

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

ABOUT THIS STATEMENT

This Statement describes the sustainability strategy, initiatives and 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 disclosure addresses all the environmental, social and governance (ESG) issues material to our businesses and our stakeholders.

Reporting Period and Scope

This Sustainability Statement encompasses our ESG performance for financial year (FY) 2022, commencing 1 January 2022 to 31 December 2022, from across our corporate headquarter in Kuala Lumpur to our six business divisions operating within Malaysia: Plantation, Property, Credit Financing, Automotive, Trading and Building Materials. As our hotel investment under the hospitality segment has just started operation at the end of FY2022, sustainability-related data and activities under the segment will be disclosed in the next Sustainability Statement.

Our plantation division, Hap Seng Plantations Holdings 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

We have prepared our Sustainability Statement in accordance with Bursa Malaysia Securities Berhad’s (Bursa Malaysia) Main Market Listing Requirements, with the guidance from Bursa Malaysia’s Sustainability Reporting Guide and Toolkits (3rd Edition), Global Reporting Initiative (GRI) Standards and FTSE Russell’s ESG requirements. Carbon emissions disclosure is aligned to the Greenhouse Gas (GHG) Protocol and Roundtable on Sustainable Palm Oil (RSPO) PalmGHG methodology.

Assurance

All data and information contained within this statement have been internally sourced and verified by the respective business division.

This 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:

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Designation : Senior General Manager
Department : Corporate Planning & Investor Relations
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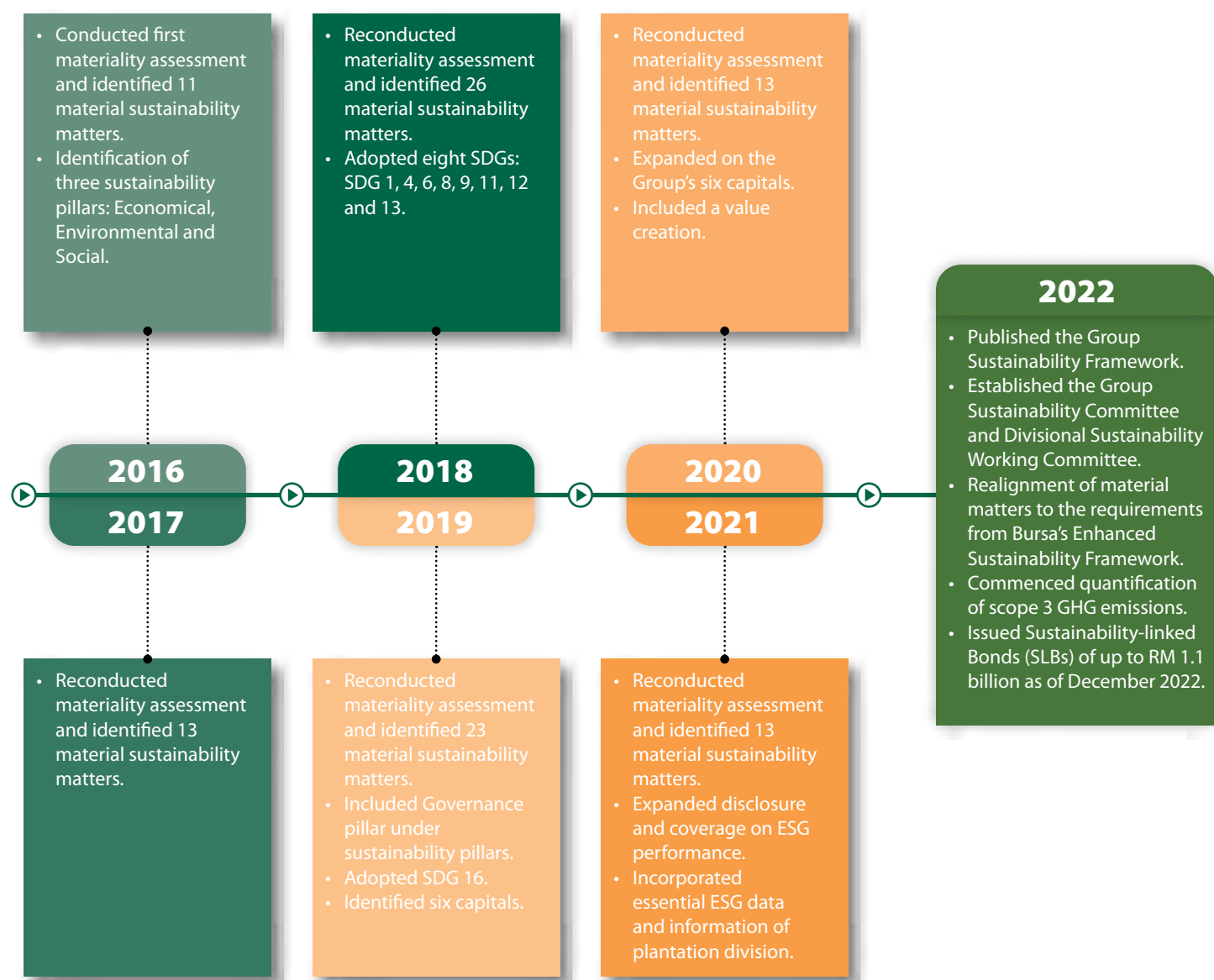
Further
information can
also be found on
our website here.



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HAP SENG'S SUSTAINABILITY JOURNEY

FY2022 had been the year where we actively strengthen our Group's internal sustainability management through enhancements in governance and accountability throughout the Group. Such improvement are prioritised to ensure our internal structure and human capital are well positioned to meet the requirements and expectations of our various stakeholders. We believe that an established internal structure, clear responsibility and accountability will provide a solid foundation for our sustainability journey.



SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

Key Sustainability Highlights in FY2022



Governance

- Established **Group Sustainability Framework and Sustainability Committee**.
- Identified **ESG-related KPIs** for directors and senior management.



Economy

- Averaged **62.92%** procurement and services spending on local suppliers.



ESG Ratings

- Received an **MSCI ESG Rating of "A"**.
- Scored **81.8%** in SPOTT ESG Policy Transparency Assessments (Hap Seng Plantations).



Energy

- Derived **56.50%** of energy requirement from renewable energy sources.
- Biogas plants generated **14.67 million kWh** of renewable electricity for plantation operations.
- Derived **846,558 kWh** from solar energy for Autohaus operations and excess electricity sold to the grid.



Greenhouse Gas Emissions

- **191,058.74 t CO₂-e** GHG emissions were sequestered and credited through conservation efforts and excess electricity sold to the grid.
- Commenced quantification of **scope 3 GHG emissions**.
- Installed **31 units of electric vehicle charger** at 11 of the Hap Seng Star's Autohaus throughout Malaysia.



Waste

- **107,260.12 MT** of generated non-scheduled waste was recycled and reused.
- Avoided **59,851 t CO₂-e** of emission from waste reuse and recycling.



Health & Safety

- Recorded **zero** work-related fatality and high-consequence injury case.



Corporate Social Responsibilities

- Contributed more than **RM1.94 million** for education and community programmes that benefited more than 3,500 participants.

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ACHIEVEMENTS & RECOGNITIONS

Our performance in ESG initiatives is reflected in the achievements and recognitions achieved both locally and globally.



Business Division	Achievement/ 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 8 out of 14 estates
	Hazard Analysis and Critical Control Points (HACCP) Certification	100% of oil mills
	Makanan Selamat Tanggungjawab Industri (MeSTI) Certification	100% of oil mills
	HALAL Certification	100% of oil mills
	Best Quality CPO Supplier by IOI Edible Oils	Plantation Group
	Highest Quantity CPO Supplier by IOI Edible Oils	Tomanggong Palm Oil Mill
Property	Green Real Estate (GreenRE) Certified	Mercedes-Benz Setia Alam Autohaus
	Leadership in Energy and Environmental Design (LEED) Certified	Menara Hap Seng 3 Plaza Shell
	Green Building Index (GBI) Certified	Menara Hap Seng 2
	Asia Pacific Space Designer Association Award (APSDA)	Menara Hap Seng 3
	FIABCI Malaysia Property Award 2022 - Office Category	Menara Hap Seng 3
	FIABCI Malaysia Property Award 2022 - Industrial Category	Hap Seng Business Park
	Malaysia Book of Records - Highest Indoor Green Wall	Menara Hap Seng 3
Automotive	Environmental Management System (ISO 14001) Certified	HSS Jalan Sultan Ismail
	Quality Management Systems (ISO 9001) Certified	HSS Kinrara, HSS Jalan Sultan Ismail
	Mercedes-Benz Dealer Award 2022	
	Dealer of The Year – Champion	HSS Kinrara
	Dealer of The Year – 2 nd Runner-up	HSS Bukit Tinggi
	Global Customer Experience Challenge – Champion & 1 st Runner-up	HSS Kinrara
	Best in Financial Services – 1 st Runner-up	HSS Kinrara
	Best in 5 Star Rater (Sales) – Champion	HSS Melaka
	Best in CSI (5 Star Rater) – Champion	HSS Kota Kinabalu
	Best in CSI (5 Star Rater) – 2 nd Runner-up	HSS Bukit Tinggi
	Best in Customer Services – Champion	HSS Setia Alam
	Best in Customer Services – 1 st Runner-up	HSS Kinrara
	Best in Sales – Champion	HSS Melaka

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Business Division	Achievement/Recognition	Operating Unit
Automotive	Best in Sales – 1 st Runner-up	HSS Balakong
	Most Improved Dealer – 1 st Runner-up	HSS Balakong
	Service Excellence Award	
	Service Excellence Award 2022 (Champion League) – Champion	HSS Bukit Tinggi
	Service Excellence Award 2022 (Champion League) – 1 st Runner-up	HSS Kinrara
	Service Excellence Award 2022 (Super League) – Champion	HSS Kota Kinabalu
	Service Excellence Award 2022 (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 Head Office 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	MMSB
	Singapore Green Label Certified	MMSB Site 3
Building Materials	Brick certified by SIRIM and BOMBA for Integrity, Insulation, Strength and Hose Stream Test	Sin On Tiku Bricks Factory

As a Group, Hap Seng's ESG performance was independently assessed by recognised rating bodies such as MSCI and SPOTT assessment.

	FY2022	FY2021
	"A" rating	"A" rating
	Note: Scale of AAA, AA, A, BBB, BB, B to CCC (leader to laggard)	
	81.8% out of 100%	79.7% out of 100%

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MEMBERSHIP OF ASSOCIATIONS

Hap Seng 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.

As a member, Hap Seng regularly uses the opportunity to influence the value of good sustainability practices within the respective industry.

Division	Entity	Association
Corporate	Hap Seng Consolidated Berhad	Federation of Public Listed Companies (FPLC)
		Malaysian-German Chamber of Commerce (MGCC)
		Malaysian Collective Impact Initiative (MCII)
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 (SHAREDADA)
	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)
Trading	Hap Seng Trucks Sdn. Bhd.	Kuantan Chinese Chamber of Commerce and Industry (KCCCI)
	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 strategically aligned to our potential value creation opportunity by leveraging on our nature of operations and extensive network.

Our contribution in FY2022 under the respective SDGs are:-



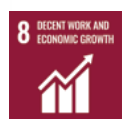
- Provided new employment opportunities to 3,593 persons.
- 1,138 units of affordable home available for sale.
- Provided financial services to 3,034 Small and Medium Enterprises (SMEs).



- Contributed RM1.28 million for education and development programmes.
- More than 2,200 students and teachers benefited from our education and development programmes.
- Accepted 29 graduate students for internship programme.
- Provided Technical and Vocational Education and Training (TVET) programme to 14 school leavers.
- Sponsored 25 school leavers for the Advanced Modern Apprenticeship programme to develop qualified and competent automotive technicians.



- Utilisation of harvested rainwater as alternative water source at plantation, property and automotive divisions.
- Supplying treated water for the employees and their family members staying in the plantation.
- Buildings equipped with water-efficient dual flush toilet and automatic faucets to reduce water consumption.



- Supported local economy development by procuring 62.92% of supplies and services locally.
- Exercise non-discriminatory hiring practices.
- All employees are assessed for key performance indicators (KPI).
- Achieved zero workplace-related fatality and high-consequence injury case.
- Averaged 8.19 training hours per employee.



- Incorporated eco-friendly fittings in constructed properties.
- Renewable energy generation from biogas, biomass and solar energy.
- Recorded zero data mismanagement within the reporting period.



- Certified for various industry and internationally recognised ESG and green building certifications (refer to Achievements & Recognitions section on pages 83 to 84).
- Developed 173,054 sq.ft. of certified green buildings.
- Implemented various workplace preventive measures to minimise risk of exposure to COVID-19.

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- Implemented reuse and recycle measures to optimise resource consumption and waste generation.
- Recovered 107,260 MT of wastes through recycle and reuse.
- Achieved various industry and international quality certifications (refer to Achievements & Recognitions section on pages 83 to 84).
- Continuous improvement through proactive customer satisfaction survey (refer to Quality Products & Services section on pages 102 to 103).
- Implemented an Integrated Pest Management (IPM) approach to control pests in plantation.



- Derived 56.50% of energy consumption from renewable energy.
- Conserved 1,401.98 hectares as High Conservation Value (HCV) area and 1,056.74 hectares of riparian reserve.
- Quantified scope 1, scope 2 and partial scope 3 greenhouse gas emissions.
- Carbon emissions reduction of 191,059 t CO₂-e through carbon sequestration and credit.
- Renewable energy from biogas was utilised in three out of four palm oil mills.
- Solar energy was utilised by two Autohaus.
- Continuous deforestation and fire incident monitoring within and surrounding the plantation.



- Zero corruption case reported.
- Continuous compliance to ESG requirements.
- Provided channels to report incidents or wrongdoing in the organisation.

Our Approach to Sustainability

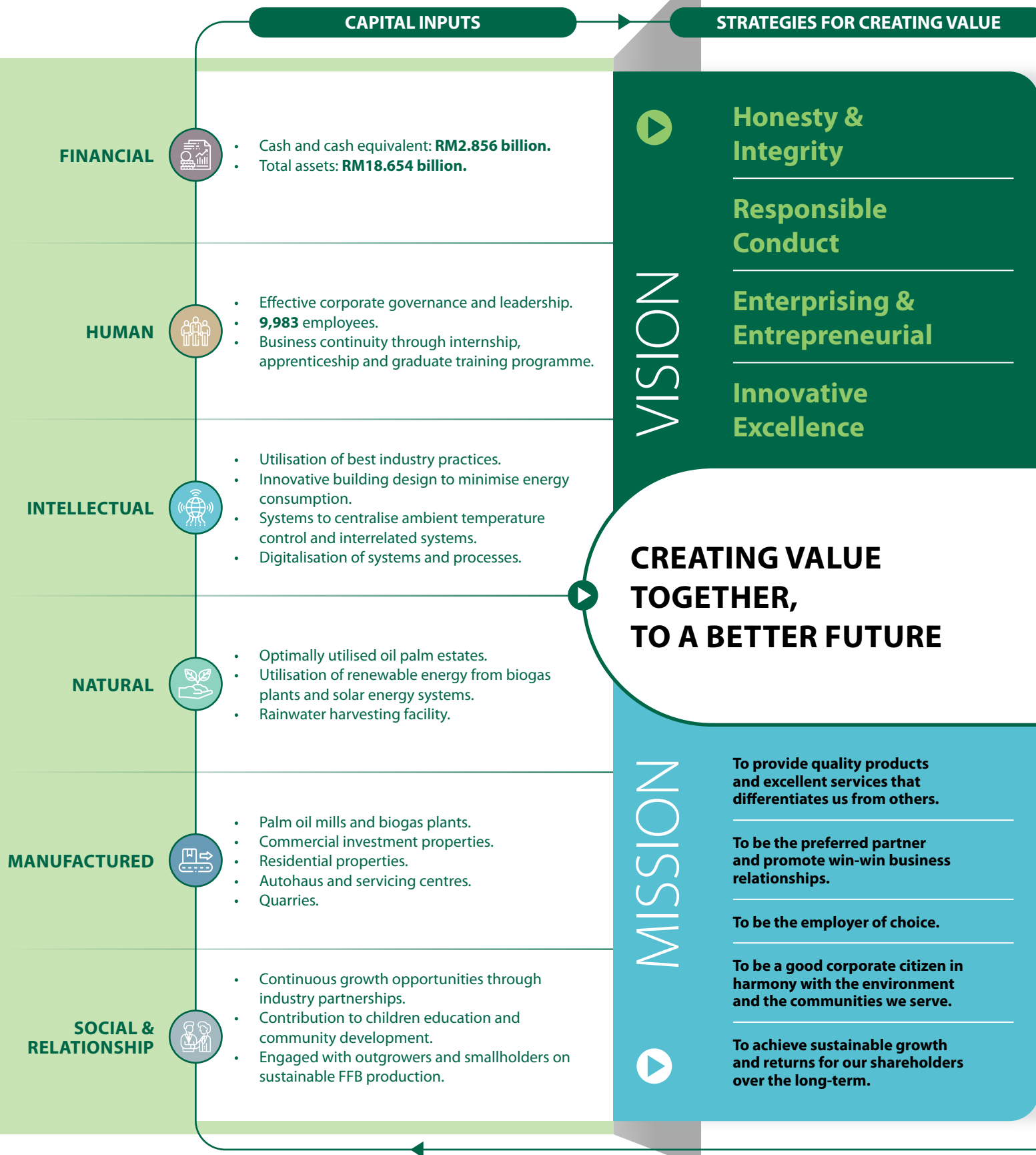
As a forward-looking conglomerate, we place a strong emphasis on creating value, achieving operational excellence, and prioritising sustainability to meet the needs of our stakeholders. In order to stay competitive, the Group takes cognizant of the importance of managing ESG risks, which are crucial components of the Group's sustainability journey.

To ensure accountability in sustainability performance, the Group is in the process of establishing ESG-related KPIs which will be linked to the remuneration of Executive Directors and senior management. This will encourage the management to prioritise sustainability initiatives and promote improvement in this area. Performance in these KPIs will be disclosed in our future sustainability report.

Below are the Group's sustainability pillars, upon which we structure our approach to build a sustainable business.

People and Community Development	Environmental Protection	Responsible Governance	Economic Resilience
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.	Limiting our environmental footprint is crucial for preserving natural resources for future generations and mitigating adverse impacts resulting from climate change.	Strong governance is needed to ensure the Group continues to operate in an ethical manner, thus fostering trust among our stakeholders.	Stable economic growth supports the development of the Group, contributing to long-term value creation for our stakeholders.

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VALUE CREATION MODEL

We look 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.

OUTPUTS

OUTCOMES



TOTAL REVENUE

increased by
18.3%

TOTAL PROFIT

after tax increased by
5.7%

- Dividend payout ratio at **79%**.



NEW EMPLOYEES hired

3,593

Customer satisfaction index above **83.3%** for residential properties.
Customer satisfaction index of between **97 to 100%** for passenger automotive.
Tenant satisfaction index at **86%** for investment properties.
Accepted **29** interns for graduates industrial training.
Sponsored **25** school leavers for Advanced Modern Apprenticeship programme.
Provided TVET programme to **14** school leavers.

- Work-life balance working environment.
- Improved Group's efficacy and productivity.
- Retention of employees to support business continuity.
- Zero sexual harassment case reported.
- Zero whistle blowing case reported.



- Internationally recognised sustainability-related certifications.
- Centralisation of building's heating, venting, air condition and other interrelated systems through utilisation of Building Management System (BMS) / Building Automation System (BAS).
- Implemented electronic based system for procurement, billing, tenancy approval, contract and license monitoring.

- Obtained various industry best practice certifications.
- Reduced dependency on non-renewable energy.
- Minimising environmental and social impacts from the operations.



- Renewable energy from biogas, palm biomass, wood waste, biofuel and solar panels generated **56.50%** of total energy requirement.
- Reduced dependency on municipal water source by utilising rainwater.

- Aligning with government's commitment to reduce greenhouse gas emissions.
- Long-term operational cost reduction through utilisation of renewable energy and natural resources.



Total palm oil production capacity at
180 MT/hr

Biogas plants with electricity production at
14.67 million kWh

Total lettable area
7.982 million sq. ft.

Completed **1,564 units** of commercial and residential properties.

- Completed property projects with RM548.8 million Gross Development Value (GDV).
- Produced 5.237 million tonnes of quarry products.

- Contribute to sustainable palm oil volume in the global market.
- Offering quality green buildings and properties to the tenants and consumers.
- Contribute to the country's economic and development by producing essential construction and building materials.



- Consistent supply of fertilisers from trading division to plantation division.
- Consistent supply of building materials from building materials division to property division.
- Partnership with Hyatt Hotel Management Ltd. in developing high-end hotels.
- Contributed **RM1.94 million** for children education and community development.
- Supported **11 outgrowers and smallholders** in sustainable FFB production.

- More resilient supply chain by sourcing raw materials internally.
- Capitalise collaborative advantages through partnership.
- Socio-economic improvement for local communities.

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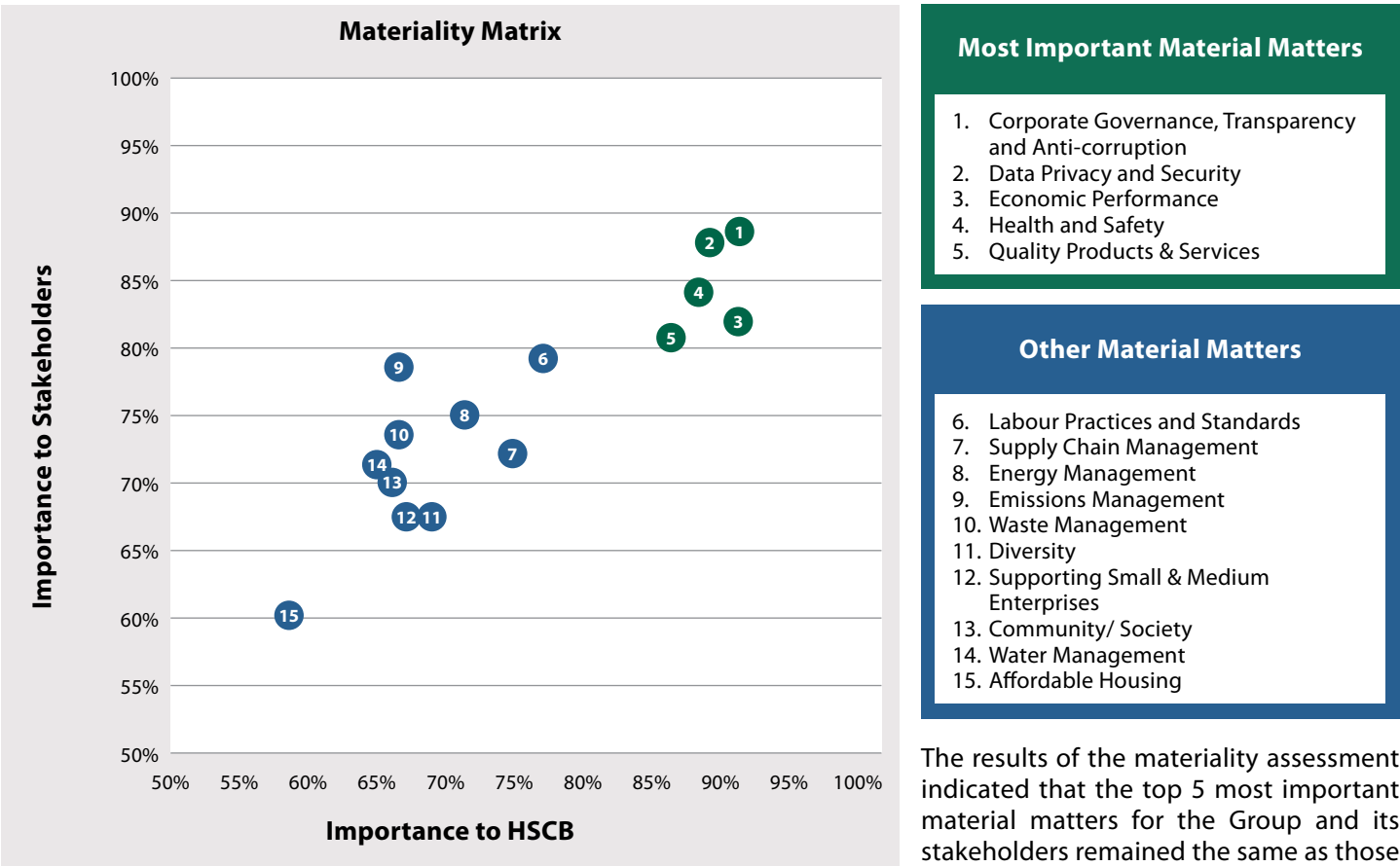
OUR MATERIAL SUSTAINABILITY MATTERS

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 prioritised sustainability matters and strategically allocate our limited resources to create most value for long-term sustainable growth. This assessment is conducted annually to ensure identified material matters remain relevant to our stakeholders and the Group’s ESG focus areas.

A list of 15 material matters were identified in FY2022. The material matters were selected upon deliberation with the Sustainability Committee by taking into consideration of expectation from regulators, industry, stakeholders and latest local and global ESG requirements. The material matters were also revised to meet the latest Bursa Malaysia’s Enhanced Sustainability Disclosure requirement on common sustainability matters which was introduced in 2022.











Outcome from the materiality assessment was reviewed by our Annual Report Committee and endorsed by the Board of Directors for approval.

Stakeholder Ranking	Importance of Material Matter to Business Operations	Importance of Material Matter to Stakeholders
Each key stakeholder group was assigned a ranking based on priority to the Group.	A ranking was assigned to each material matter in accordance with its importance for the continuity and strengthening of business performance and operations.	Each material matter was ranked based on importance to a selected stakeholder group. Ranking on stakeholders’ material matters are based on our regular correspondence and understanding on them. A full assessment will be conducted on our stakeholders in future.












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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 SDG	Link to Our Capital	Link to Our Stakeholders
Corporate Governance, Transparency and Anti-corruption	Robust governance structure and good business ethics will strengthen brand reputation and lead to long-term value creation.	<ul style="list-style-type: none"> Increased cost from non-compliance and losing brand reputation. 	<ul style="list-style-type: none"> 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.
Data Privacy and Security	We uphold stringent data protection practices to ensure confidential data is kept securely and not misused in any way.	<ul style="list-style-type: none"> Leaking of confidential and personal data can be reputationally and financially detrimental. 	<ul style="list-style-type: none"> Improved stakeholders' confidence. 		Social and relationship	<ul style="list-style-type: none"> Employees. Regulators and government bodies. Suppliers. Customers.
Economic Performance	Consistent and strong economic growth from a sustainable business model will create long-term value to the company and stakeholders.	<ul style="list-style-type: none"> Limited local economic development and low employment rate. 	<ul style="list-style-type: none"> 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.
Health & Safety	Ensuring a healthy and safe working environment and optimal productive workforce to cater customers' demand.	<ul style="list-style-type: none"> Poor health and safety practices would lead to operational inefficiency, legal non-compliance and fines. 	<ul style="list-style-type: none"> Improved working environment, productivity and regulatory compliance. 		Social and relationship	<ul style="list-style-type: none"> Employees. Regulators and government bodies. Media.
Quality Products & Services	Continuous improvement in products quality and services will provide good customer experience and ensure the business remains relevant to the market.	<ul style="list-style-type: none"> Diminishing brand value and reputation. 	<ul style="list-style-type: none"> 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.
Labour Practices and Standards	Well managed, 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.
Supply Chain Management	Reliable and consistent supply chain will ensure seamless raw materials procurement and product distribution.	<ul style="list-style-type: none"> Disruption in supply chain may increase cost of production. 	<ul style="list-style-type: none"> 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 SDG	Link to Our Capital	Link to Our Stakeholders
Energy Management	Adoption of renewable energy and efficient energy management enable businesses to operate at higher capacity while minimising the operational and environmental costs.	<ul style="list-style-type: none"> Increasing stakeholder's requirements on energy efficient 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.
Emissions Management	We acknowledge our role in supporting the global climate agenda by mitigating climate change through best operational practices and transition to low carbon operations.	<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.
Waste Management	Efficient waste management 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.
Diversity	Diversity brings together people from different backgrounds, experiences and perspectives, leading to innovation, better problem-solving and a stronger company culture.	<ul style="list-style-type: none"> Lack of diversity may result in reduced innovation, discrimination, and damage to company reputation. 	<ul style="list-style-type: none"> Ability to foster a more inclusive culture, increase market share and customer loyalty through better understanding of diverse customer needs. 		Human	<ul style="list-style-type: none"> Employees.
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 significantly to the Malaysia's Gross Domestic Product (GDP). 		Social and relationship	<ul style="list-style-type: none"> Regulators and government bodies. Customers.

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Material Matter	Why This Is Material to Hap Seng and Our Stakeholders	Potential Risk	Potential Opportunity	Link to Adopted SDG	Link to Our Capital	Link to Our Stakeholders
Community/ Society	We are committed to create value to local communities, particularly to the underprivileged and children, through our Corporate Social Responsibility (CSR) and educational programmes.	<ul style="list-style-type: none"> Under developed local community may negatively impact economic development. 	<ul style="list-style-type: none"> Empowered community will directly elevate socio-economy and business opportunities. 	   	Social and Relationship	<ul style="list-style-type: none"> Communities. Media.
Water Management	Water management is crucial as it reduces operational costs, mitigates risks, protects the environment, and enhances reputation, resilience, and long-term sustainability.	<ul style="list-style-type: none"> Inefficient water management may lead to scarcity, higher costs, fines, and negative environmental impacts. 	<ul style="list-style-type: none"> Efficient water resources management can reduce operating costs and meeting stakeholder expectations for sustainable business practices. 	 	Natural	<ul style="list-style-type: none"> Communities. Regulators and government bodies. Media.
Affordable Housing	We continue to develop affordable housing to provide home ownership opportunity to the communities.	<ul style="list-style-type: none"> Housing development focusing on medium to high-end housing projects may not serve the increasing demand for affordable housing. 	<ul style="list-style-type: none"> Increasing prospective customers are demanding for affordable housing. 		Manufactured, Social and Relationship	<ul style="list-style-type: none"> Communities. Customers. Media.

STAKEHOLDER ENGAGEMENT

At Hap Seng, we engage with our key stakeholders to ensure that our approach in addressing relevant sustainability matters takes 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.

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Stakeholder Groups	Channels of Engagement	Frequency of Engagement	Material Matters	Our Response
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.
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' 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 are strengthening our commitment to sustainable development through a set of general KPIs and achievements, which vary across different business divisions and corporate office as follows.

For FY2023, we will be reporting on more specific ESG-related KPI which has been tabled to the Board at the last meeting.

Material Matter	Achievements in FY2022	Identified Targets
Corporate Governance, Transparency and Anti-corruption	<ul style="list-style-type: none"> Establishment of Group Sustainability Framework. Formation of Group Sustainability Committee and conducted two meetings in FY2022. 100% employees underwent performance appraisal. 	<ul style="list-style-type: none"> Establishing Sustainability Framework and Group Sustainability Committee. To conduct inaugural Group Sustainability Committee meeting.
Data Privacy and Security	<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"> 62.92% 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"> All the palm oil mills certified for RSPO, ISCC EU and MSPO certifications. All the palm oil mills are certified for HACCP certification. All the palm oil mills are certified for MeSTI and HALAL certifications. Awarded the “Best Quality CPO Supplier” and “Highest Quantity CPO Supplier” by IOI Edible Oils. Four of the property developments certified with green building certification (GreenRE, GBI, LEED). Respectable satisfaction scoring through Customer Satisfaction Index from property, automotive and trading. 	<ul style="list-style-type: none"> Compliance to the relevant sustainability and food quality certifications. To maintain the sustainability-related and green building certification. To maintain or improve on Customer Satisfaction Index scoring.
Supporting SMEs	<ul style="list-style-type: none"> 77.5% customers of credit financing division are SMEs. 	<ul style="list-style-type: none"> To provide financing service to more than 70% SMEs.
Emissions Management	<ul style="list-style-type: none"> Accounted most of the scope 1 & scope 2 GHG emissions and partial quantification of scope 3 GHG emissions as part of the preparations for Task Force on Climate-related Financial Disclosures (TCFD). 	<ul style="list-style-type: none"> Aligning climate change disclosures and reporting with TCFD.
Energy Management	<ul style="list-style-type: none"> 56.5% of total energy sourced from renewable energy. 	<ul style="list-style-type: none"> To continue exploring renewable energy options and rainwater harvesting at our operations. To identify opportunities on other eco-solution initiatives at our operations.
Waste Management	<ul style="list-style-type: none"> Recycled and reused 107,260 tonnes of non-scheduled wastes. 	<ul style="list-style-type: none"> Target was not set.
Health and Safety	<ul style="list-style-type: none"> Zero workplace-related fatality and high-consequence injury case. 	<ul style="list-style-type: none"> To maintain zero workplace-related fatality case.
Affordable Housing	<ul style="list-style-type: none"> 1,138 units of affordable home for sale. 	<ul style="list-style-type: none"> To continue meeting the community's 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 Sustainability Committee and its initiatives. The Board and management of Hap Seng are fully committed to ensuring a strong corporate governance and business ethics.

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 pages 48 to 57 of this Annual Report and in our Corporate Governance Report.

CORPORATE GOVERNANCE, TRANSPARENCY AND ANTI-CORRUPTION

Sustainability Governance

Our Sustainability Framework builds upon the existing Sustainability Pillars by providing holistic overview of the Group's sustainability governance structure, sustainability commitments, implementation strategy, as well as how we measure performance for continuous improvement.

Within the Sustainability Framework, a set of Sustainability Focus Areas consist of environmental, social and governance were identified to create additional value to our businesses. Refer to the published Sustainability Framework for more information¹.

Our sustainability governance is spearheaded by the Corporate Planning & Investor Relations Department (CPIR). CPIR ensures that the Sustainability Framework is adhered to within the Group and continuously engages with relevant internal and external stakeholders. The Group Sustainability Committee guides Hap Seng's sustainability efforts in accordance with the Sustainability Framework. The committee was formed at both the Group and business division levels and has held two meetings in FY2022. The goal of the committee is to support the Board in managing ESG issues effectively and ensuring alignment with the Sustainability Framework. The committee oversees the progress of sustainability commitments and identifies potential ESG-related risks and opportunities. Additionally, the committee aligns the Group's goals and business strategy with the Sustainability Focus Areas outlined in the framework. Regular meetings are held to allow business divisions to track their progress, achievements, and continuous improvements in relation to the Sustainability Focus Areas.

Board of Directors

- Oversight of the Group's overall sustainability implementation and progress.
- To provide guidance on the alignment of Sustainability Focus Areas into the Group's business strategy.

Group Managing Director

- Heads the Sustainability Committee.
- Oversees the Group's sustainability implementation and update its progress at the Board level.

Sustainability Committee

- To conduct meeting(s) chaired by the Group Managing Director (GMD) with participation from Heads of Business Division.
- To discuss sustainability performance, initiatives, and risks from respective business division.
- To align Board's expectation and business strategy to the Sustainability Focus Areas.

Divisional Sustainability Working Committee

Plantation – Property – Credit Financing – Automotive – Trading – Building Materials

- To conduct working group meeting(s) at business division level to review the sustainability performance and brainstorm on continuous improvement.
- To set targets and track performance of Sustainability Focus Areas at the business division level.
- To compile the Sustainability Performance Matrix on a bi-annual basis.

Group Sustainability Committee Structure and Responsibilities

¹ https://www.hapseng.com.my/en/download/termsofreference/HSCB_Sustainability_Framework.pdf

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

As the Group transitions to a more structured approach in sustainability management, it has implemented the following improvements recommended by the Sustainability Committee in FY2022.

**Publishing of
Group Sustainability Framework**

**Formulating plans to meet the latest Bursa Malaysia
Enhanced Sustainability Framework**

**Formation of Divisional Sustainability
Working Committee**

**Identifying ESG-related KPIs for the
Board of Directors and Senior Management**

Business Ethics and Policies

Apart from a well-structured governance to ensure the sustainability commitments and risks are adequately managed, we believe that promoting good business ethics and high integrity are essential for a sustainable long-term business. In Hap Seng, those values are built on five core principles and ingrained into the standard behaviour expected of 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.

Hap Seng has a zero-tolerance policy towards bribery and corruption, as outlined in its Anti-Bribery and Corruption Policy (ABC Policy). This policy was established in June 2020 and updated in November 2021, and is in accordance with the Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018. All employees, business associates, and external providers must sign an integrity declaration form to confirm their commitment to the policy. External providers and business associates are also required to disclose any conflicts of interest.

To ensure the implementation and effectiveness of the ABC Policy, Hap Seng has formed an Integrity Management Committee (IMC). This committee conducts annual corruption risk assessments to identify potential risks and implement relevant controls. The corruption risk assessment conducted in FY2022 found a low risk of corruption, and there have been no reported breaches of the ABC Policy.

The Group has implemented an Integrity Declaration process that requires all employees to adhere to the ABC Policy. This Declaration is refreshed annually to ensure employees reaffirm their understanding of the policy and the significance of maintaining integrity within the organisation. Every new joiner is required to understand and acknowledge the policy upon joining. The policy is also published on the Group's website for reference by the stakeholders.



Five Core Principles of Hap Seng

SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

Whistleblowing and Grievance Management

Hap Seng has established a whistleblowing channel for employees and third parties to report any suspected violations of the ABC Policy. To ensure impartiality during the investigation process, incidents involving employees are reported directly to the Industry Relations or Employee Relations Manager, whereas incidents related to members of the Board and management are reported to a designated Senior Independent Director.

In addition to reporting suspected violations of the ABC Policy, employees are also encouraged to report any other unethical behaviour through the grievance procedure. This procedure allows employees to report workplace incidents, unethical behaviour, and violations of their rights to their immediate superiors for prompt resolution. If the issue cannot be resolved, it can be escalated to the Group's Human Resources Department for further investigation. The grievance procedure is communicated to employees through the Employee Handbook.

Cases submitted through these channels will be investigated and resolved transparently with the involvement of affected parties. The identity of the whistleblower and grievance raiser will be protected throughout the process to prevent potential threats and retaliation.

There were no reported cases through either the whistleblowing or grievance channels in FY2022.

Regulatory Compliance

In line with one of our core principles of "Compliance to Law," Hap Seng is committed to full compliance with relevant laws and regulations. We have an in-house Legal and Compliance Department that closely monitors changes in applicable laws and regulations and implements necessary actions to meet those changes.

The main laws and regulations that we are adhering:	
<ul style="list-style-type: none">Companies Act 2016Employment Act 1955 (Amendment) 2022Personal Data Protection Act 2010 (PDPA)Capital Markets and Service Act 2007Environmental Quality Act 1974Occupational Safety and Health Act 1994	<ul style="list-style-type: none">Factories and Machinery Act 1967Children and Young Persons (Employment) Act 1966Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990Malaysian Anti-Corruption Commission (Amendment) Act 2018

The risk of legal non-compliance has been adequately identified and mitigated through our internal controls and risk management efforts. In the event of any non-compliance, corrective measures will be taken to rectify the situation immediately to prevent potential incidents. Throughout the reporting period, there were no incidents of non-compliance with environmental, social and governance-related laws and regulations.

As a publicly listed company with a focus on creating value for our stakeholders, we do not engage in any lobbying practices or make political contributions.

Risk Management

The Risk Management Committee of Hap Seng is responsible for conducting a thorough annual risk assessment and ensuring that mitigation measures are effectively implemented for identified risks.

Risks are categorised based on low, moderate, significant, and high net risk ratings. After the risk assessment is completed, the Group implements additional controls and procedures to effectively manage identified risks within acceptable risk tolerance levels.

More information on Hap Seng's approach to risk management can be found on pages 75 to 79 of this Annual Report.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Data Privacy and Security

Data privacy and security have always been important to our Group, more so in today's data-driven age where we handle vast amounts of sensitive information, including personal data, financial transactions, and confidential business records. We believe protection of such information is not only a legal obligation, but it also helps build customer trust and protects the reputation of the company. To ensure that customer data is protected, we exercise vigilance by adhering to the requirements of the Personal Data Protection Act (PDPA) 2010. Additionally, we have a clear policy that outlines how customer data is collected, stored and used. Employees are trained on best practices for handling sensitive information through regular capacity building programme.

The Group IT Department is dedicated to ensuring the highest levels of data privacy and security for our organisation. To achieve this, they regularly conduct groupwide security assessments and phishing email assessments to identify potential risks and vulnerabilities. Furthermore, the Group has subscribed to a trusted managed security service provider to deliver comprehensive monitoring and protection of our data.

Access to customer personal data is strictly limited to authorised personnel within our operations. The Group IT Department conducts annual reviews of user access to the company's business systems across all divisions to maintain the highest level of security. Additionally, each division has a dedicated PDPA officer to manage and resolve matters related to data privacy and security. Our commitment to data protection is further reinforced through our established data management policies and procedures, including the Employee Personal Data Privacy Policy, which ensures that all employee data is properly managed.

The Group IT Department is committed to ensuring that all employees are knowledgeable and equipped to handle potential cyber-attacks. To achieve this, they provide regular cybersecurity awareness training to educate employees on how to identify and respond to malware, phishing, and other forms of cyber threats. In FY2022, the Group IT Department organised a comprehensive cybersecurity awareness training programme that was attended by over 305 employees, contributing to a total of 762.5 training hours.

In addition to employee training, the Group IT Department also implements proactive measures to protect the organisation from potential phishing attacks. They continuously monitor the Group's email systems and send out reminder and alert notifications to employees whenever suspicious emails are detected. This helps to safeguard both employees and the company from falling victim to cyber-attacks.

In light of our strict data protection policies and practices, we are proud to report that there have been zero reports or complaints of data mismanagement during the reporting period. However, recognising the importance of being prepared for potential scenarios, we have developed a comprehensive set of corrective measures to address any potential data breaches. These measures are outlined in the Group's Data Breach Policy, demonstrating our commitment to protecting the privacy and security of our clients' and employees' data.

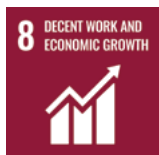
In the event of a data breach, the Group IT Department is tasked with promptly conducting a thorough investigation. Within 24 hours of the breach being reported, the Group IT Department initiates a risk assessment to determine the extent of the breach on affected individuals and the Group as a whole. The investigation leads to the development of remedial measures aimed at containing the breach and preventing further harm. Upon completion of the investigation, the Group IT Department provides a report to the Chief Information Officer with findings, cause and impact of the breach, as well as recommendations for enhancing the company's security system to prevent future incidents.

SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

ECONOMIC RESILIENCE

Align to SDG:



Our Approach

As a leading conglomerate with a vast value chain, our Group's economic stability is closely tied to the success of our business partners and stakeholders. Leveraging our size and reach, we strive to create positive impact and provide opportunities across our value chain. As part of our business strategy, we continue to offer support to our stakeholders during these challenging times, impacted by the COVID-19 pandemic and disruptions to global supply chains. Our goal is to enhance the resilience of our operations through long term strategic planning, while providing fair business opportunities, support, and delivering top-quality products and services to meet stakeholders' expectations.

Economic Performance

Economic resilience is the cornerstone of our sustainable growth strategy. Our commitment to economic resilience enables us to create value and make a positive impact through dividend distributions, community service, and employment opportunities. By focusing on economic resilience, we are poised to drive sustainable growth for the Group and all of our stakeholders.

Investments in sustainability is an integral part of our Group's business strategy and value creation. To this end, we have issued RM 1.1 billion of Sustainability-linked Bonds (SLBs) through various financial institutions as of December 2022. These SLBs are aligned with the International Capital Market Association's Sustainability-linked Bond Principles, with a variable interest rate linked to the achievement of predetermined sustainability performance targets, such as reducing water and electricity consumption, increasing the use of solar energy, and implementing rainwater recycling initiatives.

Supply Chain Management

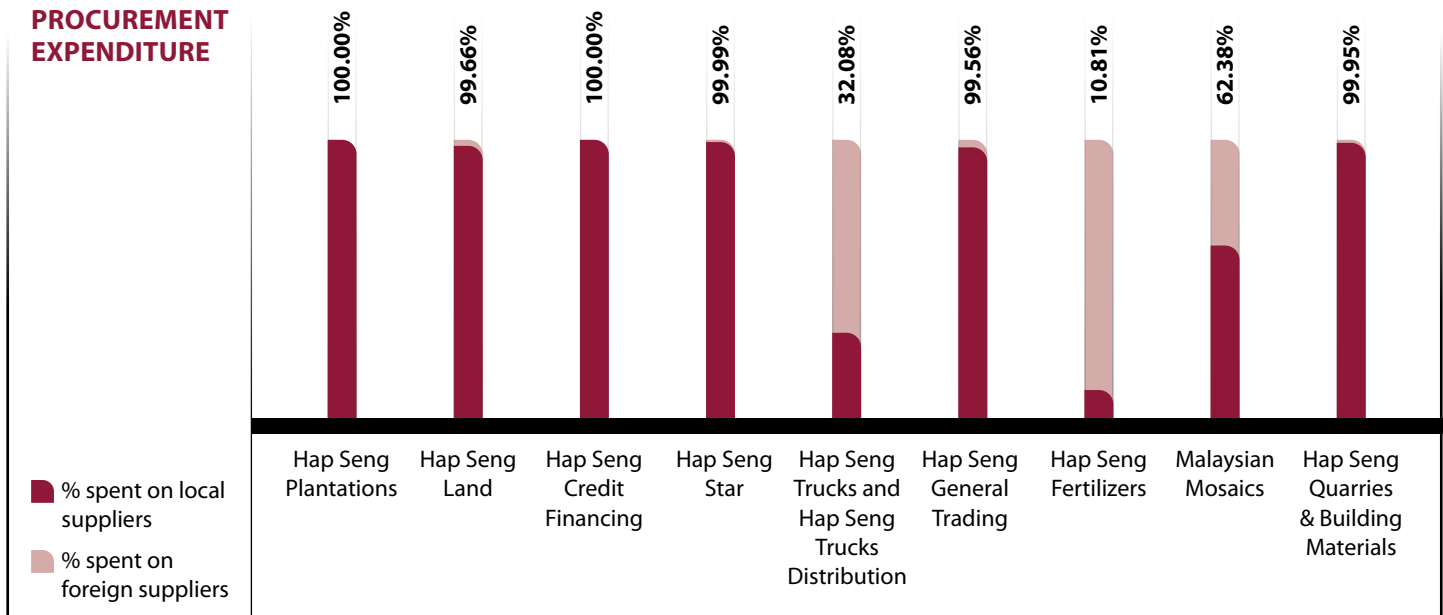
The challenges posed by geopolitical issues and the COVID-19 pandemic have underscored the significance of robust supply chain management and the importance of local sourcing. To an extent, Hap Seng mitigated the impact of global supply chain disruptions through its diverse range of businesses which strategically support one another by supplying essential services and raw materials internally between the different business divisions.

In Hap Seng, supplier selection is done through a transparent and impartial tender process. Potential suppliers are evaluated based on a set of criteria to ensure they can deliver top-quality products and services that meet the demands of our customers. We hold our suppliers accountable to our ethical principles, as outlined in the Sustainability Framework, ABC Policy, relevant industry standards, and legal requirements.

To contribute to the local economy and support domestic growth in Malaysia, the Group strives to prioritise local procurement. This will not only empower local businesses but helps mitigate risk of supply chain disruptions, reduce greenhouse gas emissions, minimise transportation costs and foreign exchange exposure, as well as reduce certain taxes.

In FY2022, 62.92% of the Group's procurement expenditure was allocated to local companies. Most business divisions mainly sourced their materials and services from local suppliers and service providers. However, Hap Seng Trucks Distribution, Hap Seng Fertilizers, and MMSB had a significant proportion of their procurement expenditure go towards overseas suppliers due to the nature of their businesses and limited local sources.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



As a company committed to sustainable development, we are actively sourcing sustainable raw materials within our supply chain. Some of the raw materials we sourced for our development projects are certified with recognised ecolabels such as MyHijau Mark, Global GreenTag, and Singapore Green Labelling Scheme. The ecolabels are certification programmes that aim to promote environmentally friendly products and services by assessing them against specific environmental criteria, and they are recognised internationally as credible and reliable ways of identifying sustainable products.

Supporting Small and Medium-sized Enterprises

At the end of FY2022, 77.5% of our credit financing division's customer base were small and medium enterprises (SMEs). Our success in maintaining a high proportion of SME customers is a result of our commitment to providing tailored financing solutions that drive their business growth.

Economic slowdown resulting from the COVID-19 pandemic and supply chain disruption 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 tenure extension.

Supporting Smallholders and Outgrowers

To assist smallholders and outgrowers (FFB suppliers) in implementing sustainable practices in their oil palm estates, our plantation division provides support in the form of training and assistance in obtaining sustainability certifications. To date, we have successfully supported seven out of the 11 FFB suppliers to achieve RSPO and/or MSPO certifications. To ensure a steady supply of sustainable FFB for our palm oil mills, we are working closely with the remaining FFB suppliers. Our focus is on improving their agricultural practices and assisting them in achieving certifications that not only have a positive impact on their income and management practices, but also benefit the local economy.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Quality Products & Services

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

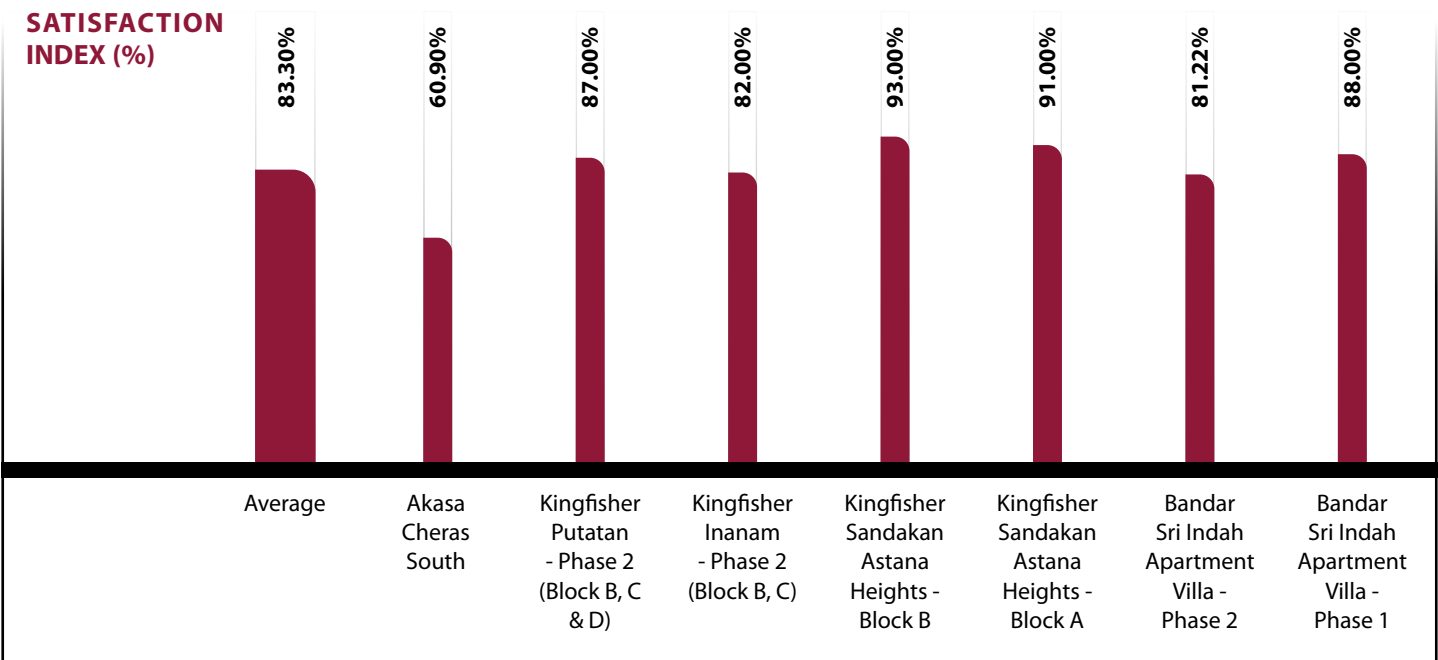
The success of our businesses is highly dependent on our customer experience. As such, we continuously strive to improve the quality of our human capital by providing necessary training. This enables our employees to deliver and fully reflect the value of our products and services to our customers. Proactively engaging and listening to our customers helps us to improve further.

In our plantation division, we regularly engaged with our palm oil buyers to ensure that we meet their ESG requirements. We meet the demand for responsible and sustainably sourced palm oil by sourcing only from suppliers that are able to comply with our Sustainable Agriculture Policy. The palm oil quality that we supply to our buyers consistently meets or exceeds the industry's vital quality parameters. As a result, our plantation division was awarded Best Quality CPO Supplier and Highest Quantity CPO Supplier by one of our major buyers, IOI Edible Oils in FY2022.

Two of our palm oil mills have been equipped with a chloride washing plant as part of our proactive effort to reduce potential traces of 3-monochloro-propanediol esters (3-MCPDE) in our palm oil, which is a type of contaminant commonly formed in heat-processed oil. Our palm oil mills have also obtained food safety and quality certifications such as HACCP, MeSTI, and HALAL. Compliance with food safety requirements and certifications enables us to cater to the stringent requirements of global buyers.

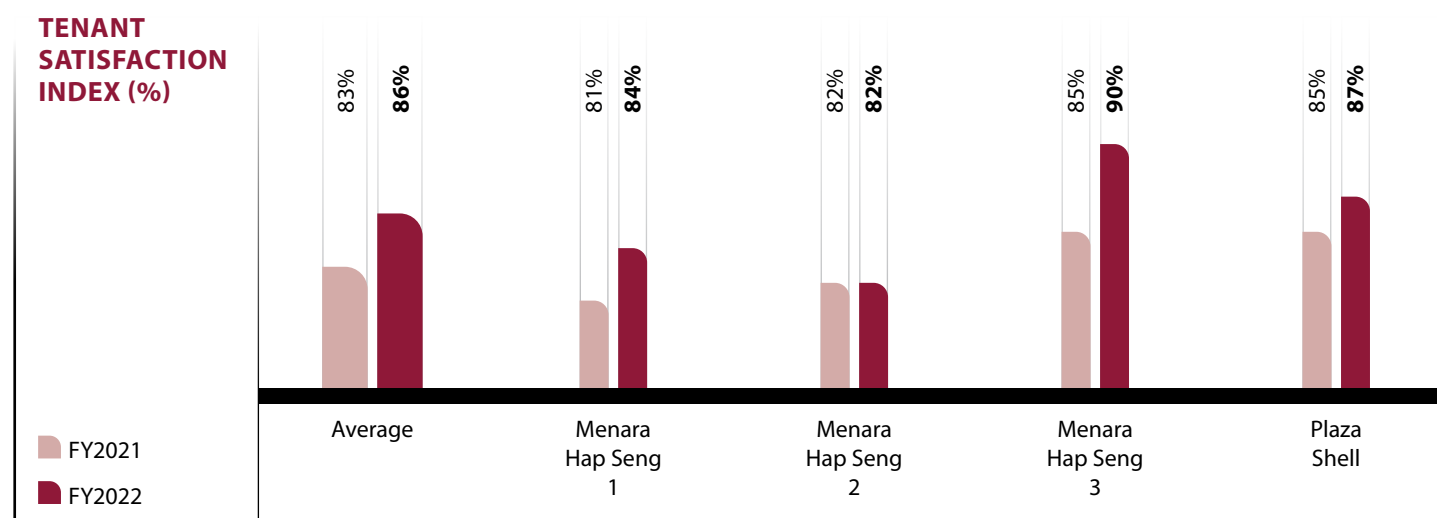
For our property, automotive and trading divisions, the quality of our products and services is monitored through feedback from our customers. We proactively collect feedback on our products and services through customer satisfaction surveys and develop continuous improvement plans to address the feedback.

The quality of our property developments is regulated through the implementation of an internal Quality Management System (QMS). The property division conducts a purchaser satisfaction survey, measuring parameters such as the quality of properties, cleanliness, purchase experience, and overall customer service. In FY2022, we achieved a customer satisfaction score range from 60.9% to 93.0%, with an overall average of 83.30% from our residential properties' buyers. Any complaint or feedback received from customer will be attended to by a specially assigned sales consultant or customer service officer, who will investigate and take appropriate actions within the time frame specified under the QMS.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

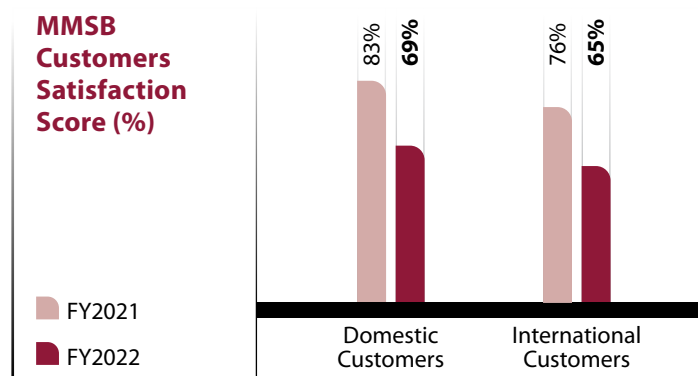
For our investment properties, we proactively engaged with our tenants. Aside from providing continuous customer management support, we conduct a Tenant Satisfaction Survey annually to gather comprehensive feedback. We improved our Tenant Satisfaction Index for our investment properties by maintaining our scoring of more than 80% in FY2022. Quality of the properties developed by us was recognised in the FIABCI Malaysia Property Award 2022, where Menara Hap Seng 3 won the award under the office category. In addition, we also won in the industrial category for the construction of Hap Seng Business Park. The FIABCI Malaysia Property Award is an annual award presented by FIABCI Malaysia, which recognises excellence in various aspects of the real estate industry in Malaysia, including architecture, design, development, and sustainability.



In our automotive division, we send a Customer Satisfaction Index (CSI) survey to customers three days after the vehicle delivery. In addition to vehicle quality, we gather feedback on their overall buying experience, including their experience with the sales executive, showroom, test drive service, vehicle delivery process, and post-delivery follow-up. In FY2022, Hap Seng Star achieved an outstanding CSI score of between 97% to 100% for its Autohaus. Several of our Autohaus also emerged as champions and runners-up in the Service Excellence Award and Dealer of The Year Award Event by Mercedes-Benz Malaysia, recognising the end-to-end premium service experience provided by Hap Seng Star. Please refer to the Achievements & Recognitions section on pages 83 to 84 for more information.



The annual Customer Satisfaction Survey conducted by MMSB revealed a reduction in overall satisfaction scores for tiles buyers from both domestic and international markets. This was mainly due to higher product prices resulting from increased material and production costs, as well as longer product delivery waiting times caused by production backlogs. At MMSB, we manage customer complaints through a digital system under the purview of the Total Quality Management (TQM) Department. The TQM department will launch an investigation when a complaint is received and produces a report within seven working days.



SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

ENVIRONMENTAL PROTECTION

Align to SDG:



Our Approach

As a Group which relies on natural resources, we understand the significance of environmental preservation and minimising the impact of our operations. We believe that responsible management of the environment and natural resources leads to long-term, sustainable growth for our business. We strive to reduce our environmental footprint through transitioning to renewable energy sources, minimising waste through recycling and reusing, and improving water use efficiency by investing in rainwater harvesting systems.

Emissions Management

At Hap Seng, we recognise the potential negative impacts of climate change and are committed to transitioning to a low-carbon operation. For FY2022, we focus on quantifying and reducing emissions from our operations by implementing renewable or more environmentally friendly energy options. During this reporting period, we have accounted for most of the scope 1 and scope 2 GHG emissions and are progressively improving the completeness and accuracy of our GHG emissions calculation while building our capacities to measure scope 3 emissions. In this reporting period, we have initiated calculations for four categories of scope 3 GHG emissions aligning to GHG Protocol standards.

Table below describes Hap Seng's preliminary approach in managing climate-related risks and opportunities based on the key pillars recommended by Task Force on Climate-related Financial Disclosures (TCFD).

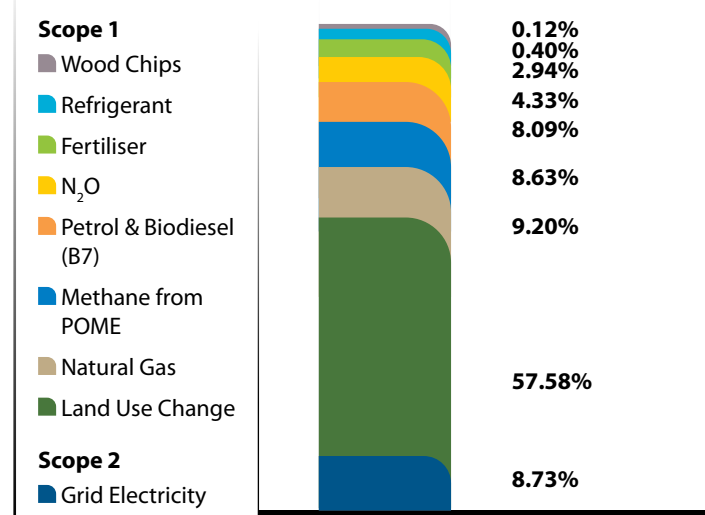
TCFD's Key Pillar	Our Approach
Governance	We have established our Sustainability Framework and formed the Sustainability Committee to create value and address sustainability matters including climate change. Refer to page 96 for details on Hap Seng's sustainability governance structure.
Strategy	<p>KPIs and action plans on climate change related parameters will be incorporated to the ESG-related KPIs in future. Progress and implementation towards achieving the KPIs will be identified and monitored by the Sustainability Committee. Sustainability Working Committee from each division to drive the identified initiatives and continuous improvement through change of practices and adoption of available renewable energy technology in minimising GHG emissions within the business division.</p> <p>The Group is actively making transition to renewable energy options such as solar energy and biogas. Any new renewable energy option will be explored in the future to reduce dependency on non-renewable energy whenever practical.</p>
Risk Management	<p>Transition and physical risk assessments in alignment to TCFD requirement will be conducted in near future.</p> <p>Climate-related risks and measures to mitigate the risks will be assessed and discussed by the Sustainability Committee after the assessment has been conducted.</p>
Metrics and Targets	<p>Combined scope 1 and 2 GHG emissions was valued at 357,142 t CO₂-e.</p> <p>Our net scope 1 and 2 GHG emissions after incorporating carbon sequestration and credits from our conservation areas and solar energy was 166,084 t CO₂-e.</p> <p>Our net scope 1 and 2 GHG emissions intensity was valued at 22.15 t CO₂-e/Million RM Revenue.</p> <p>Our scope 3 GHG emissions intensity was valued at 3.4 t CO₂-e/Million RM Revenue.</p> <p>GHG reduction target will be incorporated in the ESG-related KPIs in future.</p>

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

For the plantation division, GHG emissions calculation was based on the latest RSPO PalmGHG calculation methodology. As for the other five business divisions, the calculation methodology followed the GHG Protocol. The emission factors were derived from the Department for Environment, Food & Rural Affairs (United Kingdom), 2022.

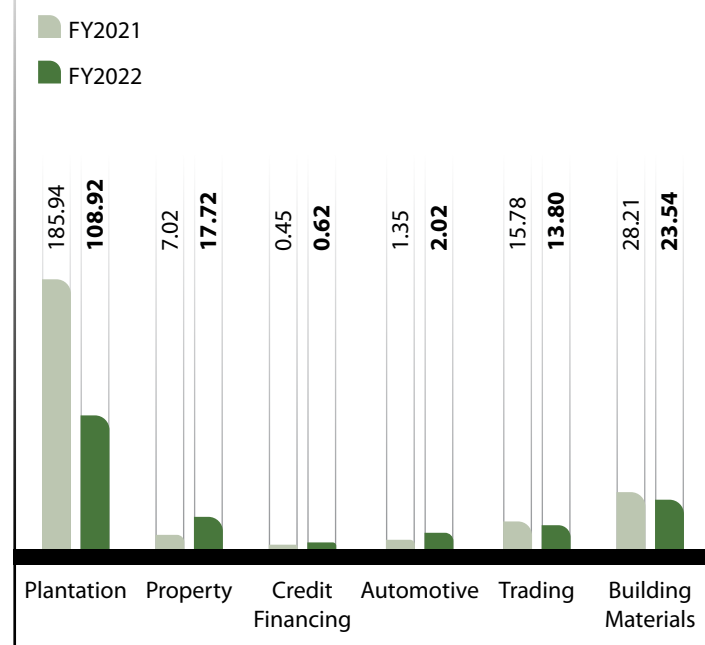
Due to measures taken to mitigate the COVID-19 pandemic, most of our operations had been operating in a leaner environment for the past two years. Therefore, our priority for the current reporting period is to re-establish our emissions data to accurately reflect the GHG emissions in a normal operating condition, which will serve as our baseline for future performance monitoring.

GHG EMISSIONS BY EMISSION SOURCES



Significant proportion of our scope 1 emissions was attributed to historical land use changes that happened during initial oil palm planting activities. Other significant scope 1 emissions were mainly due to natural gas usage, methane emissions from POME, and fossil fuels consumption for energy generation and transportation. Methane emissions from POME have been significantly reduced since the commissioning of two biogas plants, which have been capturing most of the generated methane for renewable energy production. Methane emissions will be further reduced with the commissioning of another biogas plant, which is currently under construction. A potential future focus area for emissions reduction is to reduce reliance on fossil fuels through a gradual transition to energy-efficient machinery and transportation. The opportunity to mitigate emissions from natural gas is low as it is currently considered as one of the most efficient and cleaner energy options compared to other fossil fuels.

GHG EMISSIONS INTENSITY (t CO₂-e/Million RM Revenue)



Electricity consumption from grid is the only emission source contributing to the scope 2 emissions. Reduction in scope 2 emissions is technology dependent and determined by the emissions intensity of the grid electricity supplied, which varies depending on the fuel mix by the electricity provider to generate the electricity. As a Group, we are focusing on reducing our scope 2 emissions through various initiatives, such as utilising renewable energy sources like solar and biogas, gradual transition to energy-efficient equipment, converting to LED lighting, and improving employees' awareness on energy conservation.



SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

The plantation division recorded the highest GHG emissions intensity among the business divisions. However, the emissions recorded in FY2022 were lower than the previous year due to several factors, including the reclassification of more oil palm planted areas as non-forested land, rescheduled fertiliser application, and increased utilisation of POME for biogas generation. As there will be no new development of forested areas for oil palm in the future, emissions from land use change can only gradually reduce going forward.

The building materials and property divisions were identified as the second and third-largest GHG emissions contributors, respectively, primarily attributed to the utilisation of fossil fuels for machinery and transportation. In addition, fugitive emissions resulting from the use of refrigerants for air conditioning systems in our investment properties and Autohaus also partially contributed to the emissions in the property and automotive divisions.

In addition to the gradual transition to renewable energy options, the Group has allocated substantial land area for conservation purposes. In FY2022, the plantation division recorded a carbon offset of 190,915 t CO₂-e through

sequestration from conservation areas and existing oil palm trees. Separately, the automotive division offset 143.74 t CO₂-e by feeding excess electricity generated from solar energy into the grid.

The automotive division has installed 31 electric vehicle chargers at the Autohaus nationwide to provide complimentary charging to customers, thereby promoting the transition to electric vehicles in the community. Going forward, the Group plans to further expand the electric vehicle charging infrastructure across the operations, making it easier for the community to charge their electric vehicles and contributing to the carbon footprint reduction.

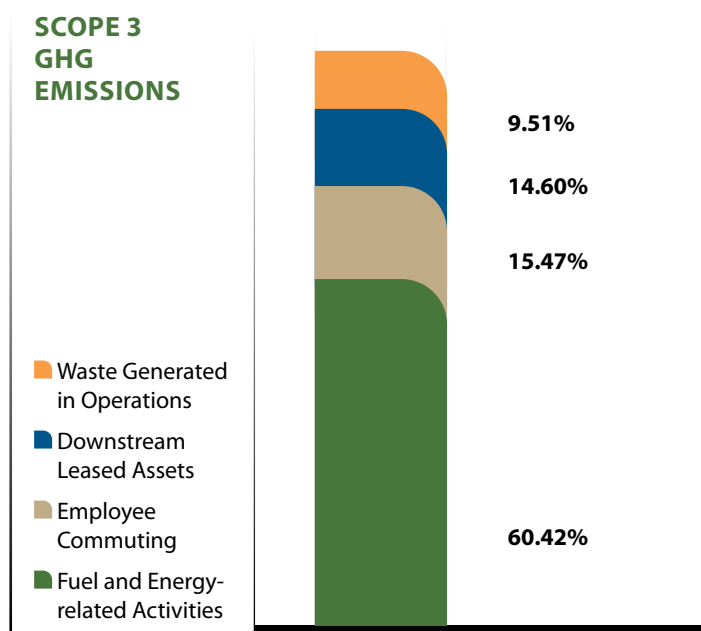
In order to gain a comprehensive understanding of our potential emissions reduction throughout our value chain, we have begun the process of quantifying scope 3 emissions. As a Group with diversified businesses, we recognise that full quantification of scope 3 emissions can be a complex and time-consuming process. Therefore, we plan to disclose our data progressively as we continue to develop our internal capacity to improve data accuracy and reliability.

As of FY2022, we have successfully quantified four categories of scope 3 GHG emissions, which are described below.

Scope 3 Emissions Category	Description	Data Quality
Fuel and Energy-related Activities	Emissions from fuel usage encompassed emissions associated with extraction, refining and transportation of the raw fuel sources prior to combustion.	Fair
	Emissions from electricity usage is associated with transmission and distribution losses with purchased electricity.	
Waste Generated in Operations	Emissions from waste generated is calculated based on the disposal methods (either recycling, reuse or disposal to landfill) of various type of wastes generated from our operations.	Fair
Employee Commuting	Emissions from employee commuting is calculated based on a group-wide survey sent to all the employees for their feedback on mode of transport and their distance workplace commuting distance (back and forth). The calculation is based on the data from 59.6% of the 2,883 employees (graded level and above) surveyed. The resulting emissions were subsequently extrapolated to all employees. The survey did not include the field workers from plantation division as they are staying in the plantation and general transportation is usually provided when necessary.	Fair
Downstream Leased Assets	Emissions from indirect electricity usage from assets not operating by the Group.	Fair

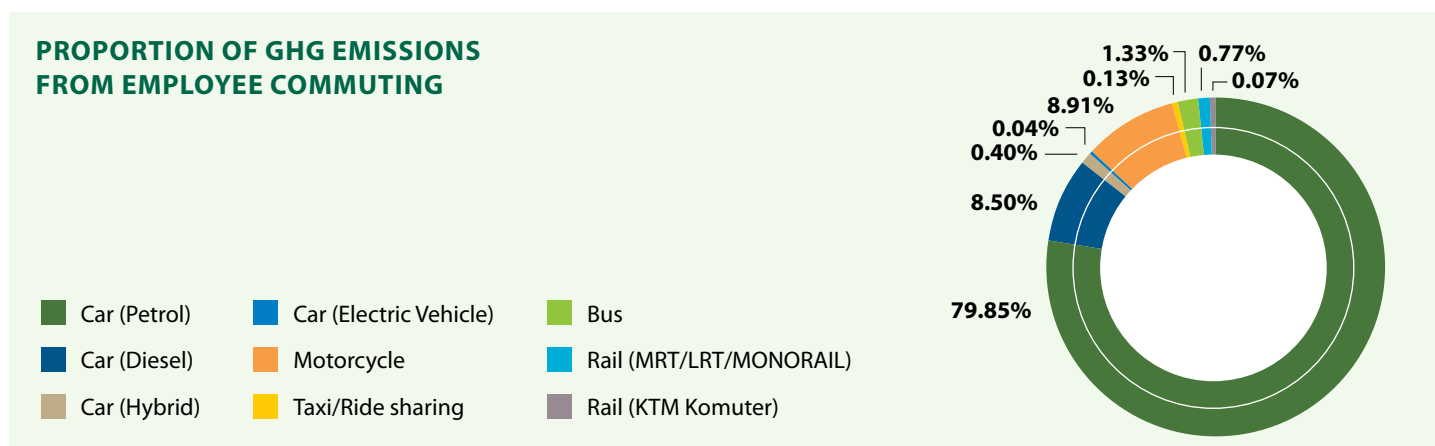
* Subjective evaluation of the data quality of the direct emissions data, activity data, and emission factors. The type of evaluation according to the criteria (Technology, Time, Geography, Completeness, and Reliability) is based on the GHG Protocol Scope 3 standard.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL



Our analysis of scope 3 emissions has revealed that majority of the emissions was attributed to indirect fuel and energy-related activities utilised by our operations. A transition plan towards utilisation of renewable fuel and energy sources is essential to reduce reliance on non-renewable energy, thereby lowering indirect emissions resulting from the production of energy.

Internal combustion cars and motorcycles were responsible for 97% of greenhouse gas emissions from employee commuting for work. Although public transport and energy-efficient vehicles emit significantly lower levels of GHG emissions and are generally more environmentally friendly, their usage among employees is still low. The Group has the opportunity to contribute to the reduction of indirect emissions of this category by promoting the use of public transport or influencing employees to opt for more energy-efficient transportation in future



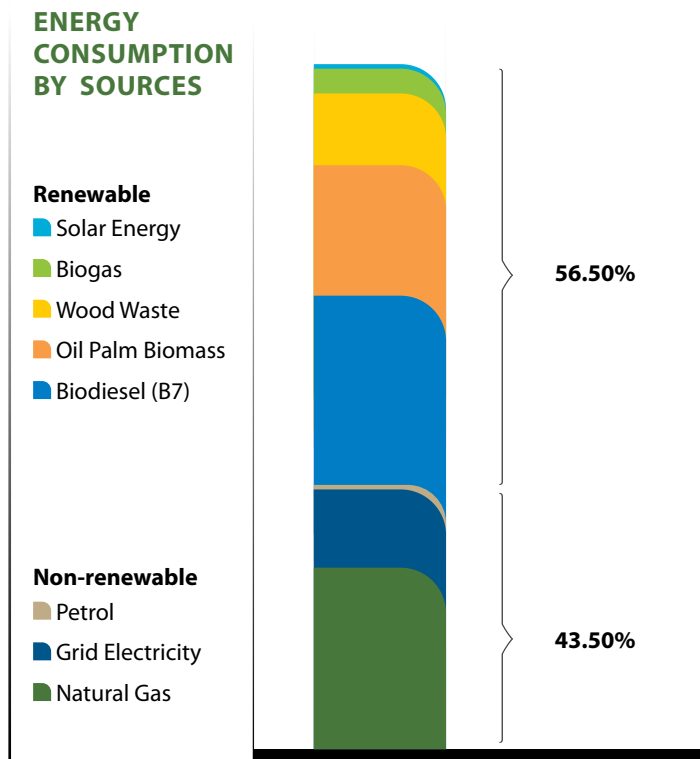
Electricity usage by downstream leased assets was found to be the third-highest source of emissions among the measured scope 3 emissions. In addition to our ongoing group-wide conversion to energy-efficient equipment, we plan to gradually raise awareness of energy-saving measures and collaborate with the tenants of our buildings to promote best practices in energy management.

Our current recycling efforts have partially mitigated emissions from generated waste by reducing the amount of waste sent to landfills. In FY2022, the Group avoided 59,851 t CO₂-e by recycling and reusing about 107,252 tonnes of waste. The majority of recycled waste was generated from oil palm biomass, which includes oil palm fibre and empty fruit bunches. Oil palm fibre was utilised to generate renewable energy in the boiler, while the empty fruit bunches were reused for composting to improve the nutrient content of adjacent oil palm estates. Going forward, our plan is to develop a standardised waste management plan to facilitate efficient waste management and recycling activities.

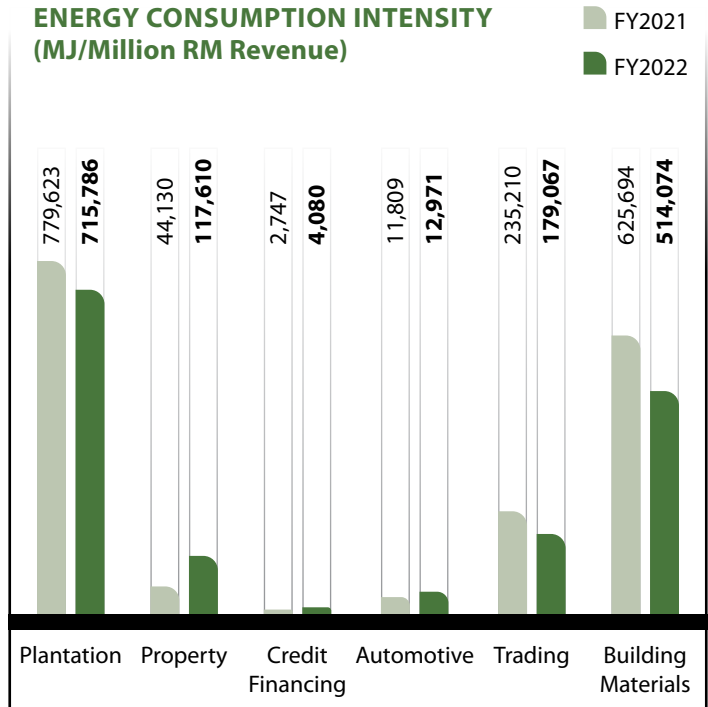
SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Energy Management

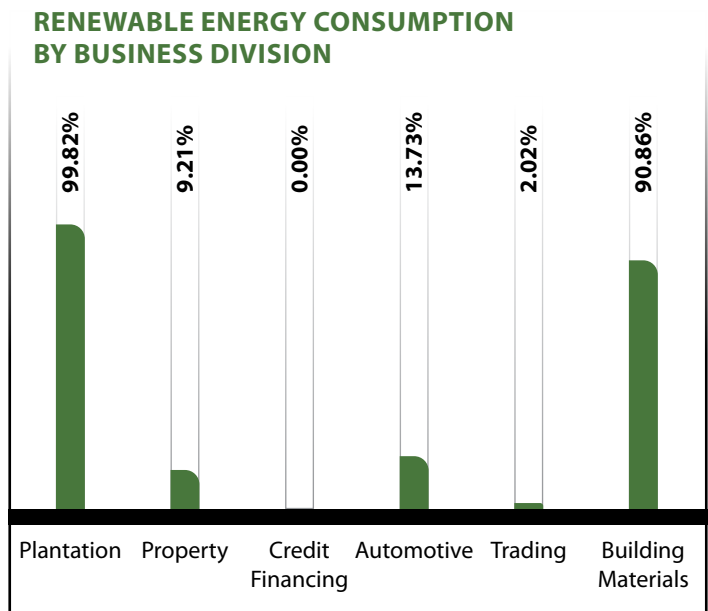
We acknowledge the potential benefits of reducing our energy costs and consumption through improved energy management practices. In addition to promoting best practices in efficient energy usage, we are actively transitioning to renewable energy sources and exploring ways to reduce the overall energy consumption. In FY2022, the Group consumed a total of 1.65 billion MJ of energy, which was sourced from both renewable and non-renewable sources. Majority of the renewable energy sources were from biofuel and biomass such as oil palm fibre and wood waste. As natural gas and grid electricity contributed majority of the non-renewable energy, there is future opportunity to increase the renewable energy consumption portion through the utilisation of solar energy and other renewable energy options.



ENERGY CONSUMPTION INTENSITY (MJ/Million RM Revenue)



RENEWABLE ENERGY CONSUMPTION BY BUSINESS DIVISION



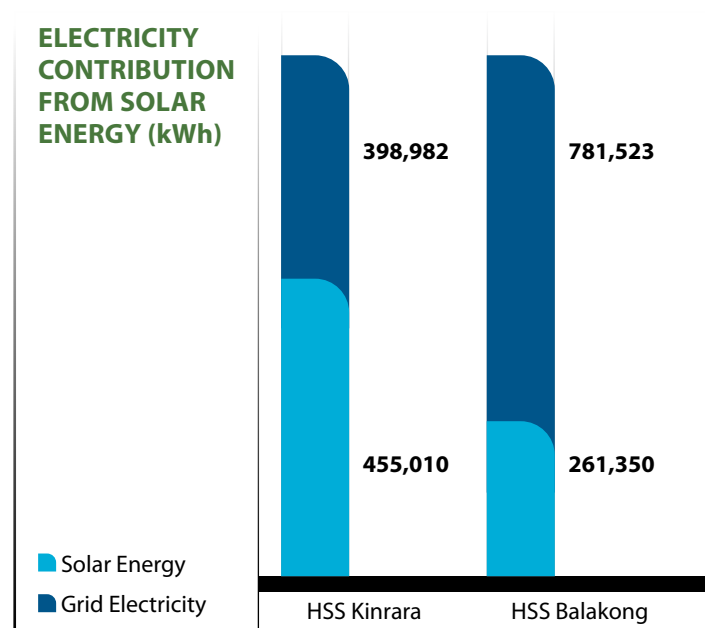
Despite having the highest energy consumption intensity among all divisions due to its operational footprint and high energy demand for transportation and palm oil mills operations, the plantation division utilised almost all of its total energy demand from renewable energy. This was possible due to the availability of biogas plant and oil palm fibre that generates sufficient energy for palm oil processing activities and electricity demand for the housing within the adjacent estates. Almost all of the oil palm fibre generated from processing of FFB are utilised for renewable energy generation in the boiler. Furthermore, three out of four palm oil mills are currently utilising electricity produced from biogas, resulting in minimal reliance on non-renewable energy. The commissioning of another biogas plant at Tomanggong Palm Oil Mill in the near future will further reduce dependency on non-renewable energy.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

High energy consumption intensity by building materials division was due to high fuel demand for transportation, electricity for machineries, and bricks heating. Nevertheless, the division derived 90% of its energy demand from renewable sources. While there is limited opportunity for the division to explore renewable energy to replace its grid electricity consumption which constitutes about 9% of the energy consumption, better electricity conservation practices may contribute to the reduction of grid electricity consumption.

The trading division had high energy consumption intensity due to the high energy demand from tiles manufacturing activity, mainly derived from non-renewable sources such as grid electricity and natural gas. As natural gas is considered one of the most efficient fuel options for heating process, the opportunity to substitute it with more environmentally friendly option is low. Progressive efficiency improvement and energy conservation measures may be the approaches to reduce electricity and natural gas consumption.

Despite the relatively low energy consumption intensity in property, automotive, and credit financing divisions, there are various opportunities to increase utilisation of renewable energy. The property division adopted various green building certification standards, such as GreenRE, GBI and LEED. Four properties with the total built-up area of 173,054 sq.ft. were certified with green building certifications as of FY2022 (refer to the Achievements & Recognitions section on pages 83 to 84). The installation of rooftop solar panels at the Autohaus has also been implemented to reduce dependency of grid electricity. Two Autohaus have been equipped with solar energy, and another three Autohaus are in the process of installation. In FY2022, the solar panels installed at HSS Kinrara were able to generate electricity equivalent to 53% of its consumption needs, while those at HSS Balakong generated enough to meet 25% of its electricity requirements. Additionally, the surplus energy generated by the solar panels, which amounted to 940,860 MJ was supplied back to the national grid as electricity credits, contributing to emission reduction of 143.74 t CO₂-e.



Note: Solar energy system at HSS Balakong was commissioned in July 2022 and only running at 50% capacity.

Recognising the environmental benefits of light-emitting diodes (LEDs) over conventional lighting systems, we are gradually replacing conventional fluorescent lighting in our operations. LED lighting typically lasts longer, reduces energy consumption and reduces the amount of electronic waste generated by our operations. All of our operations are gradually transitioning to energy-saving LED lighting when replacements become necessary.

Groupwide implementation of energy management practices:

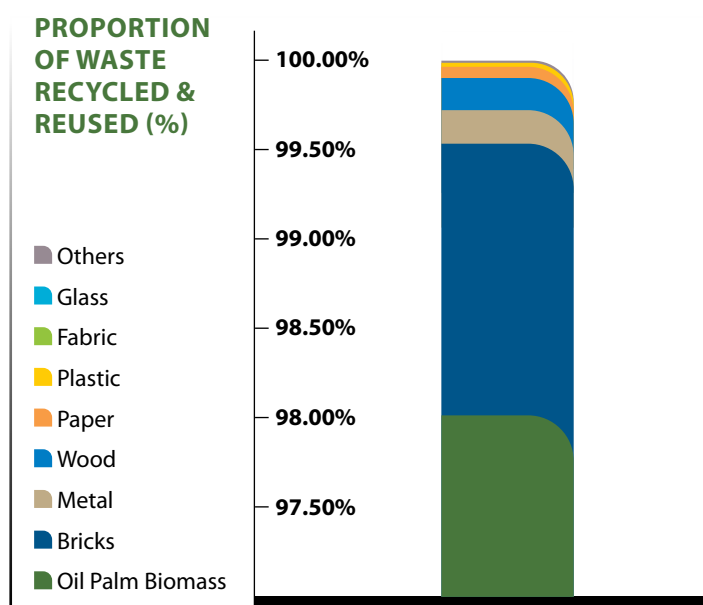
- Auto-adjusted air conditioning system.
- Lights-off during non-office hours and vacant sections.
- Timer and motion sensor-controlled lighting system.
- Progressive replacement of existing conventional lighting to energy saving LED lighting.
- Utilisation of solar energy.
- Utilisation of biomass to generate renewable energy.
- Installation of smart meter for real time monitoring of electricity consumption.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Waste Management

The Group strives to manage resources in a responsible manner, reducing waste generation through efficient utilisation of resources, reuse, and recycling. Waste and landfills are significant contributor to global greenhouse gas (GHG) emissions, accounting for approximately 3% of the world's GHG emissions (Source: Climate Watch).

Waste Management	Unit	Scheduled Waste	Non-scheduled Waste	Total
Waste Generated	MT	180.64	108,049.73	108,230.37
Waste Recycled & Reused		0	107,260.12	107,260.12
Waste Disposed		180.64	789.61	970.25



We are committed to reducing waste generation through efficient resource utilisation, as well as finding new ways to create value from waste through reuse and recycling. These practices not only minimise waste disposal to landfills but also reduce the overall waste management costs. In FY2022, we generated 108,230 MT of waste, of which 99% of the volume was successfully recycled and reused within the respective business division. Most of the reusable waste in our operations originates from oil palm biomass, which is a byproduct from the production of crude palm oil. Oil palm fibre reused as renewable fuel for the steam boiler, while empty fruit bunches are applied to the estates as compost to improve soil nutrient conditions. We are working to raise awareness of the importance of monitoring non-scheduled waste, which has resulted in more comprehensive reporting of recycled waste in the current reporting period. While we acknowledge that our operations have yet to achieve complete quantification of non-scheduled waste, we are committed to improving our quantification methods and data accuracy in future reports.

Aside from implementing various waste management measures within our businesses, the Group had collaborated with relevant stakeholders to instill the values and raise awareness of recycling and reusing. In FY2022, Hap Seng Property's CSR (WM) Bureau of Green Technology & Initiatives collaborated with Pertubuhan Amal Seri Sinar (P.A.S.S.) in a waste recycling campaign and education among Hap Seng's employees and tenants at Menara Hap Seng. The initiative successfully collected more than 600 kg recyclable waste throughout the reporting period.

Hap Seng has also teamed up with McDermott Asia Pacific Sdn Bhd and Kloth Cares to launch a Fabric Recycling Campaign at Menara Hap Seng. Kloth Malaysia Sdn. Bhd. is a Malaysian social enterprise committed to keeping fabrics out of landfills by repurposing through a circular economy model. On 18 March 2022, the official launch of the Fabric Recycling Campaign took place with the presence of Hap Seng Land's CSR team and representatives from McDermott. The campaign was well received by Hap Seng staff, tenants and the general public who donated their pre-loved clothes, which were collected by Kloth Cares on a monthly basis. Since the inception of the campaign in FY2022, over 2,500 kg of fabric have been collected.

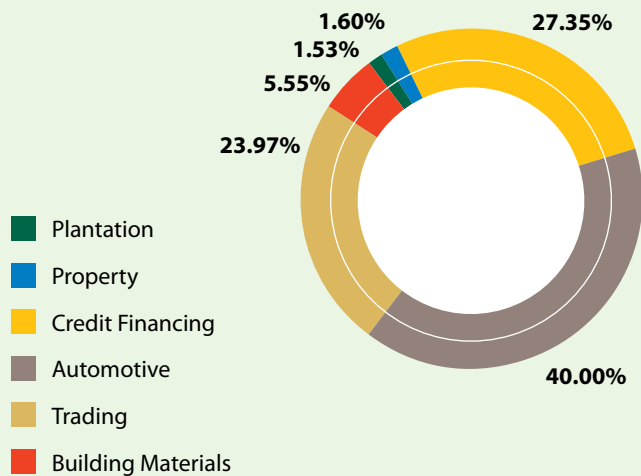
We also support the use of recycled products by purchasing materials that are made from recycled materials. As an example, 97.5% of the carton boxes used for tile packaging at MMSB were constructed from recycled materials.



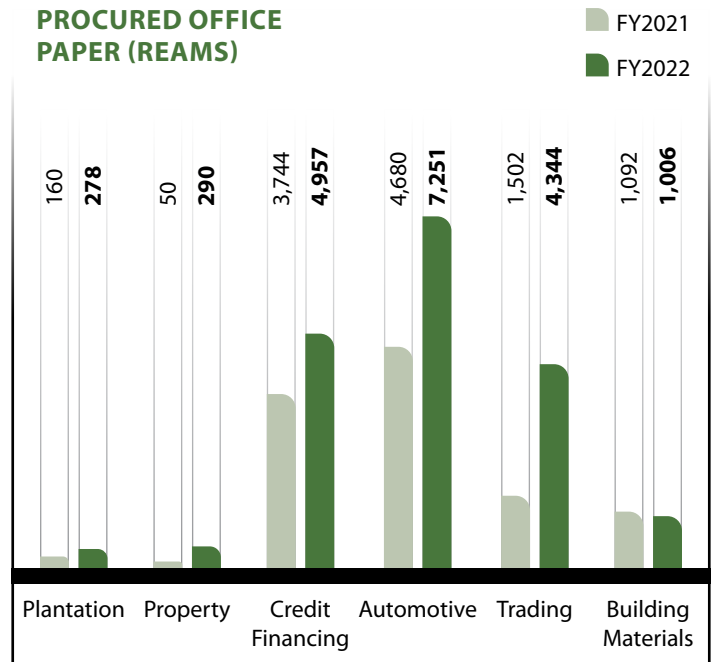
SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Office paper is a significant resource that we use in our operations. Our business processes have undergone progressive transition towards digitalisation, which has significantly reduced our paper consumption. Within our organisation, we encouraged the use of electronic platforms for document sharing to further reduce paper usage. Our employees were also encouraged to only print when necessary and to print on both sides of paper. In FY2022, our Group purchased 18,126 reams of paper, which is higher than the 11,228 reams purchased in FY2021. Of the paper consumed, 91% was used by our automotive, credit financing, and trading divisions. Paper usage significantly increased as compared to FY2021 due to resumption of normal business activities in FY2022.

OFFICE PAPER CONSUMPTION BY BUSINESS DIVISION



PROCURED OFFICE PAPER (REAMS)



Water Management

We recognise that water scarcity is quickly becoming a threat to both businesses and society due to global climate change. Accordingly, we require all of our business divisions to improve their water usage efficiency, minimise wastewater discharge, and utilise alternative natural water sources and implement water recycling initiatives whenever feasible. Our operations typically source water from the local municipal supply, although the plantation and building materials divisions also obtain surface water from sources such as rivers, ponds, and rainwater.

In FY2022, approximately 98% of our total water withdrawal came from surface water sources. Rainwater harvesting systems are usually installed during the construction of our buildings and serve as a permanent feature to collect rainwater. The volume of harvested rainwater could be much higher than reported in FY2022, as the data only represented the volume of rainwater in the plantation division. Data on the volume of harvested rainwater from operating units under the property and automotive divisions will be progressively made available from FY2023 onwards.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

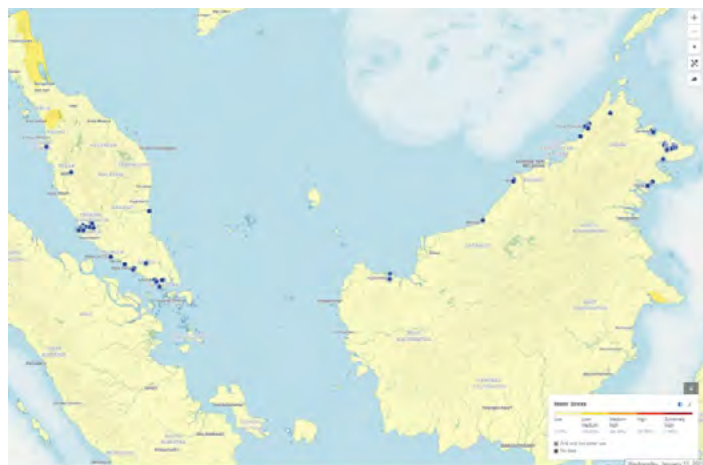
Source of Water Withdrawal	Unit	Freshwater ($\leq 1,000$ mg/l Total Dissolved Solids)	Freshwater ($> 1,000$ mg/l Total Dissolved Solids)
Surface Water	ML	21,952.78	0.00
Groundwater		0.00	0.00
Seawater		0.00	0.00
Third-party Water		483.48	0.00
Total		22,436.26	0.00

* ML: Megalitre

Destination of Water Discharge	Volume (ML)
Surface Water	979.15
Groundwater	0.00
Seawater	0.00
Third-party Water	0.00
Total	979.15

Water Consumption (ML)	Water Consumption Intensity (ML/Million RM Revenue)
21,457.12	2.86

Currently, the Group faces minimal risk of operational disruption due to water stress. Our plantation and building materials divisions, which heavily rely on natural water sources, have installed permanent water reservoirs in the form of ponds to store excess surface water during drought period. Analysis conducted using the World Resources Institute's Aqueduct Tool shows that none of our operating units are located in water-stressed areas. Nevertheless, we continue to install rainwater harvesting facilities at our buildings as a cost-saving measure and to mitigate potential future water stress resulting from climate change. Additionally, using rainwater reduces the need of chemicals for water treatment, especially in the plantation division, which performs its own water treatment for their domestic and operational use.



Description:

Baseline water stress measures the ratio of total water withdrawals to available renewable surface and groundwater supplies. Water withdrawals include domestic, industrial, irrigation, and livestock consumptive and non-consumptive uses. Available renewable water supplies include the impact of upstream consumptive water users and large dams on downstream water availability. Higher values indicate more competition among users.

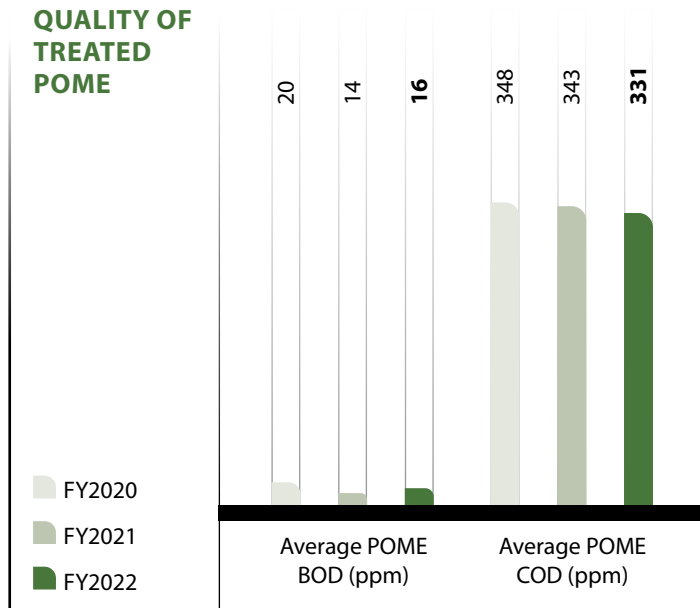
Source: WRI Aqueduct 2019

Aside from improving water security within our operations, we are committed to ensuring that the generated wastewater is treated and discharged in accordance with the Environmental Quality Act 1974. Plantation and trading divisions generated 979.15 ML of wastewater in FY2022. The generated wastewater was eventually diverted to the treatment pond located within the respective operating unit.

Wastewater generated from plantation division is in the form of POME resulted from production of palm oil. Management of POME is governed by strict environmental regulations where it has to be internally treated and conform to the quality standards established by the Department of Environment (DOE), such as ensuring that the Biological Oxygen Demand (BOD) does not surpass 20 ppm, prior to its release for irrigation purposes on the field adjacent to palm oil mills. Although it is not mandated by the authorities, the management team proactively measures the Chemical Oxygen Demand (COD) as well. Treated POME is channeled to the adjacent estate for land irrigation to enhance the soil's nutrient and moisture content for the oil palms. To prevent the risk of pollution,

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

the POME irrigation system has been intentionally designed in a way that it is not connected to the existing natural waterways. Additionally, pollution prevention measures are implemented to prevent surface water runoff from the oil palm fields. Riparian buffer is also maintained along the natural waterways throughout the plantation to minimise chemical runoff into streams. Regular monitoring of stream water quality is also performed to ensure that the water quality remains at an acceptable level.



Air Quality Management

We are taking steps to mitigate the impact of air pollutants on the environment by following the Environmental Quality (Clean Air) Regulations 2014 and the Malaysian Ambient Air Quality Standards 2020. Dust and chemical vapours are identified as potential air pollutants in our plantation, automotive, and building materials divisions.

At our palm oil mills, dust emission from boilers is significantly reduced through the use of multi-cyclones that filter out generated dust. All the four palm oil mills have been equipped with Electrostatic Precipitator System to reduce dust emission to less than the permissible emission level at 150 mg/m³.

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

At our quarry operations, suspended particulate matter in the form of dust is a common air pollutant. Water sprinklers are placed at strategic locations to minimise particulate matter in the air, and the dust-water mixture is eventually channeled to the enclosed retention pond to prevent pollution of natural waterways. Effectiveness in the air quality management was reflected from the quarterly air quality monitoring which indicated the air particulate matter at our quarries averaged at 21.6 µg/m³, significantly lower than the permissible limit of 260 µg/m³.

Biodiversity Management

As a Group, we are dedicated to preserving, protecting, and promoting biodiversity, as well as promoting urban greenery throughout all of our operations. We place a high priority on allocating resources towards managing biodiversity in our business divisions that may have a significant impact on the environment, such as the plantation division, as some of our estates are located near areas with High Conservation Value (HCV). Due to the nature of our businesses, credit financing, automotive, and trading divisions have negligible impact on biodiversity.

Biodiversity management is particularly crucial for our plantation division, which manages a 39,103 hectares plantation in Sabah, one of Malaysia's most biodiverse states. Plantation division is committed to not cutting down forests or planting in peatlands, and these commitments are outlined in the Sustainable Agriculture Policy and Biodiversity Policy. All of the new FFB suppliers are required to undergo extensive screening to ensure that their FFB is legally and responsibly sourced. We have implemented various measures to ensure that our suppliers comply with the highest industry standards. In FY2022, our FFB is fully traceable to the FFB sources. By having a fully traceable FFB supply chain, we will be able to offer low-risk palm oil to our customers.

As part of the commitment to ensure legality of our FFB sourcing, we conduct monthly monitoring for potential deforestation activity on all our internal and external FFB suppliers. This monitoring was done through Global Forest Watch's deforestation alerts, which indicated that no deforestation was detected on our own concessions or the 11 smallholders and outgrowers supplying FFB to our mills in FY2022.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

We have identified and conserved HCV areas within our plantation and set aside areas for natural rehabilitation. Additionally, the riparian zones along waterways have been preserved to maintain the riverine ecosystem and serve as wildlife corridors. Hunting, logging, possession, and trafficking of wildlife, including species categorised as rare, threatened, and endangered on the IUCN Red List, are strictly prohibited in our plantation. We have installed 45 motion cameras at our estate boundaries to monitor for potential illegal encroachment activity.

To ensure the conservation areas are well protected, we conduct regular boundary patrolling and monitoring to detect any instances of encroachment. Our management team also maintains close communication and collaborates with the local Wildlife Department and Forestry Department when necessary. For further details on our biodiversity management initiatives at the plantation, please refer to Hap Seng Plantations Holdings Sustainability Report.

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

The impact of fire incidents on biodiversity and ecosystems can be significant. At our large-scale plantation division, we employed satellite imaging technologies such as the Global Forest Watch Fire Portal to detect fires within and surrounding our estates in a timely manner. Our strong commitment to preserving the environment is reflected in our routine monitoring of fire hotspots, which we make publicly available through monthly updates on our website¹ and our internal Emergency Response Team is prepared to respond promptly in the event of a fire. No fire hotspots were detected in our concessions during FY2022.

The impact from development projects by our property division on biodiversity is minimal as all of the developments are located in urban areas which are far from forested landscapes and not classified as protected or HCV areas. Potential risks to biodiversity were assessed at the planning stage through site-specific assessments of factors such as flora and fauna, waste management, topography, and hydrology. Pollution of waterways are avoided by preventing land erosion and minimising sedimentation. During the construction phase, all waste, including domestic waste and sewage, were managed according

to our waste management plan. We also prioritise the reuse and recycling of materials such as wood, steel, and aluminum to reduce waste. The ecological capacity of the development area was enhanced by creating new habitats for existing flora and fauna, such as the 27,000 individual pots of 10 different plant species planted on the 91.55-meter-high indoor green wall in Menara Hap Seng 3. Similar initiatives may be extended to other suitable high-rise buildings in the future.

Extraction of natural resources, such as quarrying, can potentially impact the surrounding environment and biodiversity if not properly managed. Therefore, potential environmental risks at the quarries were thoroughly assessed through Environmental Impact Assessment (EIA) prior to development. Quarrying activities can only be commissioned after the EIA has been approved by the DOE and potential environmental risks have been adequately controlled or mitigated. We periodically submit environmental quality monitoring reports to the DOE to ensure ongoing compliance. We are required to rehabilitate decommissioned quarry sites to expedite regeneration of natural vegetation and restore ecological functions to support biodiversity.



¹ <https://www.hapsengplantations.com.my/environmental-sustainability.html>

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 maintaining a sustainable business that eventually contribute to the socio-economic development. Throughout FY2022, none of our business divisions violated any regulatory requirement in relation to human rights.

Health and Safety

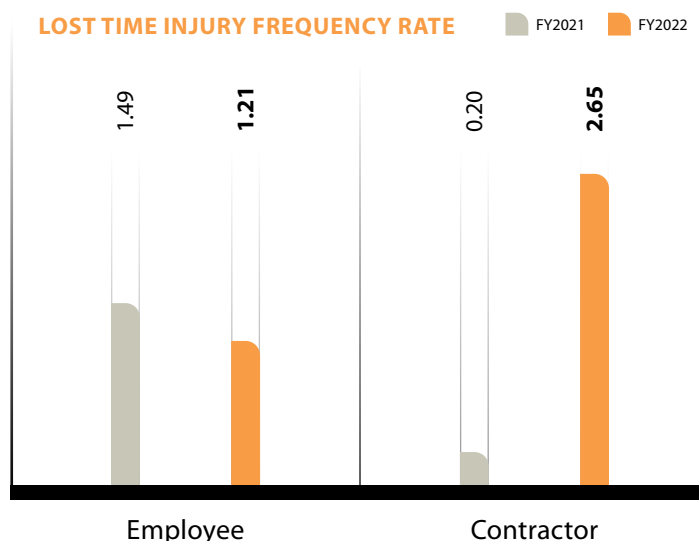
Creating a healthy and safe working environment across our businesses has always been our priority, with the ultimate aim of ensuring zero fatality. We have established Safety and Health Committees within the business divisions. These committees involve participation from both management and employee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

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 the workplace. Chemical Health Risk Assessment (CHRA) is also conducted if chemical handling is required in the operation. 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 health and safety 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.

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	28	10
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	1.21	2.65
Work-related Ill Health			
Fatality case	No. of case	0	0
Work-related ill health	No. of case	0	0

LOST TIME INJURY FREQUENCY RATE



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

The Group recorded zero work-related fatalities and 38 work-related injuries in FY2022, resulting in lost time injury rates of 1.21 and 2.65 per million hours worked for our employees and contractors respectively. The significant increase in the lost time injury frequency rate for contractor can be partially attributed to the increased monitoring of contractor injury cases, which was not fully documented in previous reporting. The reported injuries mainly involved incidents such as cuts, falls from height, fractures, vehicle accidents and minor burns which required medical attention and resulted in one or more lost of workday. No injury cases were recorded at the property, credit financing, and automotive divisions during the reporting period. Furthermore, no work-related ill health case was reported.

Noise-induced hearing loss is a potential work-related health risk at the quarry. We have implemented noise management measures to protect our employees from excessive noise exposure. These measures include conducting noise risk assessments, requiring the use of personal protective equipment such as ear plugs or ear muffs, and conducting baseline and regular audiometric tests to regularly monitor employees' hearing functions. Additionally, engineering controls have been implemented to suppress excessive noise by adopting relevant industry best practices and technology. For example, 3-dimensional laser technology is utilised in quarry operations to precisely determine the amount of explosive energy required and reduce unnecessary blasting error, which is a major source of noise. Results from quarterly ambient noise emission monitoring in FY2022 at the quarries indicated an average noise emission level of 56.3 dB, which is lower than the permissible limit of 65 dB.

Mobile sirens are available at quarry sites located near communities' settlement to provide early notification before stone blasting work takes place. Additionally, the adjacent communities have been informed of the proper channels for raising grievances to the management. It is worth noting that there were no complaints received from the adjacent communities regarding quarry operations during FY2022.

Diversity

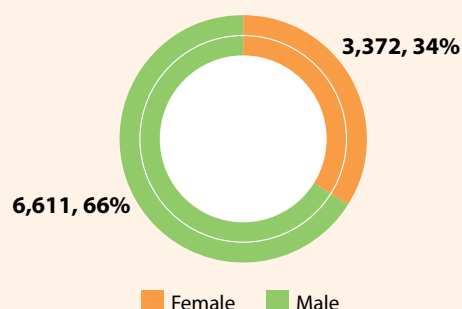
At Hap Seng, we firmly believe that our employees play a crucial role in driving the success of our businesses. An inclusive workforce with diverse backgrounds and perspectives gives us a competitive edge, especially in industries where human involvement is crucial. We are dedicated to promoting diversity and inclusivity in the workplace by offering equal opportunities and fair compensation, regardless of personal characteristics such

as race, religion, gender, age, sexual orientation, disability, and nationality.

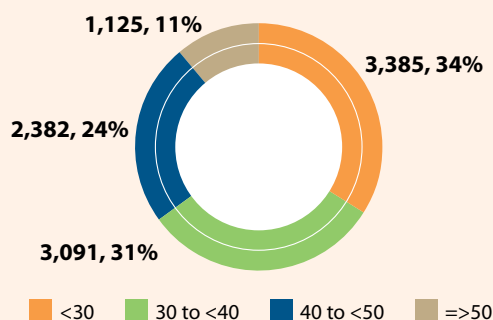
34% of our employees are represented by female where 4% of the female employees are in managerial positions. Underrepresentation of female employees can be partly attributed to the job nature of the plantation industry which is generally more labour intensive and physically demanding. We receive less applications from female, particularly for field work. Gender committee was established in our plantation to promote women empowerment at the workplace and as a platform to discuss on any women related matters.

As at 31 December 2022, our overall workforce consists of 9,983 employees with operations in Sabah and Sarawak accounting for 85% of the workforce, mostly from our plantation operations. Our Group values a diverse age range among our employees, with 65% of our workforce below the age of 40. We recognise the advantages of having a young workforce in terms of adaptability, flexibility, innovation, and creativity. However, we also appreciate the benefits that come with the experience, knowledge, and wisdom of older employees, and strive to maintain a balance of age diversity in our workplace.

WORKFORCE DIVERSITY (GENDER)

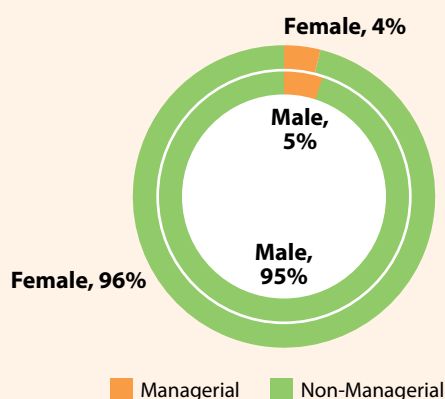


WORKFORCE DIVERSITY (AGE GROUP)

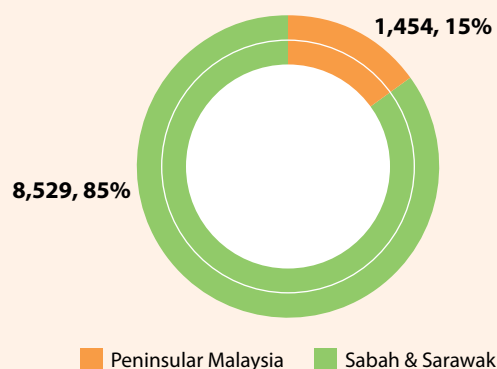


SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

WORKFORCE DIVERSITY (EMPLOYMENT CATEGORY)



REGIONAL DISTRIBUTION OF WORKFORCE

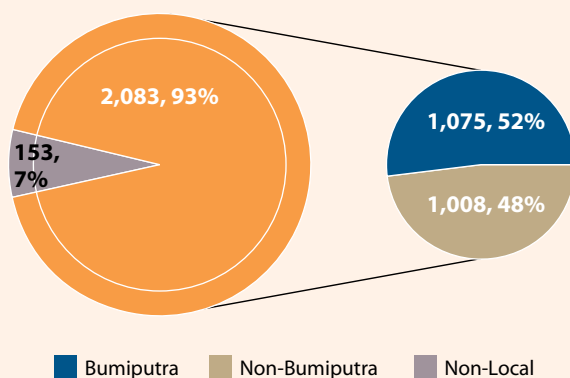


Labour Practices and Standards

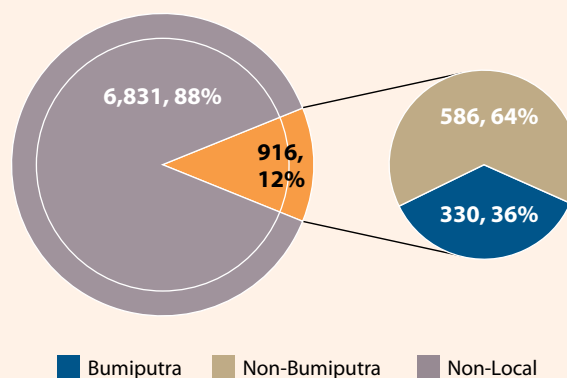
As part of our responsibility to contribute to local socio-economy development, we prioritise in attracting and retaining local talents across our businesses. As at 31 December 2022, 93% of our employees (exclude plantation division) are locals, a decrease of 3% from FY2021. Only 12% of the employees in the plantation division consist of locals. Various efforts are being taken by management and through the Malaysian Palm Oil Association to attract more locals to work in the plantation industry. The plantation division is also implementing automation such as drone technology to reduce reliance on human resources and achieve higher productivity. Drones are utilised in physical demanding and time intensive tasks such as field surveys and large-scale spraying activity. Using drone, we were able to reduce the number of workers needed for the spraying activity by 86% and spraying cost per seedling by 26% in FY2022.

Non-local workers for our plantation division are being recruited directly through referral from our existing workers. Direct recruitment without going through recruitment agents will eliminate the risk of human trafficking and forced labour, which are the issues of concern affecting non-local workers. Costs incurred from the recruitment process are borne by the company to eliminate the risk of debt bondage by the third-party. The management does not retain workers' passports, except for cases where the passports are needed for renewal of work permits or other legal requirements.

EMPLOYEE NATIONALITY IN HAP SENG (EXCLUDING PLANTATION DIVISION)



EMPLOYEE NATIONALITY IN PLANTATION DIVISION

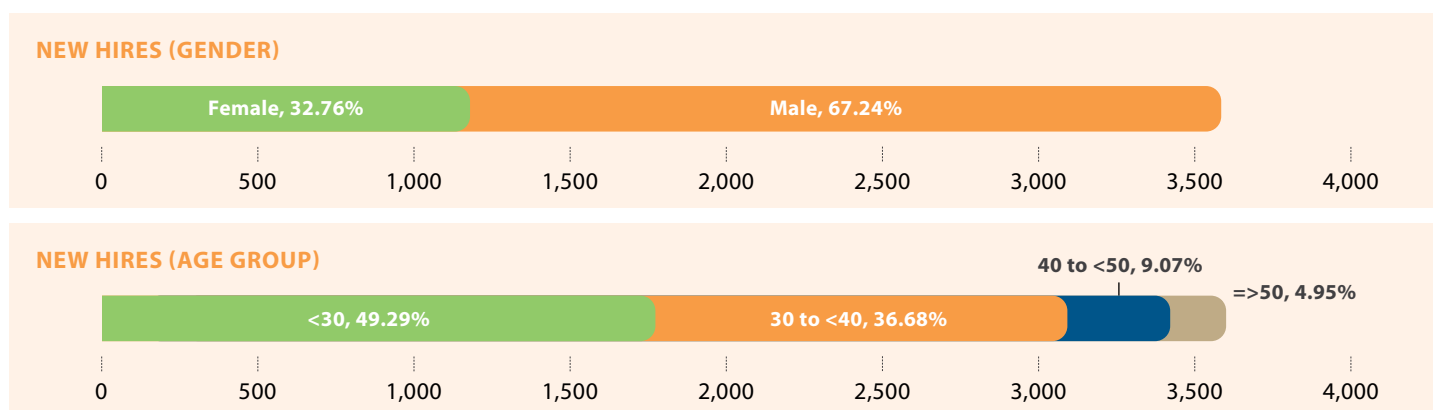


Note: Bumiputra is a term used in Malaysia to describe Malays, the Orang Asli of Peninsular Malaysia, and various indigenous peoples of East Malaysia.

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 detailing all the employment fringe benefits is made available within the company's intranet. In FY2022, the Group hired 3,593 new employees. Male constitute major proportion of new hires due to majority of the hiring happened in the plantation division, which is male dominated.

Over 85% of our recent hires in FY2022 were under the age of 40, which aligns with the age profile of our existing employees within the Group.



We recognise and provide fair salary and remuneration based on employees' responsibilities and performance by conducting an annual performance appraisal. We regularly review our remuneration packages by benchmarking against our peers. All employees receive salary that meet or exceed the minimum amount determined by local regulation. Aside from evaluating the employees' achievements and contribution, KPI is also used in assessing future career development and identification of relevant capacity development training for our employees. All of our employees were assessed for KPI in FY2022.

Employee Remuneration and Entitlement

Fringe Benefits	
<ul style="list-style-type: none"> Medical and hospitalisation benefits Groups personal accident insurance Long service/retirement awards 	<ul style="list-style-type: none"> Outstation meal, accommodation and travel allowances Education assistance Membership in professional association

Leave Entitlement

- | | |
|---------------------|---------------------------|
| • Annual leave | • Compassionate leave |
| • Examination leave | • Maternity leave |
| • Medical leave | • Paternity leave |
| • Marriage leave | • Prolonged illness leave |

We strive to attract and retain our employees by adopting a work-life balance working environment. 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.

Hap Seng is committed to maintaining a secure, healthy, and harassment-free workplace for all its employees. The Group values the respect and dignity of every employee and will not tolerate any form of harassment, including sexual harassment. Any individual within the organisation found guilty of sexual harassment will face termination. Guidelines for addressing harassment, including sexual harassment, are provided to employees through the employee handbook and posted on notice boards at each operating unit.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Our commitment to uphold the rights of our employees is clearly stated in the Sustainability Framework through the following commitments.

- Ensuring a safe and healthy working environment.
- Encouraging healthy work-life balance and well-being.
- Respecting the fundamental rights in the core conventions of the International Labour Organisation.
- Preventing forced and child labour through responsible recruitment.
- Resolving complaints and conflicts through a transparent grievance mechanism.
- Adhering to the statutory minimum wage requirement and overtime compensation.
- Striving to create a work environment that is free from harassment, where employees are treated with respect and dignity.
- According equal opportunity in employment and remuneration regardless of race, religion, gender, age, sexual orientation, disability and nationality.
- Recognising employees' right to collective bargaining and freedom of association.

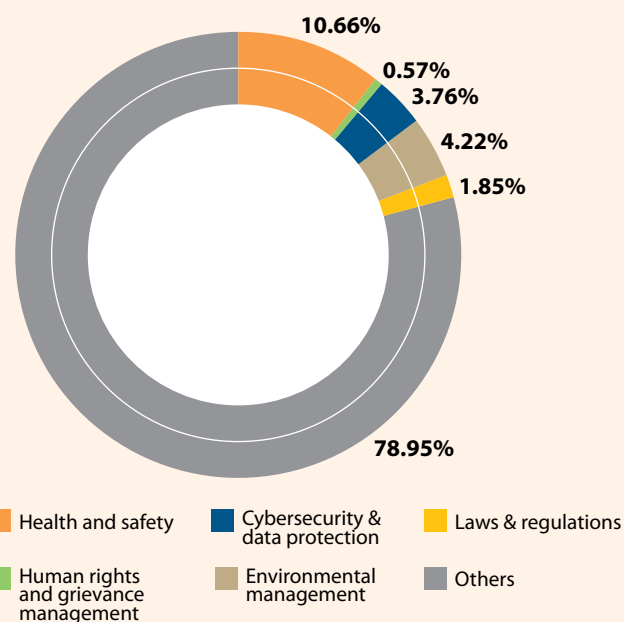
Capacity Building

Recognising the compounding benefits in developing skills and capacities of our employees, we encourage our employees to stay abreast with the necessary knowledge and skills to expedite their career advancement. Training recommendation on specific skill set will be identified by the respective Head of Department during the annual performance review. Employees are also encouraged to propose any training that may add value to their career development. Our Talent Management Team under the Group Human Resources Department is responsible in identifying new talents to add value to the company and supporting the existing employees in acquiring additional skills and capacities for future challenges. Education assistance covering course fee and examination fee is provided to the eligible employee to encourage and assist employees to further enhance their academic knowledge and technical skills. Overall, the Group had recorded 24,239 hours of training in FY2022, which averaged to 8.19 hours of training per employee. Majority of the training focuses on skill improvement, health and safety, environmental management, cybersecurity & data protection and laws & regulations. The average training hours for female employees were lower compared to their male counterparts, primarily due to the fact that most of the training provided focused on physical operational skills and workplace safety & health, which are typically more relevant for the male-dominated roles.

TOTAL TRAINING HOURS PER TYPE OF TRAINING IN FY2022

Health and Safety	Human Rights and Grievance Management	Laws & Regulations
2,583	138	448
Environmental Management	Cybersecurity & Data Protection	Others
1,022	912	19,136

ALLOCATION OF TRAINING HOUR ON ESG MATTERS



AVERAGE TRAINING HOUR IN FY2022

Per Employee	Per Top Management	Per Graded Employee
8.19	8.05	7.66
Per Female Employee	Per Senior & Mid Management	
5.83	9.57	
Per Male Employee	Per Executive & Supervisory Employee	
9.64	8.21	

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Cybercrime Awareness Campaign

The Bureau of Safety & Health at Hap Seng Property's CSR (West Malaysia) partnered with Malaysian Communications and Multimedia Commission (MCMC) to organise an online webinar on Cybercrime Awareness in August 2022, as a response to the growing issue of cybercrime. The webinar was held in line with the MCMC's "KLIK DENGAN BIJAK" campaign and aimed to educate the public on internet safety and security. Encik Ts. Md Tahir Musa, Deputy Director of MCMC Community Programme, shared standard guidelines on being a smart online user and explained different types of cybercrime attacks, such as phishing, pretexting, hacking, and theft of personal/financial information. The one-hour session covered online risks and the positive use of the internet, as well as law enforcement against cybercrime.

Occupational Safety and Health Awareness Programme by NIOSH Tawau

In August 2022, Employees of Hap Seng Building Materials attended an Occupational Safety and Health training hosted by NIOSH Tawau as part of SOCSO's grant for non-local workers. The goal of the training was to provide basic knowledge on workplace accident prevention, educate non-local workers on their responsibilities and obligations according to national laws and regulations, and reduce the incidence of accidents and occupational diseases among non-local workers. A safe and healthy work environment has numerous benefits including increased worker morale, productivity, and well-being, reduced risk of lost work time due to injury or illness, and compliance with legal requirements and reduced liability in the event of workplace accidents or injuries.



Community & Society

At Hap Seng, our focus is on making a positive impact in the communities where we operate. As a diversified conglomerate with a broad reach, we continuously strive to empower local communities through various initiatives that bring value to the social and economic landscape.

As a Group, we made a total contribution of more than RM1.94 million in various children's education and social responsibility programmes in FY2022. The programmes had benefitted more than 3,500 participants that consist of various stakeholders. More than 66% of our contributions are allocated to empowering children's education as we strongly believe that investing in learning and development is crucial for creating a better future for individuals and society as a whole. The Group made a contribution of more than RM650,000 for various society development and engagement programmes. We also invest in infrastructure that directly and indirectly benefits the local communities, including free medical care at our estate clinics, maintenance of roads for accessibility, development of facilities and organised various social activities.

We encourage our employees to take part and contribute in the community programmes as we believe that it is not only beneficial for the community but also helps our employees develop their skills, build relationships, and gain a sense of purpose and fulfillment. We had recorded at least 1,617 employees' man-hour spent in various volunteering programmes which involved 109 employees in FY2022.

Category	Programmes	Monetary Contribution (RM)	%	No. of Beneficiaries
Education	Expenditure for HUMANA	497,644.19	66.18%	824
	HSG EXPLORE! 2022	416,744.00		500
	HSG Ignite Digital Maker 3.0	320,000.00		400
	Malaysian Collective Impact Initiative	50,000.00		500
Social Responsibility	CSR and Social Contributions	596,501.28	33.82%	1,289
	Bandar Sri Indah KRT Engagement	60,000.00		50
Total		1,940,889.47		3,563

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Empowering Humana

Recognising the role of Humana Child Aid Society in their mission of providing education for children in our estates, the Group had contributed more than RM490,000 for their cost of expenditure and maintenance of the schools in FY2022. Humana Child Aid Society is a Malaysian registered NGO that was created to provide education to children unable to access Malaysian schools for various reasons. We are currently supporting 11 Humana schools accommodating 803 students and 21 teachers in our plantation.

HSG EXPLORE! 2022



At Hap Seng, we are dedicated to nurturing the next generation of leaders in collaboration with MAD (Make a difference) Movement. To that end, we had invested more than RM416,000 in the youth leadership programme in Sabah, which was centered around the theme of "EXPLORE!" Our aim is to equip young people with essential leadership skills that will help them achieve their full potential and make a positive impact in their communities.

The programme included a range of interactive activities, such as the School Holiday Academy Programme Experience (SHAPE), parent engagement sessions, teacher training, and more, to help students develop the skills and confidence they need to become effective leaders in their communities and future careers.

On 17-18 December 2022, the leadership programme concluded with a closing ceremony, held at the BSI Sports Complex in Bandar Sri Indah, Tawau. Over 250 students, teachers, and parents participated, and the event was officiated by the Assistant Minister to Sabah Chief Minister. In his speech, he expressed pride in seeing students as young as nine years old participating in the programme, and gratitude that Hap Seng continues to invest in education and capacity-building for students.

The convention culminated in the presentation of the "Make A Difference" projects by the participants from Sabah and Johor. These projects showcased the practical and tangible application of the knowledge and skills learned during the programme and their positive impact on the Malaysian community.

HSG Ignite Digital Maker 3.0



The Digital Maker programme was introduced to the Lahad Datu District schools following its success in various districts throughout Sabah. The programme was part of a larger strategy aimed at promoting science, technology, engineering and mathematics (STEM) education and improving digital literacy. Recognising the benefits of this programme to the students and teachers, Hap Seng contributed RM320,000 to this programme in FY2022.

To achieve the intended goal, the programme offered a comprehensive training programme consisting of bootcamps and workshops designed to teach 20 primary school teachers from different schools on digital conceptualisation, creativity, and innovation. These skills were then imparted to students through collaborative team projects. By training teachers and empowering students with digital skills, the programme aimed to make a lasting impact on the education landscape in Sabah and increase access to digital literacy for all members of the community.



SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Malaysian Collective Impact Initiative

In FY2022, Hap Seng had contributed RM50,000 to The Malaysian Collective Impact Initiative (MCII). Hap Seng has been in collaboration with MCII as the steering committee member since its inception with the objectives to assist in education needs and create a collective impact for urban underprivileged students. MCII is an organisation that focuses on improving education in Malaysia through collaboration among diverse stakeholders, including the government, private sector, civil society organisations, and academic institutions. The collaboration aims to address challenges in the education sector, such as improving access to quality education and enhancing the quality of teaching and learning for sustainable and inclusive education in Malaysia.

Book Donation Drive

The Bureau of Community Services, Hap Seng Property's CSR (West Malaysia) launched a book donation campaign for Sekolah Jenis Kebangsaan (Tamil) Ladang Jalan Acob, an underprivileged school in Kapar, Klang with mostly students from low-income families. The school was heavily damaged by floods from a three-day heavy rain in December 2021 and the aim of the donation drive was to revive their library with quality books. With contributions mainly from employees and tenants at Menara Hap Seng, the donation drive collected 360 books for the school. The donation drive not only extends the life of the books and promotes sustainability within the community, it also aligns with Hap Seng's efforts to reduce greenhouse gas emissions by avoiding disposal of unwanted books.

Love Our Elders Programme



As part of the 2022 Employee Engagement CSR activities, Plaza Shell organised a charity event to support the Holy Family Residence for senior citizens in Kg Purak, Papar. The residence provides a peaceful sanctuary for seniors and relies on donations to operate. On 17th December, representatives from Hap Seng Properties Development and Hap Seng Realty delivered food, condiments, toiletries, and clothing donated by Plaza Shell's tenants and Hap Seng employees. The head caretaker expressed gratitude for the generosity of the donors.

Town Hall Session with Bandar Seri Indah KRT Council



In June 2022, the Group CSR and Hap Seng Property Development successfully held the first town hall session with Bandar Sri Indah Kawasan Rukun Tetangga (KRT) Council Members. 15 representatives from Phases 1 to 5 of the Bandar Seri Indah KRT council participated and joined by other representatives from Hap Seng Property Development Tawau. The goal of the quarterly event was to provide a platform for residents and Hap Seng Property to address and resolve issues, improve communication, and strengthen the relationship between the developer and residents.

Work-life Balance through Indoor Sports



The Bureau of Recreation & Employees Welfare at Hap Seng Property's CSR (West Malaysia) resumed its sports recreation activities in August 2022 to promote work-life balance among employees. Four indoor sports (badminton, table tennis, darts, and carrom) were arranged for the employees at weekly basis. The first badminton friendly match was held with Bursa Malaysia in October and a second friendly match was organised with Bomba Kuala Lumpur in November, followed by the table tennis friendly match which was held in December. The initiative was proven to be a success, as it encouraged employees to maintain a healthy work-life balance, while also promoting networking among members from different organisations.

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Empowering Graduates and School Leavers

As part of the effort to provide working exposure to graduates, we accepted 29 graduate students into our internship programme in FY2022. Hap Seng Star continues to sponsor 25 school leavers for the Advanced Modern Apprenticeship programme to develop qualified and competent technicians for our permanent workforce. As a result, 10 of these apprentices have joined Hap Seng Star as permanent junior technicians. In addition, Hap Seng Star continues to collaborate with Dream Catcher Academy Sdn. Bhd. to provide a TVET programme to school leavers, particularly those from underprivileged backgrounds. The TVET programme provides students with a Sijil Kemahiran Malaysia (SKM) Level 2 certification. The eight-month programme from April to December 2022 involves a combination of theoretical and practical training aimed at developing industry-ready students in automotive service and repair skills. In FY2022, 14 students successfully graduated and obtained their SKM certification. One of the students graduated from TVET programme eventually joined Hap Seng Star as a junior technician.

Tawau Emergency Mutual Aid

Tawau Emergency Mutual Aid (TEMA) was officially launched by the Sabah Assistant Minister for Youth and Sports in June 2022. TEMA was formed with the purpose of supporting the Sabah Fire and Rescue Department Malaysia (JBPM) during times of emergency or fire incidents. Aside from Hap Seng, other participating members include large-scale companies involve in logistics, warehouse, refinery, building materials and oil & gas.

Mutual aid agreements are agreements between parties where one offers resources such as individuals, teams, facilities, equipment, and supplies to the other party when emergency response is needed. This is important during high-demand disaster situations as JBPM may face insufficient resources.

TEMA enables authorities to collaborate with partners by identifying potential weaknesses and capability gaps through planning and simulations. The mutual aid network, which is a nationwide network of mutual assistance systems, helps improve the overall preparedness and readiness. It enables authorities and organisations to efficiently mobilise outside resources for emergency response.



Affordable Housing & 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 2022, the Group has 1,138 units of affordable home for sale, mainly situated at developing areas in Tawau and Sandakan. The houses consist of terrace, apartment and condominium which were constructed with affordability in mind while providing satisfactory amenities, connectivity and future value appreciation potential.

The Group prioritises sustainable development in its new projects, as demonstrated by Menara Hap Seng 3 (MHS3) in Kuala Lumpur. MHS3, a 26-story Grade-A office building with green building certifications such as LEED Gold, GBI, and MSC status, features a 20-story indoor green wall that has earned recognition in the Malaysia Book of Records. The indoor green wall feature provides indirect natural light, visual comfort, and air quality with the help of an automatic irrigation system and efficient maintenance techniques. MHS3's façade, made of insulated aluminum panels and energy-saving glass, allows for natural light while minimising energy consumption. The building is designed to be highly sustainable with energy conservation measures, including a highly efficient chiller plant and indoor air quality that meets ASHRAE 62.1 standards¹. The lift and escalator systems also feature energy-saving modes. These green features align with the Hap Seng Group's commitment to the environment.

Future Plans

Hap Seng recognises the importance of sustainability management and its contribution towards a better future. In this regard, we will continuously align our report with the sustainability reporting requirements from Bursa Malaysia to ensure that we meet the highest standards of transparency and accountability. We will also strive to strengthen our disclosures by ensuring that they are complete and accurate, providing stakeholders with the information they need to make informed decisions about our business practices. Additionally, we are committed to establishing plans with our business divisions on the ESG-related KPIs that will be tied to the remuneration of our Executive Directors and senior management. This will create a strong incentive for our management to prioritise sustainability and embed it into our business strategy. We believe that this approach will not only benefit our business but also contribute to a more sustainable future for all stakeholders.

¹ Recognised standards for ventilation system design and acceptable indoor air quality (IAQ).

SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

APPENDICES

Energy Consumption

Energy Consumption	Unit	Plantation	Property	Credit Financing	Automotive	Trading	Building Materials	Total
Non-renewable Energy ⁽ⁱ⁾	MJ	1,027,692.46	55,949,976.36	986,173.20	19,566,627.05	607,708,240.98	33,147,282.26	718,385,992.30
Renewable Energy ⁽ⁱⁱ⁾		582,018,301.07	5,676,282.65	0.00	3,114,458.94	12,544,565.54	329,552,789.33	932,906,397.53
Excess Energy Feed to Grid		0.00	0.00	0.00	940,860.00	0.00	0.00	940,860.00
Total Energy Consumption		583,045,993.53	61,626,259.01	986,173.20	22,681,085.99	620,252,806.52	362,700,071.59	1,651,292,389.83
Energy Consumption Intensity	MJ/Million RM Revenue	715,785.56	117,610.06	4,080.14	12,970.57	179,067.10	514,074.43	

(i) Non-renewable energy refers to energy generated from petrol, grid electricity and natural gas.

(ii) Renewable energy refers to energy generated from solar, biogas, wood waste, oil palm biomass and biodiesel.

Scope 1 & Scope 2 GHG Emissions

GHG Emissions	Unit	Plantation	Property	Credit Financing	Automotive	Trading	Building Materials	Total
Scope 1 Emissions	t CO ₂ -e	279,551.47	734.91	0.00	1,478.48	33,181.22	11,541.50	326,487.59
Scope 2 Emissions		85.38	8,547.91	150.67	2,196.93	14,609.82	5,064.17	30,654.88
Gross GHG Emissions		279,636.85	9,282.82	150.67	3,675.41	47,791.04	16,605.67	357,142.46
GHG Sequestration & Credit ⁽ⁱ⁾		190,915.00	0.00	0.00	143.74	0.00	0.00	191,058.74
Net GHG Emissions		88,721.85	9,282.82	150.67	3,531.67	47,791.04	16,605.67	166,083.72
GHG Emissions Intensity	t CO ₂ -e/Million RM Revenue	108.92	17.72	0.62	2.02	13.80	23.54	

(i) GHG sequestration and credits refer to the reduction of greenhouse gas emissions achieved through various methods, such as conservation of natural areas, carbon absorption by planted oil palms, and emissions credits from solar energy when excess electricity is fed back into the grid.

Notes: • Emissions were calculated according to GHG Protocol for all five business divisions, except for the Plantation division.

• Emissions for Plantation was based on the output of the RSPO PalmGHG calculator and mapped into scope 1 and scope 2 categories. Scope 2 emissions for Plantation only involve grid electricity consumption, with an emission factor of 0.550 KgCO₂-e/kWh (source: Tenaga Nasional Berhad's Sustainability Report 2021).

Scope 3 GHG Emissions

Scope 3 Emission Categories	Unit	Plantation	Property	Credit Financing	Automotive	Trading	Building Materials	Total
Fuel and Energy-related Activities	t CO ₂ -e	4,740.14	585.50	8.72	238.35	6,519.57	3,300.01	15,392.29
Waste Generated in Operations		2,130.69	200.41	0.00	37.41	49.17	4.59	2,422.27
Employee Commuting				3,942.34				3,942.34
Downstream Leased Assets			3,718.88					3,718.88

Water Withdrawal

Business Division	Source of Water Withdrawal (ML)							
	Surface Water		Groundwater		Seawater		Third-party Water	
	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)	Freshwater (≤1,000 mg/l Total Dissolved Solids)	Freshwater (>1,000 mg/l Total Dissolved Solids)
Plantation	21,787.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property	0.10	0.00	0.00	0.00	0.00	0.00	296.10	0.00
Credit Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.69	0.00
Automotive	0.00	0.00	0.00	0.00	0.00	0.00	57.65	0.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	97.30	0.00
Building Materials	165.32	0.00	0.00	0.00	0.00	0.00	31.75	0.00
Total	21,952.78	0.00	0.00	0.00	0.00	0.00	483.48	0.00
	22,436.26							

SUSTAINABILITY AT HAP SENG GROUP CREATING VALUE FOR ALL

Water Discharge

Business Division	Destination of Water Discharge (ML)				Total Water Recycled/Reused (ML)	Total Water Consumed (ML)
	Surface Water ⁽ⁱ⁾	Groundwater ⁽ⁱⁱ⁾	Seawater ⁽ⁱⁱⁱ⁾	Third-party Water ^(iv)		
Plantation	888.09	0.00	0.00	0.00	888.09	20,899.28
Property	0.00	0.00	0.00	0.00	0.00	296.20
Credit Financing	0.00	0.00	0.00	0.00	0.00	0.69
Automotive	0.00	0.00	0.00	0.00	0.00	57.65
Trading	91.06	0.00	0.00	0.00	91.06	6.24
Building Materials	0.00	0.00	0.00	0.00	0.00	197.07
Total	979.15	0.00	0.00	0.00	979.15	21,457.12
	979.15					

(i) Surface water: Collected or harvested rainwater.

(ii) Groundwater: Water that is being held in, and that can be recovered from, an underground formation.

(iii) Seawater: Water in a sea or in an ocean.

(iv) Third-party water: Municipal water

Note: ML refers to Megalitre.

Water Consumption

Business Division	Total Water Consumed (ML)	Water Usage Intensity (ML/Million RM Revenue)
Plantation	20,899.28	25.657
Property	296.20	0.565
Credit Financing	0.69	0.003
Automotive	57.65	0.033
Trading	6.24	0.002
Building Materials	197.07	0.279
Total	21,457.12	2.862

Note: ML refers to Megalitre.

Waste Generation and Recycling

Business Division	Scheduled Wastes ⁽ⁱ⁾ Generated (MT)	Non-scheduled Wastes Recycled & Reused (MT)										Non-scheduled Wastes Disposed (MT)	Total Wastes Generated (MT)
		Paper	Metal	Fabric	Plastic	Wood	Glass	Bricks	Oil Palm Biomass ⁽ⁱⁱ⁾	Others	Total		
Plantation	75.31	0.11	2.5	0.00	1.41	0.00	0.07	0.00	105,127.31	0.26	105,131.65	288.24	105,495.20
Property	0.40	0.71	121.25	2.50	0.00	95.16	0.00	0.00	0.00	0.00	219.62	418.84	638.86
Credit Financing	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Automotive	85.90	5.90	26.93	0.00	0.93	0.00	0.00	0.00	0.00	0.00	33.76	0.00	119.66
Trading	12.69	57.23	68.40	0.00	16.14	79.34	0.00	0.00	0.00	0.00	221.11	82.53	316.33
Building Materials	6.34	0.00	0.00	0.00	0.00	0.00	0.00	1,653.97	0.00	0.00	1,653.97	0.00	1,660.31
Total	180.64	63.96	219.08	2.50	18.48	174.50	0.07	1,653.97	105,127.31	0.26	107,260.12	789.61	108,230.37

(i) Scheduled waste refers to potentially hazardous waste materials listed in a schedule under the laws and regulations of a particular region, and requires strict handling, storage, transportation, and disposal to minimise harm to health and the environment. E.g. lubricant, battery, chemical container, medical waste.

(ii) Oil palm biomass refers to the by-product from palm oil mill such as oil palm fibre and empty fruit bunches.

SUSTAINABILITY AT HAP SENG GROUP

CREATING VALUE FOR ALL

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