

SUSTAINABILITY STATEMENT

OUR COMMITMENT

The Group constantly embraces sustainability principles when it formulates and implements its business strategies based on the Company's vision of sustainable long-term growth. The Group continues to undertake responsible practices that impact the society and environment in a positive manner and to inculcate a culture of responsibility in all aspects of its business.

SUSTAINABILITY GOVERNANCE

To ensure that Sustainability continues to be embedded within our business operations, the Group has established a Sustainability Committee ("SC") on 22nd November 2018 to assist the Board in fulfilling its oversight responsibilities in this area. The SC members were appointed by the Board from amongst their number and consist of three members. With the exception of the Managing Director, the other two members are Non-Executive Directors.

The Sustainability Committee comprises the following members:

Tan Sri Dato' Dr. Sak Cheng Lum	(Independent/Non-Executive Director) - Chairman
Dato' Milton Norman Ng Kwee Leong	(Non-Independent/Managing Director)
Ooi Hock Guan	(Independent/Non-Executive Director)

This Committee reports to the Board of Directors and is responsible for the overall implementation and execution of sustainability matters such as to:

- Determine the materiality of various sustainability pillars
- Propose necessary action plans to mitigate issues of concern
- Formulate a strategy to improve key areas of sustainability

The Committee communicates with the respective departments regularly to inculcate sustainability into the Company. Read more about the SC and its terms of reference on our website at <http://www.hil.com.my>.

IDENTIFYING OUR MATERIAL SUSTAINABILITY MATTERS

We are currently reviewing our sustainability matters to identify their degree of materiality, both from the business perspective and with inputs from identified key stakeholders. This will allow us to align our strategies and action plans accordingly and develop a Sustainability Roadmap that will guide the management in monitoring and reporting sustainability matters for the Group.

We aim to identify three key Sustainability Matters that are most material to the Group. We will then develop plans and initiatives to facilitate measurement of our progress and to report our performance in those areas.

For this purpose of reporting for the FY2018 Annual Report, we will be focusing on the following sustainable matters:

PILLARS OF SUSTAINABILITY	OBJECTIVES	MATERIAL TOPICS
SOCIAL SUSTAINABILITY	Proactive way of managing and identifying business impact on our employees, contractors, customers and local communities.	Employee Development and Engagement
		Occupational Health and Safety
		Community Contributions and Development
ECONOMIC SUSTAINABILITY	Ensure the continued strong performance of our businesses and maintain investors' confidence	Maintaining the Integrity of Our Assets
		Corporate Governance
ENVIRONMENTAL SUSTAINABILITY	Striving for improved environmental practices and operational sustainability	Environmental stewardship

a) Social Sustainability - Employees and Workplace

(i) Employee Development and Engagement

The Group strongly believes that human capital is the most important value to an organization. In retaining the best talents, the Group continually provides employees with education and training such as New Employee Orientation and Performance Management System trainings. Employee Training and Development which is carried out internally and externally is aimed at equipping employees with skills and knowledge related to projects and tasks handled by them so that these may be executed to meet customers' needs and expectations.

In recognition of their services and to create an amiable workplace for employees, the Group organized several events throughout the year such as annual dinner & recreational activities for the employees.

The Group strive to instill a feeling of belonging within Hil and encourage employee unity and a sense of working together to achieve our shared goals. Efforts are also being done to improve communication within the whole organization to understand our company's goals, and mission and vision of the Company.

(ii) Occupational Health and Safety

The Group has a fundamental responsibility and commitment to ensure that all employees work in a safe and healthy environment. Given the nature of the hazardous materials and processes we use in the manufacture of our products, our workplaces must adhere to the highest standards of health and safety and to this end, we constantly monitor and introduce improvement to our working environment. The concept of *Kaizen*, or continuous improvement, requires the on-going pursuit of excellence and the desire to push beyond boundaries. We integrate Kaizen throughout our entire value chain.

Representatives from all levels attend specific Occupational Safety and Health Administration (OSHA) courses conducted by certified trainers to enhance their understanding and responsibility on employees' health and safety. These programmes focus on identifying common hazards and unsafe work practices and implementing corrective actions to improve the work environment. In compliance with the OSHA requirement, First Aid and CPR training sessions are also organized to help staff and workers understand their role as Emergency First Responders. In addition, all workers are covered by Personal Accident Insurance and Foreign Worker Workman Compensation Scheme. On top of that, regular audits of safety systems for continuous improvement of OSHA systems and processes are being conducted.

As for the property development segment, the contractors must adhere to various standards set by the Company. Contractors must submit both a Safety, Health and Environmental and Sanitation Plan before starting work on site.

Below is one of the site pictures of our ongoing projects.



Below are the Personal Protective Equipment (“PPE”) required for the factory and site workers:



This resulted in ZERO fatality at workplace and Zero Loss Time Injury (“LTI”) recorded throughout these years.

(iii) Community Contributions and Development

The Group has brought cheer to a group of underprivileged children during the festive season, named Rumah Nur Sakinah. The team spent a day with a group of 40 children, bringing joy to them and also distributed essential items to them.



b) Economic Sustainability

(i) Maintaining the Integrity of Our Assets

The Group is accountable to our investors for the management of our assets and capital. Measuring the economic and financial performance is pertinent to evaluate the effectiveness of our assets and capital management, and to ensure we are on track to achieve our financial goals.

The Group has a strong financial track record with consistent growth in revenue and assets. Group revenue increased by 4.23% to register RM4.322 million, while the total assets increased by 23.43% to register RM464.706 million in 2018. For further information, kindly refer to the Financial Statements of this Annual Report.

Our management begins with key performance indicators (“KPI”) setting during the beginning of the year. These KPIs are closely tracked and monitored to ensure that they are aligned with our business directions. On top of that, the Group will benchmark against industry leaders and their best practices to enable continuous improvement in the Group regularly.

(ii) Corporate Governance

The Group is governed by our Group Policies and Authorities, which are designed to empower management to achieve business objectives within the boundaries of business ethics and with the highest standards of corporate governance.

For further information on Governance within the Group, please refer to our Corporate Governance Overview Report on pages 10 to 20.

c) Environmental Sustainability – Environmental Stewardship

The Group ensured strictly ongoing compliance with the environmental laws governing plant operations, maintenance in areas relating to environmental standards, emission standards and noise level management. This is in line with our manufacturing factories being certified as an *ISO 14001:2004 Environmental Management* System organization holder by an international body.

On-going programmes initiated among its staff on awareness of recycling of waste materials and continuous improvements in our manufacturing process create a greener environment. We have reviewed the Global Reporting Initiative (GRI) list of environmental matters and will be prioritizing the following three key environmental sustainability matters that are most pertinent to our businesses and stakeholders:

i) Waste and Effluent Management

This is a top priority for all Divisions to prevent environmental pollution and to reduce the amount of hazardous and non-hazardous wastes. The Group handles effluents and waste in line with the local regulations.

Those on-going programmes which is in line with promoting waste and effluent management are 3R (Reduce, Reuse, Recycle), disposing our waste through scheduled waste management in accordance with Environmental Act 1974 via approved contractors, waste segregation and quarterly gotong-royong. The Company also practices returnable PP Corrugated boxes and trolleys in order to reduce environmental footprint. Our Service Parts Centre uses returnable boxes and trolleys for outbound delivery. Each box/trolley is labelled with an outlet code to keep track of it and to ensure that each outlet returns the box to the Service Parts and Logistic Division. This initiative has enabled the Company to reduce its packaging materials.



ii) Monitoring Our Emissions

Carbon emissions are the main cause of climate change and human activity is a leading source. The Company has a range of initiatives to reduce its carbon emissions by enhancing fuel and energy efficiencies. We make sure all our machines are in compliance with regulations on the carbon emission to the environment by performing regular checks on the machines. On top of that, we strive to cut our transportation processes by increasing the load efficiency in transporting our finished goods to our customers.

iii) Managing Resources and Materials

The Group's priority is to increase the use of renewable resources and recycled materials. We aim to meet the environmental challenge by going beyond zero-impact towards making a net positive environmental impact. Some of the key criteria expected of suppliers and vendors include:

1. Creating and implementing environmental management systems and continuously improving their environmental conservation activities (for example: certified under ISO 14001:2004)
2. Ensuring that their products and activities contribute to biodiversity and promote the concept of harmony with nature
3. Complying with all applicable laws in their management of chemical substances

