

SUSTAINABILITY STATEMENT

As businesses race towards a greener and more sustainable future, HSS Engineers Bhd (HEB or the Company) has achieved an excellent sustainable journey throughout 2019. 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 Company can directly contribute to. Sustainability is ingrained in our DNA from how we operate to how we deliver either in our design office or at our client's construction sites located across Malaysia. Through the acquisition of SMHB Engineering Sdn Bhd (SMHB), our combined strength in water treatment and 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. We are proud to have continued our sustainability journey in 2019. The Green Task Force (Taskforce) formalized and setup in 2018 consisting of an advisory and working group, has succeeded thus far to operationalize, provide focus, measure and highlight areas of sustainability to senior management and the board of directors. Key sustainability initiatives that we intend to focus on include greenhouse gas emissions, energy consumption, water consumption and waste management. In 2019, we implemented energy efficient devices and systems throughout the organization's workspace which included areas such as LED lighting. Moving forward, we aim to implement further energy savings on electrical consumption to include air conditioning and computers.



Sustainability in Design

From the data generated using Building Information Modeling (BIM), the Company 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 Company'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 Company has provided value to our clients in the following ways but not limited to:

1. Data driven improvement

Having a single source of data on a project, facilitates future operations and maintenance on projects for facilities management. 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.

2. Better Streamlining in Delivery

BIM allows for automatic clash detection with resulting savings in time, cost and construction materials. This allows us to assist our clients in minimizing wastage resulting in minimal on-site variation. 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 2019, our sustainability initiative addressed matters that were 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 Company’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 has in November 2019, launched the implementation of ISO 14001: 2015 Environmental Management System and ISO 45001: 2018 Occupational Health & Safety Management System and aims to achieve certification from SIRIM by the end of Second Quarter 2020.

The Taskforce formed during the year championed various green initiatives within the Company, 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 Practice 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

As part of its sustainability process, especially in determining key matters that is important for the Company and its environment, the Company continues to actively engage various stakeholders. This enables the Company 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 Annually	<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

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Material Topic 1 - Employee Training

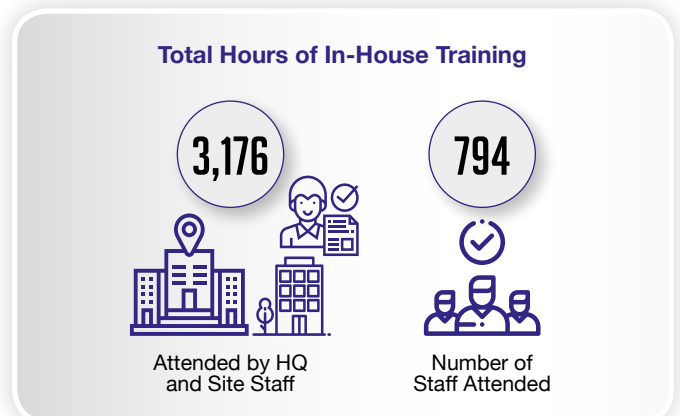
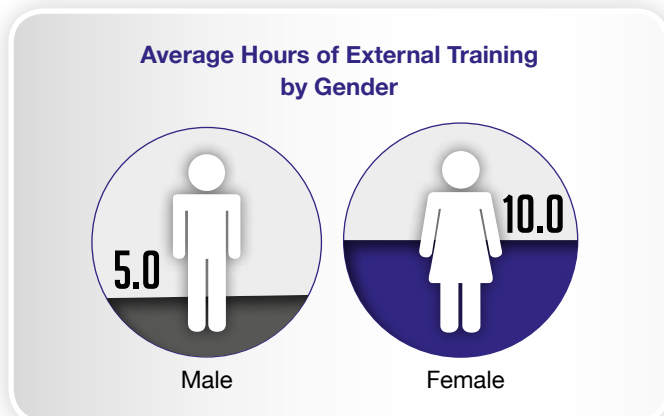
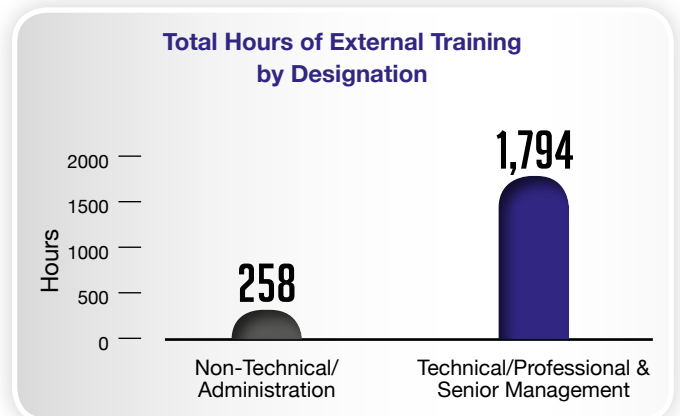
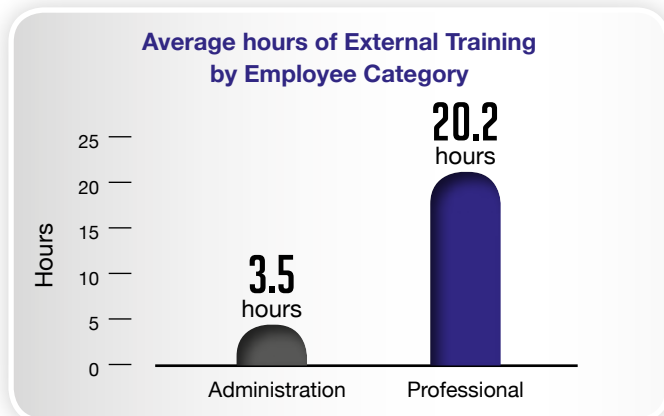
The Management firmly believes that staff training is an integral part of enhancing staff skills and competency to ensure continuous improvement in providing quality services to the clients, stakeholders and the engineering industry as a whole. As we are a service based group of companies, human capital is integral to the continued success of our operations and in our aspiration to be a leader in the engineering industry.

The process of staff training involves an initial careful assessment and selection of training needs in respect of all staff. Employees within the Group/Department are identified by their respective department heads in accordance with the individual skill and competency levels in meeting their “Basic Skill”, “Core Skills and “Specialised Skills”. Following the training, employees are monitored closely by their Heads to establish their progress and further training, if required. Current activities under the on-the-job and off-the-job training include:-

TYPE	ACTIVITY
On-the-job	<ul style="list-style-type: none"> • Close monitoring by immediate supervisors • Employees are trained in the actual working scenario
Off-the-job	<ul style="list-style-type: none"> • In-house or external training courses • Training is provided away from actual working condition • Self-study using manuals and tutorial manuals

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*Professionals Category includes Senior Management & Technical/Professionals



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The total hours of training has shown a drop in figures, compared to previous years, be it externally or internally (in-house) due to the continued cost management initiatives by the Group in 2019, which eventually affected the training budget.

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.

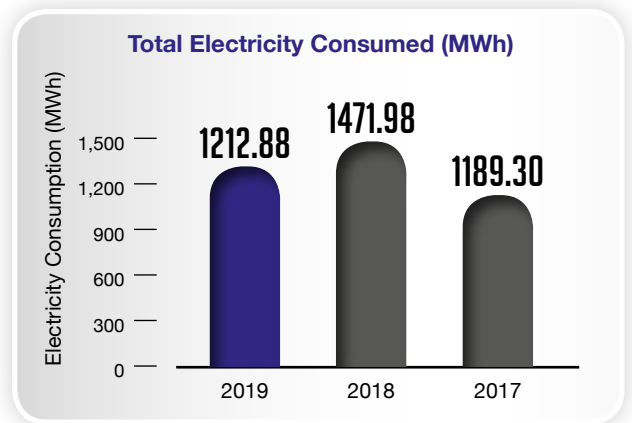
The Group provides an in-house library for employees Learning and Development (L&D) purposes. It boasts of a few thousand technical books, government reports, copies of project proposals and numerous related documents. Books and reports are continuously purchased based on recommendation from the senior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

Material Topic 2 - Energy Management

TOTAL ELECTRICITY CONSUMED

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No.	Year	Electricity Consumption (Mwh)	Percentage Increase / (Decrease)	Remarks
1	2019	1212.88	(17.6%)	
2	2018	1471.98	23.7%	This includes consumption by newly acquired subsidiary SMHB
3	2017	1189.30		



The Group continues to make initiatives to establish Energy Conservation by department and staff in reducing the usage of electricity. The Group achieved its green initiatives towards energy efficiency in Nov 2019 by replacing all the floor’s with LED lights. There was a substantial reduction of 17.6% in 2019 compare to the usage in 2018. There was also a marginal decrease of 8.6% on electricity consumption per employee. This was due to the initiatives taken by staff to conserve energy with the implementation of “Work Zones” and “Workplace Etiquette” initiated by the group in the third quarter of 2018.

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.



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Material Topic 4 – Practice of Good Business Conduct / Ethics

Good governance and business ethics are promoted as culture through the Group's corporate governance structure.

The Company's Code of Ethics and Code of Conduct encompass all aspects of the Company'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 Company 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 which is in line with ISO37001:2016, Anti-Bribery Management System (ABMS) requirements will result in reprimand by management against any parties found guilty and also will cause 'findings' during internal or external audit.

In FY2019, there were no cases of misconduct reported.

Material Topic 5 - Employee Benefits

Offering benefits to the employees is important because it shows them that the Company is invested in not only their overall health but for their future. We believe that employees' benefits package is able to attract, motivate and retain our employees.

The employees participation and engagement activities are also important because it helps not only for the Company to grow but also very useful for the overall growth of the employees by creating a positive work environment. We also encourage our employees to participate and contribute to our Sports Club, an in-house association that ushers employee participation in various health, sports and service activities.

The workplace environment impacts employee morale, productivity and engagement both positively and negatively. Creating a positive work environment in which employees are productive is essential to increased profits for the organization.

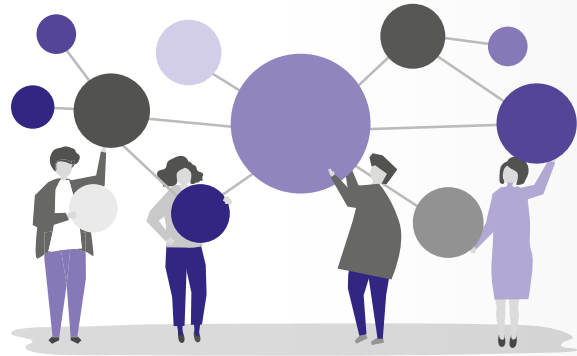
The Group also provides a range of benefits to its employees including Company insurance policies, outpatient medical treatment and some allowances.

Below are some of the snapshots of the Company's activities for the year 2019.



SMHB Staff Annual Dinner Gathering December 2019

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1. HSSSRC Bowling Tournament January 2019
2. HSSSRC Badminton Tournament February 2019
3. HSSSRC Fun Day December 2019
4. Badminton Weekly Sessions
5. Hiking Weekly Sessions
6. HSSSRC Futsal Tournament April 2019
7. HSSSRC Annual Trip to Penang April 2019
8. HSSSRC Pool & Darts November 2019
9. Volleyball Weekly Sessions
10. Zumba Weekly Sessions

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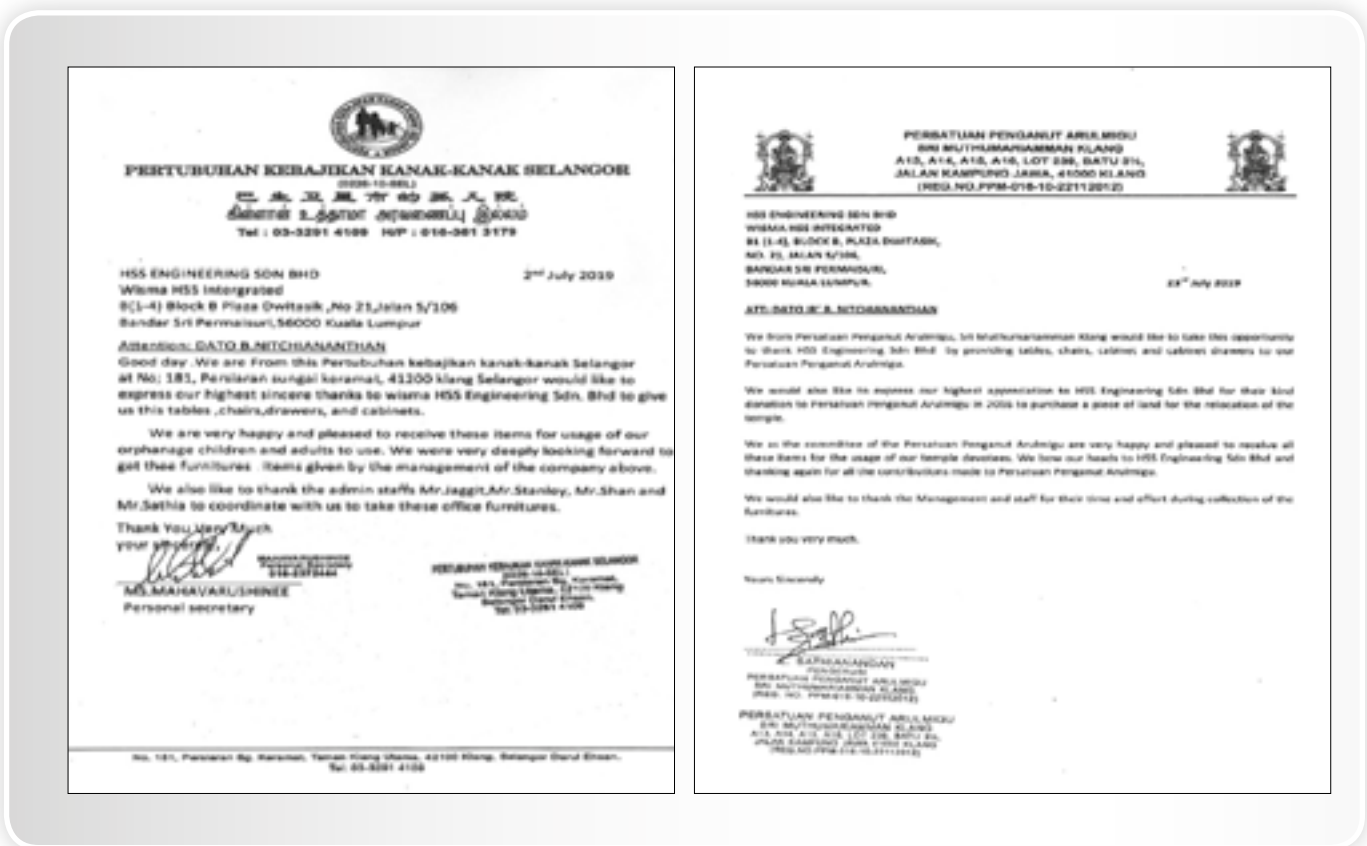
CORPORATE SOCIAL RESPONSIBILITY

Health Week (July 2019)

In conjunction with our Corporate Social Responsibility (CSR) initiative, HEB collaborated with PPUKM and Pusat Darah Negara to organize Health Week along with a Blood Donation Campaign in July 2019.



Moreover, as part of the group’s Corporate Social Responsibility (CSR) initiative, the group has donated chairs, tables and drawers for charitable purposes to “Persatuan Penganut Arulmigu Sri Muthumariamman Klang” and “Pertubuhan Kebajikan Kanak-Kanak Selangor” as a means to benefit society and demonstrate good corporate citizenship.



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Material Topic 6 – Safe Working Environment

Health and safety constitutes a significant risk within our industry. The Group has formalized an Emergency Preparedness and Responses 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 (OSH Risk) Register, EAI Register, Workplace Inspections/ Safety walkabouts and other applicable means. The Legal and Other Requirements (LOR) related to Occupational Health and Safety (OSH) are registered in the company’s LOR and each projects.

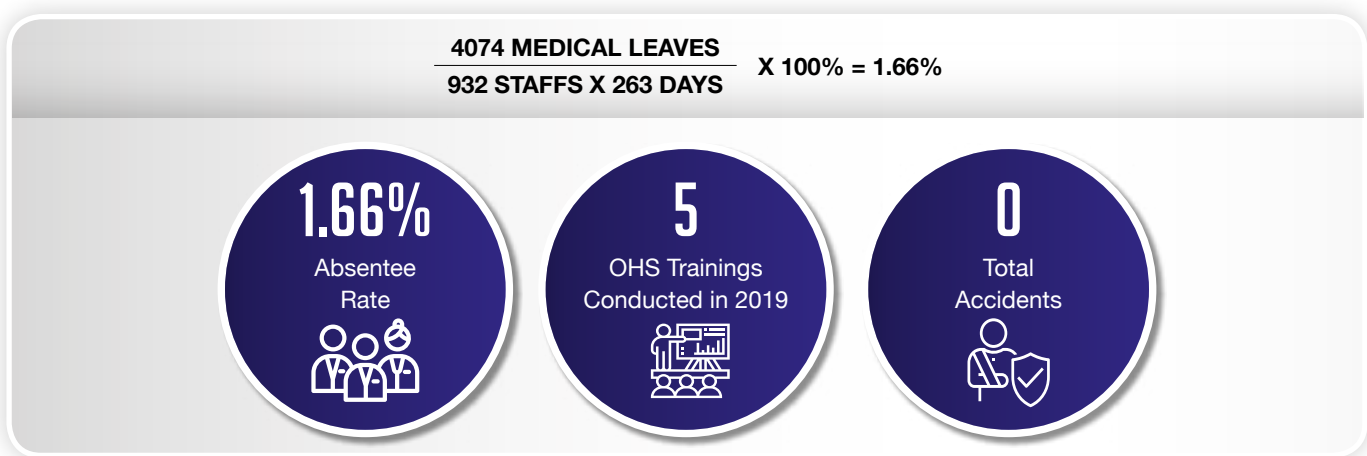
As part of the Group’s Emergency Preparedness and Responses plan, we have dedicated MSC Department and Administration Department which spearhead training programs for Emergency Response Team members and personnel. The training programs are intended to enhance the Group’s awareness levels on the procedures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

A coordinated and efficient response during emergency situations is vital to create a safe working environment. In this regard, the Group conducts an annual evacuation drills for its offices. The evacuation drills are analysed by the Administration Department and MSC Department for continuous improvement opportunities.

The Group is also implementing a regular Safety and Health Committee Meeting as required by OSHA Act 1994 for the purpose of safe and healthy work environment. The committee members are appointed by the management and their roles and responsibilities are in the prescribed standard SOP.

In addition, the Group conducts routine maintenance and inspection of emergency equipment such as fire alarms, fire extinguishers, etc. at its offices.

Trainings which were conducted in 2019 consist of Basic Occupational First Aid, CPR and AED, Essential Fire Fighting, Fire & Emergency and Fire Prevention Seminar.



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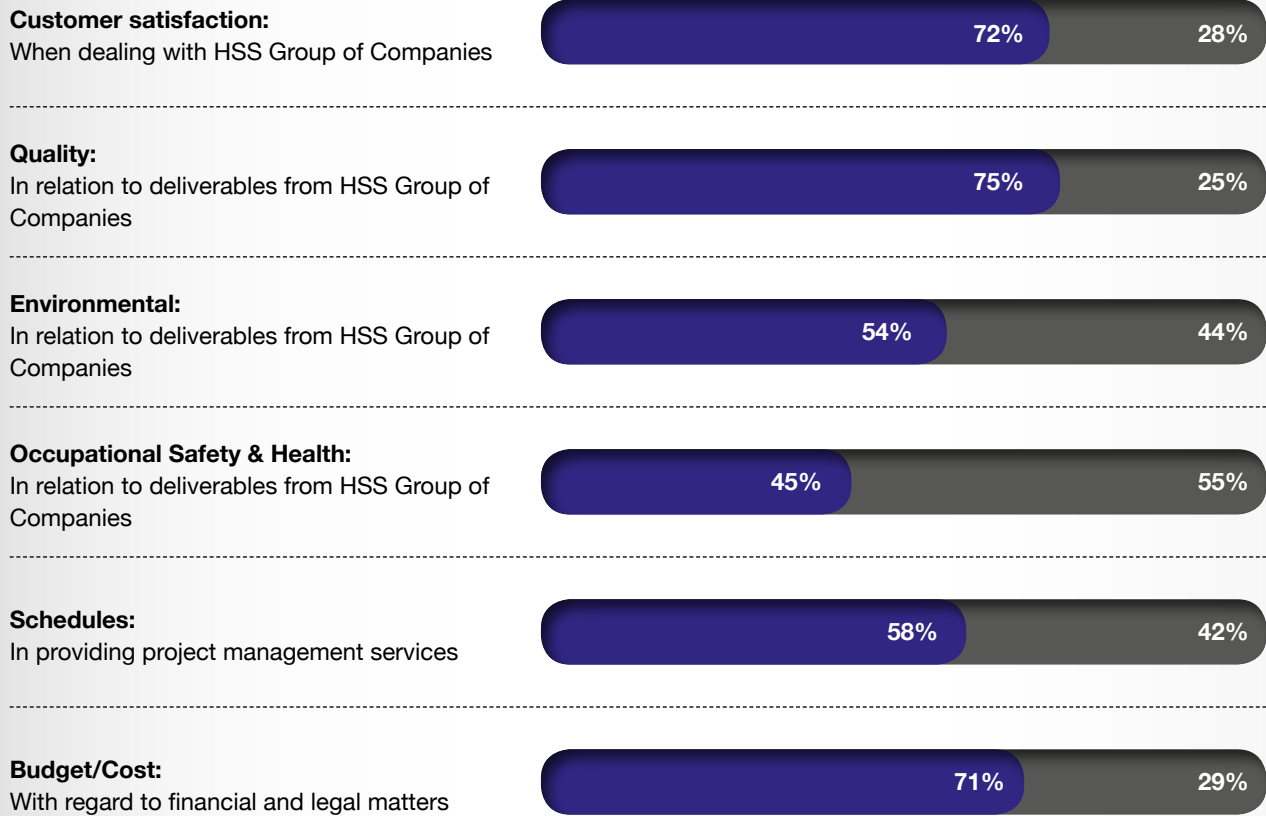
Material Topic 7 – Client Satisfaction

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 to their project. The complaint channel also serves as an instrument to ensure quality in its service deliverables. All highlighted concerns will be analysed internally by MSC Department for a systematic identification of root causes to devise potential solutions. All concerns are documented in the Client Satisfaction Survey Report at yearly basis. The Client Satisfaction Survey Report will be tabled during Management Review Meeting at least at a yearly basis or more frequent depending on the current need/ requirements. Issues of concerns will be discussed during the meeting as well as the solution and continual improvement.

The Group management has set up company policy and objective to ensure client satisfaction. 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.

Currently the internal benchmark for client satisfaction which is rated from the 'Client Satisfaction Survey Form' is above '3 marks' out of '5 marks' in each category. The client satisfaction is also rated and analysed from the IMS (Integrated Management System) Objectives which is not more than 5 complaints per project and response time not more than 3 working days. The benchmarks are set as a guideline to allow us to do a comparative analysis of client satisfaction across all projects.

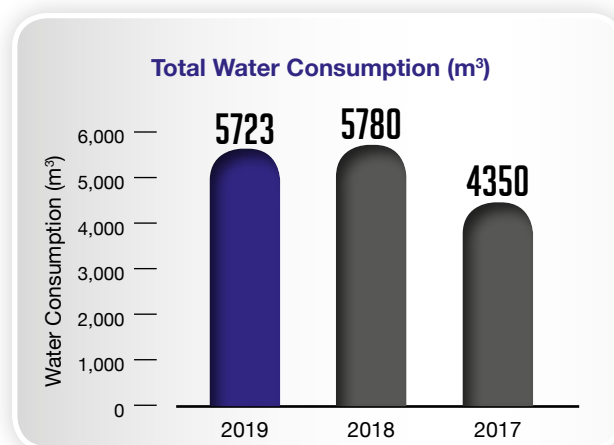
RESULTS OF CUSTOMER SURVEY REPORT AS AT NOVEMBER 2019



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Material Topic 8 – Water Management

No.	Year	Water Consumption (m ³)	Percentage	Remarks
1	2019	5723	(1.0%)	
2	2018	5780	32.9%	This includes consumption by newly acquired subsidiary SMHB
3	2017	4350		



The group’s commitment in water conservation strategies has achieved savings of 1.0% compared to 2018 water usage. The Group will continue to monitor and move towards the most effective way to reduce water consumption by increasing awareness among employees so as to be mindful of their daily water usage. Moving forward, the Group will consistently develop & execute new water saving strategies to further reduce water usage.

Material Topic 9 - Diverse And Inclusive

Diversity and inclusion are integral to the success of HEB Group. We are proud to have an organisational culture where employees with varying perspectives, skills, life experiences and backgrounds, the best and brightest minds can work together to achieve excellence and realise individual and organisational potential.

One of our greatest strength is the diversity of our workforce with men and women of many nationalities and backgrounds working together and sharing common objectives.

Individuals from diverse backgrounds can offer a selection of different talent, skills and experiences that may be of benefit to the organization and their work performance.

A variety of skills and experiences among the team also means that employees can learn from each other. A company which embraces diversity will attract a wider range of candidates to their vacancies as it will be viewed as a more progressive organization and will appeal to individuals from all walks of life.

Employees are more likely to feel comfortable and happy in an environment where inclusivity is a priority. Equality in the workplace is important for encouraging workers from all backgrounds to feel confident in their ability and achieve their best. The higher the morale, the more productive employees are.

HEB is a committed Equal Opportunity Employer. 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. The Group also embedded equal opportunity principles within its formalised Hiring Policy and there is Diversity Policy in place.

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The charts below highlight the diversity measures monitored by the Company.

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