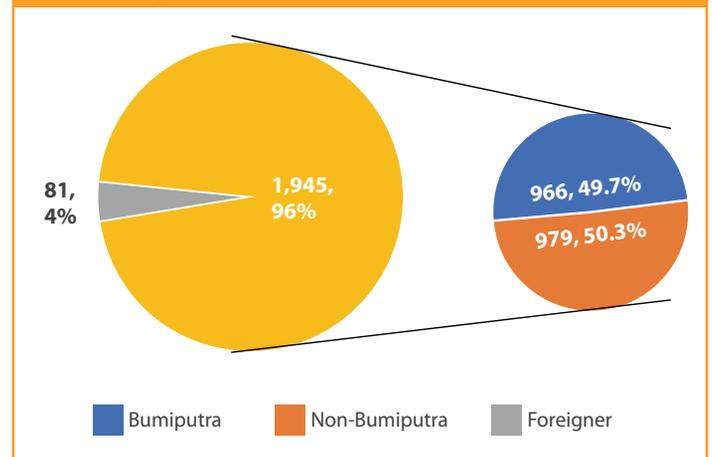
Regional Distribution of Workforce



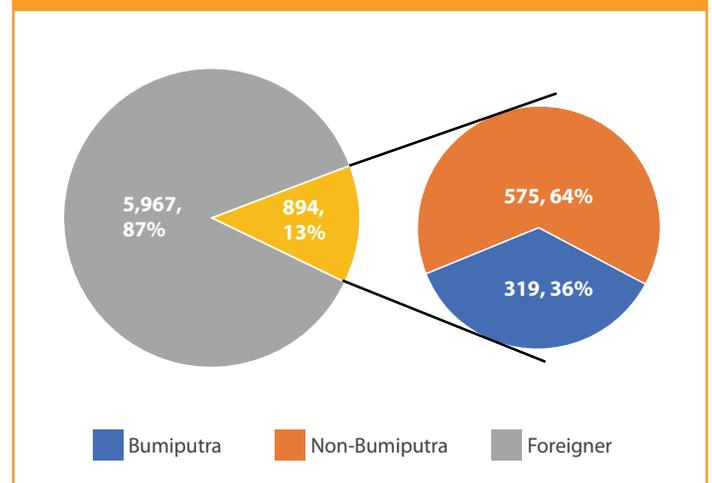
Recruitment and Retention

As part of our responsibility to contribute to local socio-economy development, we prioritise in providing employment opportunity to locals. As at 31 December 2021, 96% of our employees (except Plantations Division) are locals. However, majority of the employees in the Plantation Division consist of foreigners due to the nature of work in the plantation industry. Various efforts are being taken by management and the Malaysian Palm Oil Association to attract more locals to work in the plantation industry. The Plantations Division is also utilising mechanisation in some of its labour-intensive processes to reduce its reliance on labour.

Employee Nationality in Hap Seng (excluding Plantation Division)



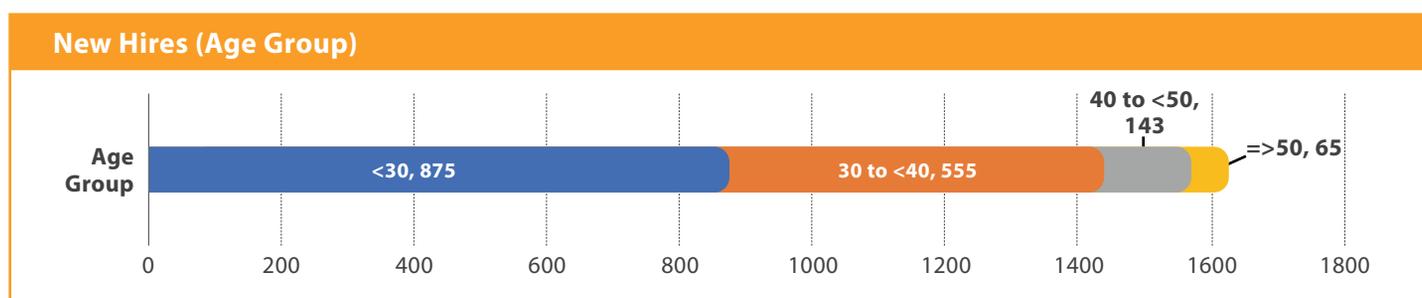
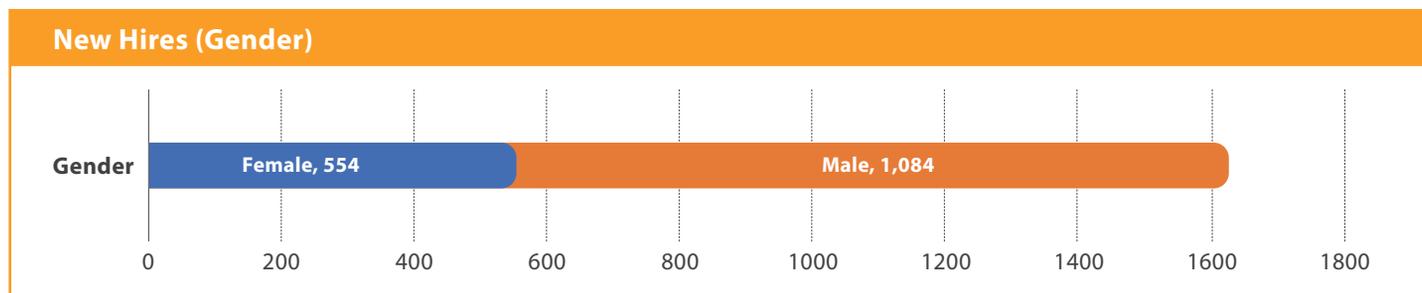
Employee Nationality in Plantations Division



Note: Bumiputra is a term used in Malaysia to describe Malays, the Orang Asli of Peninsular Malaysia, and various indigenous peoples of East Malaysia.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Our recruitment practice is free-from-bias where the applicant’s qualifications, merits and personal characters are the main determining factors in the selection process. Terms and conditions of employment are transparently communicated to potential employees prior to signing the employment agreement. Induction training will be provided to ensure new employees are able to promptly adapt to their new working environment and culture. A copy of the Employment Handbook containing all the employment benefits is made available within the company’s intranet. In FY2021, the Group hired 1,638 new employees. While hiring new employees to fill the necessary positions, the Group managed to limit the turnover rate of existing employees to 23.1%, a significant improvement when compared to FY2020’s 34.4%.



We recognise and provide fair remuneration based on employees’ performance by conducting an annual performance appraisal. Aside from evaluating the employees’ achievements and contribution, KPI is also used in assessing future career development of our employees. 100% of our employees were assessed for KPI in FY2021.

Employee Remuneration and Rewards

Fringe Benefits

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

Leave Entitlement

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

We strive to attract and retain our employees by adopting a work-life balanced working environment while ensuring their rights are respected. In order to ensure the interest of our employees are well protected, we recognise their rights to collective bargaining and freedom to join recognised trade union or association of their choice. As of December 2021, 1.9% of our employees are members of unions.

We encourage our employees to equip themselves with the necessary knowledge and skills to expedite their career advancement. Training recommendation on specific skill set will be identified by the Head of Department during the annual performance review. Employees are also encouraged to propose training that may add value to their career development. We had recorded 1,909 hours of training in FY2021. As we experienced various forms of MCO throughout FY2021, most of the

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

physical training was either postponed or cancelled. Employees were encouraged to join relevant online training which had gained traction as part of the pandemic and post-pandemic transition.

Average Training Hour in FY2021						
Per Employee	Per Female Employee	Per Male Employee	Per Top Management	Per Senior & Mid Management	Per Executive & Supervisory Employee	Per Graded Employee
0.21	0.16	0.25	1.13	1.84	0.75	0.08

Some of the major training provided to employees:

- Cybersecurity Awareness
- Work-From-Home Experience – Preferences and Sentiments
- Sexual Harassment Prevention at Workplace
- Flexible Working Arrangement: Legal Issues & Concerns
- Freedom of Speech and Expression in Malaysia: A Myth?
- COVID-19 Vaccination
- Compensation & Benefits in The New Era

As part of the effort to provide working exposure to graduates, we accepted 35 graduate students into our internship programme at our Automotive, Property and Plantations Divisions in FY2021. Hap Seng Star continues to sponsor seven students for the Advanced Modern Apprenticeship programme to cultivate qualified and competent technicians for our permanent workforce. In addition, Hap Seng Star continues to collaborate with Dream Catcher Academy Sdn. Bhd. to provide TVET programme to school leavers, particularly those from underprivileged backgrounds. The TVET programme will provide students with a Sijil Kemahiran Malaysia (“SKM”) Level 2 certification. The eight-month programme involves a combination of theoretical and practical training with the aim of inculcating industry-ready students in automotive service and repair skills. Seven students successfully graduated and obtained their SKM Level 2 certification in 2021.



Participants listening to the briefing on TVET programme

EMPOWERING LOCAL COMMUNITIES

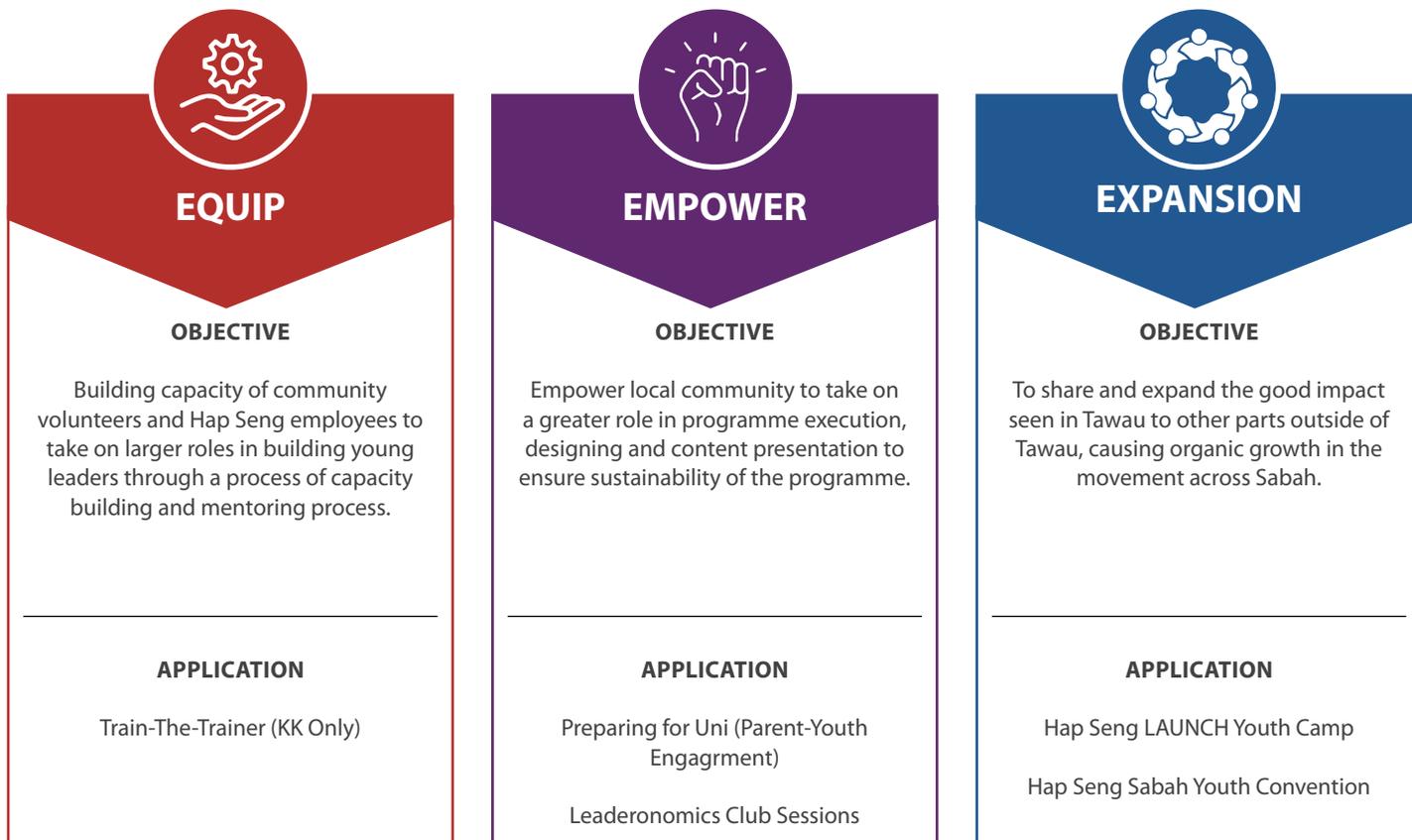
Creating value to the communities around us remain the priority in our sustainability journey. As an organisation with vast footprint in different businesses, we continue to explore ways to empower the communities by initiating various programmes that potentially generate value to the socio-economy. Our Plantation Division contributed an estimated RM386,156 to the Humana Child Aid Society to support its mission to provide education for children in plantations and other remote areas of Borneo. The Group also contributed RM528,840 for various education and development programmes in FY2021.

Hap Seng Group LAUNCH P.A.D. 2021

The Group continued to extend and expand its social responsibility initiatives in Sabah by creating intentional touchpoints with youth and community stakeholders, raise leadership competency among youth, build community stakeholder capacity, and activate community expansion through the 3E framework (Equip, Empower, and Expansion) via Hap Seng Group LAUNCH P.A.D. programme. The programme involved 599 students from 68 schools in Tawau and Kota Kinabalu, Sabah. A 2-day LAUNCH P.A.D. Camps held live through You Tube, served as a culmination of the five Leaderonomics Club sessions across the year, as students came together for learning and growth.

An e-Convention was held in November 2021 to serve as a platform to unite participating students for a time of bonding, inspirational sharing sessions and other fun-filled activities. A special tribute video capturing memories of the past five years of the programme with the Tawau community was presented. Many participants expressed their gratitude to Hap Seng for its continuous efforts in supporting student development for the past five years.

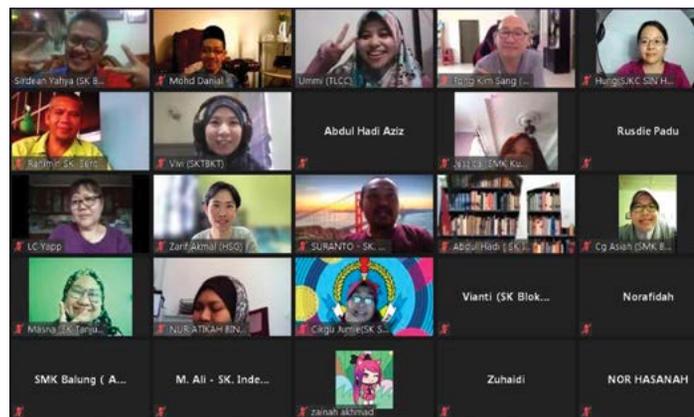
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3E framework of Hap Seng Group LAUNCH P.A.D. programme

Ignite Digital Marker 2.0

Hap Seng continues to build the Digital Marker Community for the second year in Tawau, Sabah by sharing digital literacy through coding. The team-based and project-based learning involved 70 school teachers and 140 students from 27 schools, working together to build and create innovative projects with microcontrollers, coding, mobile applications, Internet of Things, Artificial Intelligence, and other technologies. Along the way, participants also developed soft skills such as communication, critical thinking, collaboration, and creativity. The participants had the opportunity to showcase their projects through the national-level Junior Innovate Challenge and Young Innovate Challenge which was held in the 4th quarter of 2021.



Participants of Ignite Digital Marker 2.0

Junior Innovate Challenge 2021 (Primary Students' Level)

Tawau schools won 4 Gold, 1 Silver and 1 Bronze

Young Innovate Challenge 2021 (Secondary Students' Level)

Tawau schools won 2 Gold, 4 Silver and 2 Bronze

Plaza Shell's Christmas Activities

Hap Seng's Plaza Shell shared some much-needed Christmas joy to Pusat Jagaan Seri Murni ("PJSM") under the care of the Good Shepherd Services, when they organised several activities to raise funds for the centre. PJSM acts as an interim shelter for women and their children who had experienced various forms of abuse.

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Utilising Plaza Shell's Facebook page and other social media platforms, we managed to raise sufficient funds from online bazaar and caroling activities which were participated by our tenants and employees. Funds generated from the activities were sufficient to provide gifts and essential goods to the 15 children and 20 women supported by PJSM. Other essential items donated consisted of baby diapers, milk, canned food, stationery, towels and personal amenities.

Flood Relief Donations

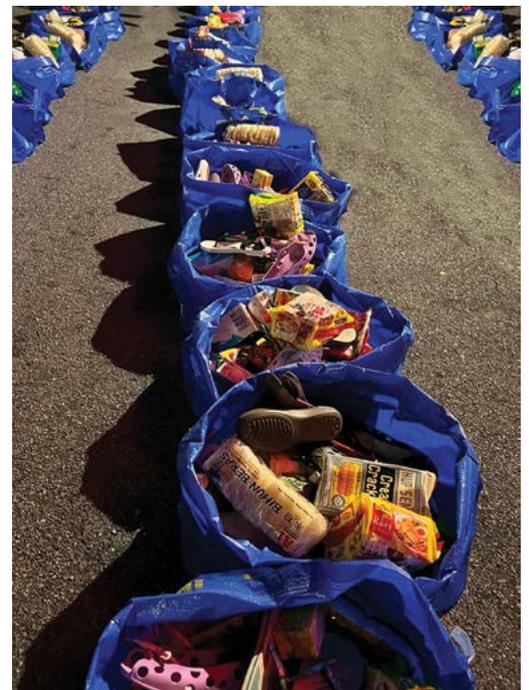
Malaysia was hit by severe floods due to a continuous 3-day torrential downpour throughout Peninsula Malaysia in December 2021. The resulting floods left devastating impact such as overflowing rivers and landslides, which resulted in thousands of people losing their homes and belongings.

In view of that, our Property Division, through its in-house CSR committee in collaboration with The Hope Branch (Non-Governmental Organisation), organised a Flood Relief Donation Drive to provide essential aids to the victims.

The donation drive had received an overwhelming response with over RM18,000 worth of flood relief supplies contributed by the employees, tenants and community. The CSR committee delivered the items consisting of rice packs, canned food, dry food, cooking oil, drinks, face masks, sanitisers, and other supplies to The Hope Branch for final distribution to the flood victims.



Donation items for flood victims



Carepacks for distribution to the flood victims

Sustainable Development

The Group regularly include affordable housing project in its business plan as part of its responsibility to promote inclusivity and ensure that houses are affordable to the communities.

As of December 2021, the Group has 546 units of affordable home for sale mainly at developing areas in Tawau and Sandakan. The houses consist of terrace, apartment and condominium which were constructed with affordability in mind while providing reasonable amenities, connectivity and future value appreciation potential.

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