

SUSTAINABILITY STATEMENT

2018 marked another important year in HSS Engineers Bhd’s (HEB or the Company) sustainable journey. We are proud to benchmark our strategic business goals against the United Nation’s 17 Sustainable Development Goals (SDG’s). As an engineering consultancy group, we initially selected SDG 9: Industry, Innovation and Infrastructure as a sustainability goal that the Group can directly contribute to. Sustainability is part of what we do every day, wherever we operate, either in our design office or at our client’s construction sites located across Malaysia. The acquisition of SMHB Engineering Sdn Bhd (SMHB) which was completed within the first quarter of 2018, with their strength in the water industry was a tremendous step towards our sustainability goals given the increasing importance placed by governments in fulfilling their commitments towards the environment, sustainability and innovative engineering. Moving forward, given our combined strength in water treatment, distribution, dams, flood mitigation, irrigation and environmental services, we aspire to contribute to other SDG’s in the future such as the following.

- SDG 6: Clean Water & Sanitation
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption & Production (including waste management)

Areas for project sustainability reporting include carbon savings, energy savings, biodiversity conservation and land savings. A Green Task Force (Taskforce) was formalized and setup in 2018 consisting of an advisory and working group to operationalize sustainability, provide focus, measure and highlight areas of sustainability to senior management and the board of directors.



SUSTAINABILITY IN DESIGN

Using building information modeling (BIM) data generated, the Group is able to design more cost effective solutions throughout the entire project life cycle from the initial planning, through to preliminary and detailed design and ensure sustainable operations and maintenance of the facility. The Group’s usage of BIM allows us to make design changes and value engineer projects while the project design development and definition is still flexible, compared to making costly changes during the construction stage. The Group has provided value to our clients in the following ways but not limited to:

1. Data Driven Improvement

BIM allows all designers to collaborate and learn from each other’s experience. The knowledge gained and the data generated minimizes and in some cases eliminate mistakes from being repeated in the future. Having a single source for data on a project also facilitates future operations and maintenance of the completed project for facilities management.

2. Better Streamlining in Delivery

The Group’s use of BIM in projects allows us to assist our clients in minimizing wastage resulting in minimal on-site variation. BIM allows for automatic clash detection with resulting savings in time, cost and construction materials. The visualization tools and quantity take-off functions within BIM also assists in improving the productivity of construction activities at site.

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In 2018, our sustainability initiative addressed matters that are important to both our internal and external stakeholders. We believe that by adopting a comprehensive sustainability reporting, we will be able to enhance and refine our sustainability framework.

Currently, the Group's operational environmental and social commitments, policies and processes are embedded within either of the following:

- (a) our Quality, Environmental, Safety and Health (QESH) Management Systems which are OHSAS 18001: 2007, ISO 9001: 2015, and ISO 14001: 2015 certified;
- (b) ISO Quality 9001 : 2015

SMHB is in the process of obtaining certification to MS ISO 14001: 2015 Environmental Management System (EMS) and MS ISO 45001 : Occupational Safety and Health Management System (OSHMS).

The Taskforce formed during the year is to champion various green initiatives within the Group, with focus on spearheading a group-wide digitization strategy that would improve resource efficiency and drive wastage reduction within all processes of the Group. The Taskforce also embarked on an energy savings initiative for the headquarters.

SCOPE

This statement has been prepared in accordance with (1) Bursa Malaysia's Main Market Listing Requirements Note 9; (2) Bursa Malaysia's Sustainability Reporting Guide (2nd Edition) (Bursa Guide); and (3) the Global Reporting Initiative (GRI) Standards – Core Option. Bursa Guide and the GRI Standards serve as our primary reference points for disclosures on matters pertaining Economics, Environment and Social. No external assurances have been made for this statement.

All information within this statement includes all subsidiaries & associates of HEB based in Malaysia.

STAKEHOLDERS & ISSUES OF INTEREST

As part of its sustainability process, especially in determining key matters that is important for the Group and its environment, the Group continues to actively engage various stakeholders. This enables the Group to be more encompassing and able to capture varied and even differing viewpoints that serve to further refine our sustainability related concerns and materiality matters,

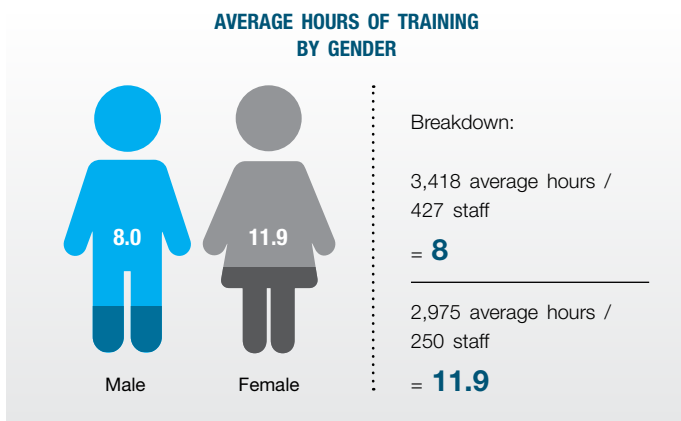
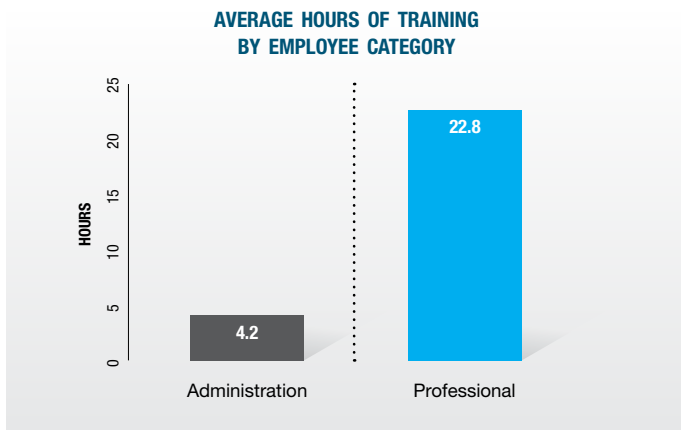
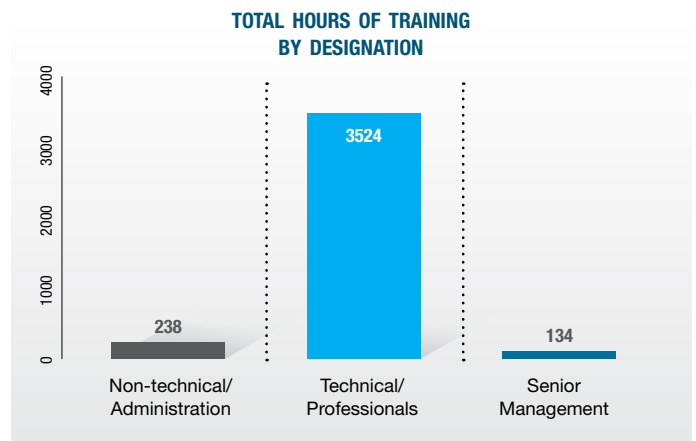
STAKEHOLDERS	ENGAGEMENT ACTIVITIES	FREQUENCY	ISSUES OF INTEREST
Employees	Induction training Safety briefings Training	Each new hire, Annually Annually	<ul style="list-style-type: none"> • Employee benefits • Employee training
Clients	Customer feedback mechanisms	Per project	<ul style="list-style-type: none"> • Quality of service
Investors	Meetings	Regularly	<ul style="list-style-type: none"> • Financial sustainability
Suppliers	Supplier assessments	Ad-hoc	<ul style="list-style-type: none"> • Updates on the Group's business standing • Fair procurement practices
Regulators	Filings	Regularly	<ul style="list-style-type: none"> • Complying with relevant rules and regulations

MATERIAL TOPIC 1 - EMPLOYEE TRAINING

Training is crucial for organizational development and success. Training leads to enhancement of employees’ skills as well as improve quality of work. The diversity of the board of directors within the Group especially in terms of skills and experience is important in order to help the Group move forward. As we are a services-based group of companies, human capital is integral to the continued success of our operations in our aspiration to be a leader in the engineering industry. The Group views employees training as a continuous process of capacity building and updating employees on changes and advances in technology, techniques and processes, thus keeping the employees and the companies abreast at all times. As such, internal knowledge capacity building has the highest significance in our sustainability management. Training needs of the employees within the Group are identified by the respective department heads in accordance with the individual competency level of the employees in meeting their “Basic Skills”, “Core Skills” and “Specialised Skills”. At the Group, employees are required to undergo training needs assessment to identify potential areas for skills and capacity building. Current activities under on-the-job and off-the-job trainings include:-

TYPE	ACTIVITY
ON-THE-JOB	Close mentoring by supervisors
	Employees are trained in the actual working scenario
OFF-THE-JOB	In-house or external training courses
	Training is provided away from the actual working condition. Self-study using manuals and tutorial manuals

* Professionals Category includes Senior Management & Technical/Professionals



The total hours of training have shown a drop in the figures as compared to the previous year of 2017, the total number of training either external or internal (in-house) has been reduced to half of the previous year figures. The reason was due to the Group implementing cost management initiatives in 2018 which also affected the training budget. Among other trainings that the Group had conducted in 2018 was Business Communication Skills for Engineers- Module 3. This in-house training was a continuation of Module 1 & Module 2 which were organized in the previous years. Besides soft-skills training our Engineers and Senior Engineers also attended several other technical trainings and conferences to further enhance their skills and knowledge and contributed to their overall work performance.

The Group keeps “Training Logs” for all employees training record. After several trainings are completed the results are monitored and additional follow-up recommendation will be given by the respective supervisors.

The Group provides an in-house library for employees Learning and Development (L&D) purpose. It boasts a few thousand technical books, government reports, copies of project proposals and numerous related documents. Books and reports are being continuously purchased based on recommendation from the senior management and professional employees. A full-time librarian is stationed to record all the books and provide necessary services to all employees.

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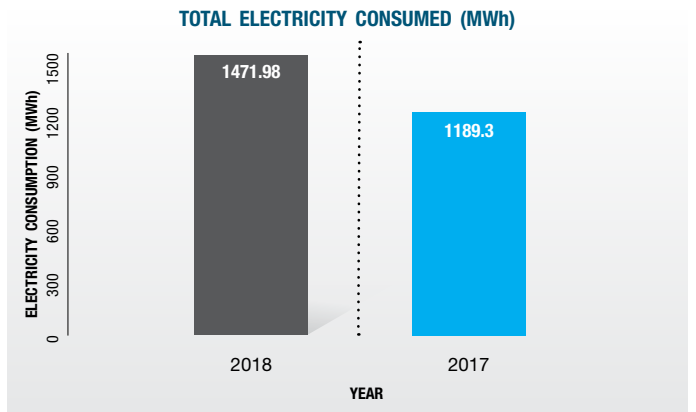


1. An in-house training: Business Communication Skills for Engineers - by British Council • 2. Basic Occupational First Aid, CPR and AED Training in April 2018 • 3. Fire Drill Briefing in March 2018 • 4. Essential Fire Fighting Training in April 2018

MATERIAL TOPIC 2 - ENERGY MANAGEMENT

TOTAL ELECTRICITY CONSUMED

No.	Year	Electricity Consumption (MWh)	Percentage Increase / (Decrease)	Remarks
1	2018	1471.98	23.7%	This includes consumption by newly acquired subsidiary, SMHB.
2	2017	1189.3		



The Group has always operated based on a general philosophy to conserve and protect nature's resources. The Group strives to ensure each project undertaken is in keeping with the principles of sustainable development and conserving the environment for future generations.

The Group targets to reduce usage of electricity by 5% over the next 5 year. In February 2018 the existing lights on two floors of the Group's headquarter were replaced with LED lights. The remaining floors will be installed with LED lights in stages.

In October 2018, initiatives were established towards Energy Conservation by departments and employees by creating 'Work Zones' for lighting to conserve energy where possible and circulated 'Workplace Etiquette' as a guide towards managing operating costs.

The Taskforce will continue to monitor monthly energy consumption to ensure proper energy conservation is carried out to achieve significant reduction.

MATERIAL TOPIC 3 - FINANCIAL SUSTAINABILITY

Financial sustainability allows the Group to grasp opportunities and address future market challenges, whilst maintaining a good balance between growth and stability. The key financial indicators below highlight the economic value of the Group. Further information on our financial sustainability can be examined in other areas within the Annual Report.



MATERIAL TOPIC 4 – PRACTICE OF GOOD BUSINESS CONDUCT / ETHICS

We continue to promote good governance and business ethics through the Group's corporate governance structure.

The Group's Code of Ethics and Code of Conduct encompass all aspects of the Group's daily business operations. Directors and employees are expected to conform and observe an appropriate decorum and behaviour that promote honesty and integrity when engaging with employees and stakeholders.

The Whistle-Blower Policy of the Group serves as a guide to employees on how to raise genuine concerns related to possible improprieties in matters of financial reporting, compliance and other practices at the earliest opportunity and in an appropriate way.

Non-adherence or non-compliance to the above codes will result in reprimand by management against any parties found guilty.

In FY2018, there were no cases of misconduct reported.

MATERIAL TOPIC 5 – EMPLOYEE BENEFITS

We place great importance in our employees' wellbeing. A positive work environment is not only important for employees' physical, mental and emotional health but is also important for the results that employees produce for the Group. To create a lively working environment, we encourage our employees to participate and contribute to our Sports Club, an in-house association that ushers employee participation to Group-wide events such as sporting activities, family day and company trips (some subsidized by the Group), Health Week, as well as community service activities. The employees participation and engagement activities are important because it helps not only the Group to grow but also very useful for the overall growth of the employees besides creating a positive work environment.

Further, the Group provides a range of benefits to the employees including Group insurance policies, outpatient medical treatment and allowances.

Below are some of the snapshots of the Group's activities for year 2018.

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1. Tug of War Tournament 2018 • 2. Trip to Desaru, Johor • 3. Bowling Tournament • 4. Treasure Hunt • 5. Badminton Tournament • 6. Futsal Tournament • 7. Health Week • 8. Trip to Sungai Klah, Perak

HEB organised Blood Donation Campaign among the Staff on 26 April 2018

In conjunction with Corporate Social Responsibility (CSR), HEB collaborated with Pusat Darah Negara and organised Blood Donation Campaign in April 2018. HEB organises blood donation campaign annually during the Health Week.





1



3



2

1. SMHB FC vs Sunday Social FC • 2. Maccaferri Futsal Championship • 3. Annual Gathering

MATERIAL TOPIC 6 – SAFE WORKING ENVIRONMENT

Health and safety constitutes a significant risk within our industry. The Group has formalized an Emergency Preparedness and Response plan that outlines necessary actions to minimize impact or risks during emergencies or accidents such as fire, personal injuries, property damage, etc.

We have designated persons of authority to identify hazards, implement proactive actions to prevent potential hazards and coordinate an efficient response during emergencies. Potential hazards, environmental impacts, and emergency situations are identified through HIRADC Register, EAI Register, Workplace Inspections/ Safety walkabouts and other applicable means.

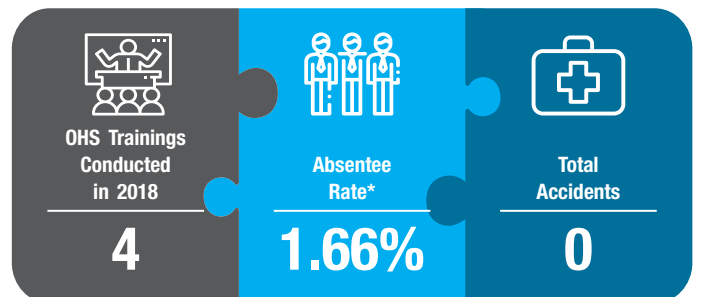
As part of the Group’s Emergency Preparedness and Response plan, we have dedicated Administration Department and QESH Department which spearhead training programs for Emergency Response Team members and personnel. The training programs are intended to enhance the Group’s awareness levels on the procedures laid out in the Emergency Response Plan.

A coordinated and efficient response during emergency situations is vital to create a safe working environment. In this regard, the Group conducts annual evacuation drills for its offices. The evacuation drills are analyzed by the Administration Department and QESH Department for continuous improvement opportunities. In addition, the Group conducts routine maintenance and inspection of emergency equipment such as fire alarms, fire extinguishers, etc. at its offices.

Occupational Health and Safety (OHS) Trainings conducted in 2018 consists of Basic Occupational First Aid, CPR and AED, Essential Fire Fighting, Fire & Emergency and Fire Prevention.

Absentee rate is calculated by The total number of Medical Leaves divided by Total Number of Employees times the Number of Working Days for 2018. Below is the calculation for absentee rate.

$$\frac{4074 \text{ MEDICAL LEAVES}}{932 \text{ STAFFS X 263 DAYS}} \times 100\% = 1.66\%$$



* Absentee Rate calculated as Number of Medical Leaves / (Total number of employees*number of working days)

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MATERIAL TOPIC 7 – CLIENT SATISFACTION

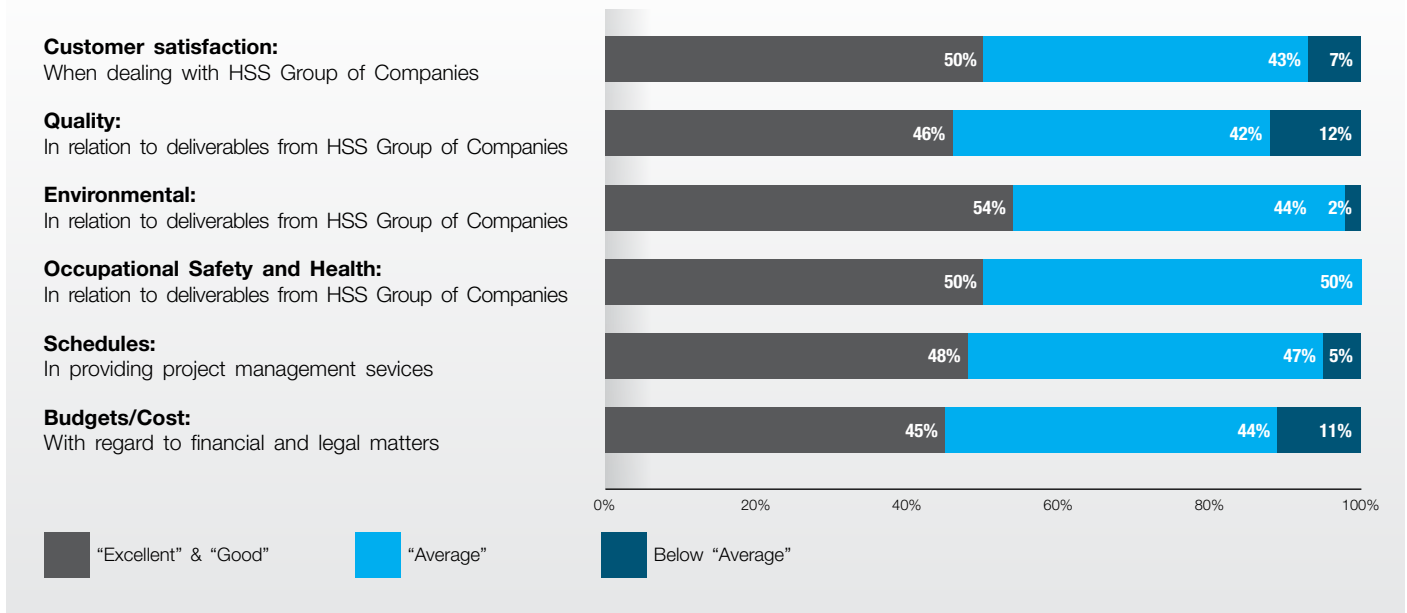
As an engineering consultancy group, client satisfaction is one of our highest priorities. We work to ensure effective client engagement throughout all levels of the Group. There is a customer complaint channel serving as a platform for clients to relay issues and concerns pertaining their project. All highlighted concerns will be analyzed internally for a systematic identification of root causes to devise potential solutions. In addition, all concerns are documented in the Concern Register for record-keeping purposes. The complaint channel also serves as an instrument to ensure quality in its service deliverables.

To ensure client satisfaction, we currently use an internal benchmark of not more than 5 complaints per project. The benchmark allows us to do a comparative analysis of client satisfaction across all projects. In addition, the commitment is to respond to all client complaints within 3 working days upon lodgment in writing.

For client feedback, we request our customers to provide us with inputs and feedback via a customer survey process. Issues covered in the survey include overall client’s satisfaction, quality of work, environmental, occupational health and safety, schedule, and budget/cost. Further, an annual internal review is conducted on operations. The results of surveys are covered in our Customer Survey Report compiled and analyzed by QESH department. The report is tabled during Management Review meetings to explore improvement opportunities.

Results of Customer Survey 2018

RESULTS OF CUSTOMER SURVEY REPORT



MATERIAL TOPIC 8 – WATER MANAGEMENT

TOTAL WATER CONSUMPTION

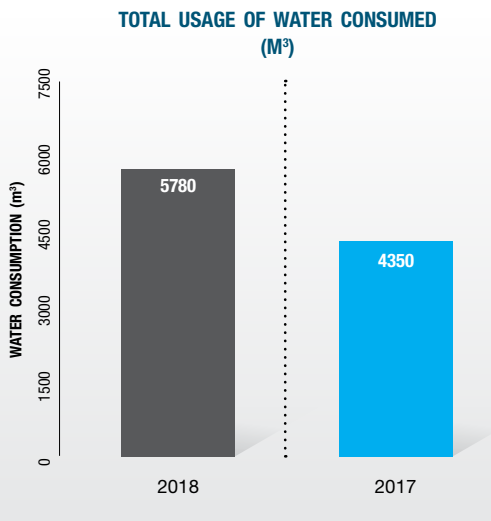
No.	Year	Water Consumption (m³)	Percentage Increase / (Decrease)	Remarks
1	2018	5780	32.9%	This includes consumption by newly acquired subsidiary, SMHB
2	2017	4350		

In line with the Group’s principles of sustainable development and conserving the environment, all water-related projects undertaken by the Group are developed taking into consideration the need to ensure long-term viability of the precious resource.

Within the the Group’s operations, reducing water consumption is a key target towards reducing the Group’s environmental footprint.

Moving forward, the Group will be including ways to help understand usage of water more efficiently by:

- Establish water usage benchmark to monitor the highest and lowest consumption.
- Identify water leakage.
- To install water flow controller which is a simple water saving device when fitted onto water tap, can help to reduce water consumption.

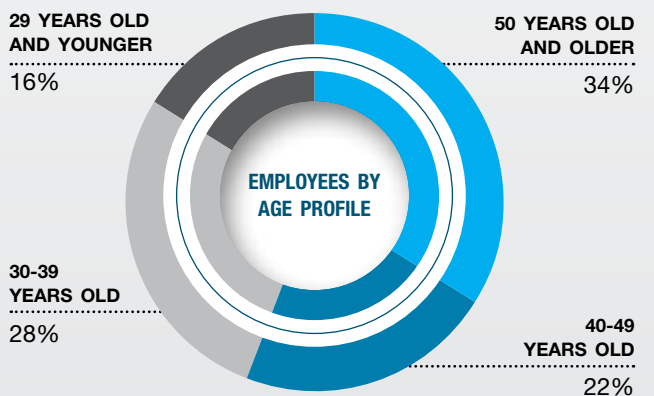
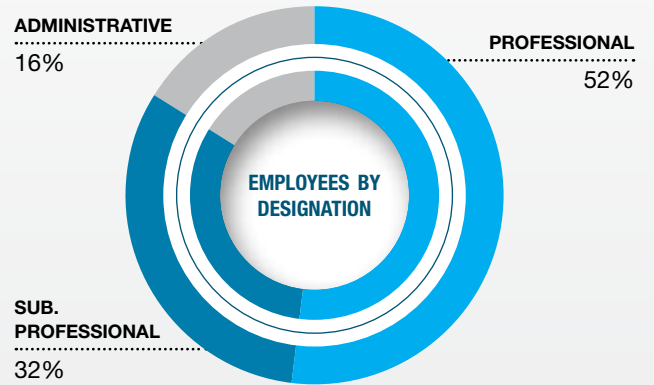


MATERIAL TOPIC 9: DIVERSE AND INCLUSIVE

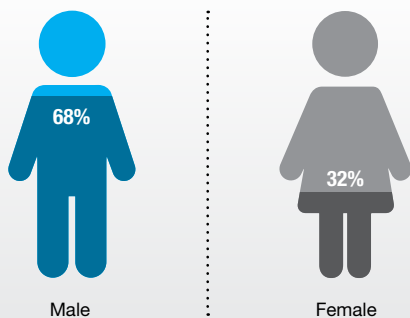
The employees are the lifeblood of the Group. Having diverse and more inclusive employees from different races and backgrounds with different views and skills is good for an organisation. The Group’s diverse team contributes a blend of their own unique work styles and approaches into a cohesive entity that empowers our employees to contribute their best skill sets and capabilities in their daily work. A diverse workforce will bring different ideas and new ways of thinking. The charts below highlight the diversity measures monitored by the Company.

The Group strives to be an Equal Opportunity Employer. Creating ideal conditions for an enhanced work family life balance and stimulating gender diversity in the workplace is important for economic growth and sustainability.

In addition, the Group also strives to ensure all employees are accorded equal opportunities at the workplace by providing a safe and harmonious environment that is free from discrimination. The Group has outlined a commitment to support and respect principles of human rights at the workplace and condemns all forms of discrimination. The Group also embedded equal opportunity principles within its formalised Hiring Policy and there is Diversity Policy in place.



EMPLOYEES BY GENDER



NEW EMPLOYEES HIRES

