



Heng Hup Holdings Limited 興合控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code : 1891

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2019

ABOUT THE GROUP

Heng Hup Holdings Limited 興合控股有限公司 (Stock Code: 1891) (the “**Company**” and together with its subsidiaries, the “**Group**” or “**we**”), is a leading scrap ferrous metal trader in Malaysia which have established a nationwide supplier base of feeder yards from which the Group source recycle scrap ferrous metals for sales to steel mills in Malaysia.

The Group operates three scrapyards equipped with the processing machinery mainly for ferrous metals, which are strategically located in areas where the availability of scrap ferrous metals can be assured and are close to its steel mills customers. The scrapyards are located in the states of Melaka, Selangor and Johor, with an aggregate land area of approximately 35,000 square meters.

ABOUT THIS REPORT

This Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”) outlines the sustainability performance of the Group covering the financial year (“**FY**”) from 1 January 2019 to 31 December 2019 (“**FY2019**”). Following the publication of our first ESG report for FY2018, we have since taken steps to strengthen our reporting framework. We have established an ESG working group to coordinate and implement the initiatives under our sustainability strategy, and formalised a reporting structure with oversight from the Chief Executive Officer.

For information relating to the Group’s corporate governance practices, please refer to our annual report which is available on the website of The Stock Exchange of Hong Kong and the Group’s website at www.henghup.com.

This Report has also been uploaded to the website of The Stock Exchange of Hong Kong and the Group’s website at www.henghup.com.

Scope of this Report

Our report focuses on the operations of the Group at its principal place of business in Malaysia. The disclosure in this Report are mainly extracted from the Group’s statistical reports and documents. There have been no significant changes in the Company’s organisational structure during FY2019.

Reporting Framework

This Report is set out in accordance with the ‘comply or explain’ provisions in accordance with the ESG Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong, and has taken the four reporting principles specified therein – materiality, quantitative, balance and consistency as basis in the preparation of this Report. For ease of comparison of the Group’s yearly performance, the structure of this Report aligns with the first ESG report as closely as possible.

In accordance with the “key performance indicators” in the ESG Reporting Guide, the Group disclosed quantitative indicators in the “environment” category and explained indicators with no materiality. Quantitative indicators in the “social” category were disclosed to the greatest extent and we will be improving on the collection in internal data and expanding disclosure scope in the future.

Feedback

We make every effort to ensure consistency between the Chinese and English versions of this Report. In the event of any inconsistency, the English version shall prevail.

We value your thoughts and feedback on this Report. For any clarifications or advice regarding the contents of this Report, please contact us at ir@henghup.com.my.

STAKEHOLDERS' ENGAGEMENT

In our ESG report for FY2018, we have identified our key stakeholder groups. We maintain on-going communication with our stakeholders through various channels of communication as set out in the table below:

Stakeholders	Channels of Communication	Expectations and Demands
(i) Shareholders and investors	<ul style="list-style-type: none"> • Announcements • Corporate website • General meetings • Corporate email • Annual reports 	<ul style="list-style-type: none"> • Corporate governance • Investment returns
(ii) Business partners and suppliers	<ul style="list-style-type: none"> • Regular meetings • Site visits • Emails 	<ul style="list-style-type: none"> • Product quality • Competitive pricing • Stable business relationship
(iii) Customers	<ul style="list-style-type: none"> • Regular meetings • Emails 	<ul style="list-style-type: none"> • Product quality • Timely delivery • Stable business relationship
(iv) General public and community	<ul style="list-style-type: none"> • Donations • Charity events 	<ul style="list-style-type: none"> • Community engagement
(v) Employees	<ul style="list-style-type: none"> • Performance review • Meetings and internal discussions • Emails and notice boards 	<ul style="list-style-type: none"> • Remuneration • Career development • Occupational health and safety in workplace
(vi) Regulatory bodies	<ul style="list-style-type: none"> • Meetings • Regulatory newsletters 	<ul style="list-style-type: none"> • Regulatory compliance • Occupational health and safety in workplace

Through effective communication with our stakeholders, we are able to better identify and understand their views and address their concerns with regards to our business operations and sustainability performance. We regularly engage our stakeholders on our strategic development and decision making.

Materiality Assessment

Based on the materiality assessment we conducted last year, 11 key sustainability matters were identified. This year, the senior management conducted a review on these key sustainability matters and were validated to remain having relevance to our business and stakeholders.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Company ("**Board**"), we are pleased to present you our second ESG Report. Since the publication of our first ESG Report, we have intensified our efforts to incorporate ESG goals and targets into our strategies and operations.

We consider sustainable development a core part of our operating model. We have since established an ESG working group comprising representatives from functional departments, who would then report to the Chief Executive Officer. The Chief Executive Officer will be responsible for reviewing the strategies and performance of the Group's sustainable strategies as well as monitoring the effectiveness of our plans and making recommendations to the Board.

In FY2019, we achieved revenue of RM990.6 million, representing an increase of 10.8% as compared to the previous year. Our sales volume of scrap ferrous metals was 692,899 tonnes, an increase of 19.3% compared to the previous year. Due to the higher business activities in FY2019 and enlarged fleet of delivery vehicles, the Group were faced with increased electricity consumption, diesel consumption and total greenhouse gas emissions. However, through our active advocacy on minimising water wastage, we managed to reduce water consumption by 16% compared to the previous year. Going forward, we will continue to pursue measures and approaches to improve our ESG performance.

"Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance."

- Ban Ki-moon, former Secretary-General of United Nations

Sustainability is a continuous journey and we are committed to building a sustainable business model that creates long-term value for the Group. As we continue to grow and pursue new business opportunities, we will continue to engage our stakeholders in our sustainable growth strategies and practices.

Sia Kok Chin

Chairman and Chief Executive Officer
Heng Hup Holdings Limited

ENVIRONMENTAL

The Group is committed to environmental sustainability and strive to reduce the environmental impact of its operations by adopting green practices, monitoring emissions, recycling and reduction of energy consumption.

Emissions

As the Group owns a fleet of 41 trucks to support the logistical needs of small and medium-sized suppliers, air emissions and greenhouses gases remain the most significant aspects under environmental emissions.

Air Emissions	2019 (kg)	2018 (kg)
Nitrogen oxides (NO _x)	3,549.54	2,129.87
Sulphur oxides (SO _x)	5.30	4.89
Particulate matter (PM)	250.72	146.91
Number of vehicles as at year end	41	31

Greenhouse Gas Emissions	2019 (tonnes of CO ₂)	2018 (tonnes of CO ₂)
Total emissions	1,705.30	1,296.24
Scope 1 – Direct emissions (Vehicles)	859.76	793.93
Scope 2 – Indirect emissions (Electricity)	845.54	502.31
Intensity of CO ₂ emissions (CO ₂ per revenue)	0.0017	0.0014

In FY2019, there was an increase in air emissions and greenhouse gas emissions due to the increase in business activities and number of trucks. However, notwithstanding the increase in number of vehicles, total CO₂ emissions per vehicle has reduced by 18% in FY2019 compared to the previous year.

Generally, the Group's operations do not have a material impact on the environment in regards to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Although the Group's operations do not fall under the scope of the Environmental Quality Act 1974 of Malaysia, the Group envisage to adhere to the relevant rules and regulations related to environmental protection. In FY2019, the Group has not been fined or penalised for any significant environment violation by the Department of Environment.

In an effort to reduce our carbon footprint, we also have in place a fleet replacement programme whereby we monitor the repairs and maintenance of our trucks and they are periodically replaced with newer models with reduced carbon emissions.

Waste Management

As the Group's operations do not entail either manufacturing activities or industrial production, the Group do not generate significant quantity of hazardous or non-hazardous waste. The Group's majority revenue contribution is from the sales of scrap ferrous metal which do not require packaging. Our main sources of non-hazardous waste includes waste paper, used ink cartridges and toners, and food packaging generated by employees. Some of our green initiatives include:

- Installing dedicated facilities for recycling of paper and cardboards, plastics and aluminum and steel;

- Advocating the use of office automation (such as the enterprise resource planning system) to cut down on paper consumption;
- Using recycled printing paper and encouraging double-sided printing to reduce paper waste; and
- Dispense with the use of packaging material for products sold to customers.

Paper Usage	2019	2018
Reams of paper bought	627	670

Use of Resources

The main resources used by the Group for its operations are electricity and diesel. Electricity is primarily consumed for lighting, air conditioning and other office operations while diesel is used as fuel by our vehicles for logistics purposes. As part of our sustainable practice, we encourage our employees to turn off lights and electrical appliances during lunch time and when they leave for the day.

Electricity consumption	2019	2018
Electricity consumption (kilowatt-hour ("kWh"))	1,070,304	635,832
Electricity use intensity (kWh per revenue)	1.08	0.71

Diesel consumption	2019	2018
Diesel consumption (litre)	328,907	303,722
Diesel use intensity (litre per revenue)	0.33	0.34

In FY2019, there was an increase in electricity consumption due to extended working hours required to support the increase in business activities. In line with this, there was an increase in diesel consumption as well. However, diesel use intensity has improved slightly.

In the Group's business operations, water is only used for cleaning and office hygiene purposes and hence the impact of freshwater use is insignificant. To this extent, the Group does not produce any material discharge of waste water or effluents into the surrounding waterways.

Water consumption	2019	2018
Water consumption (cubic meter ("m ³ "))	4,185	5,007
Water use intensity (m ³ per revenue)	0.0042	0.0056

In FY2019, there was a decrease in water consumption due to precautions taken by the management to minimise water wastage.

The Environment and Natural Resources

Given the nature of the Group's business and operations, its activities does not produce significant pollutants that would affect the environment and natural resources. However, we are cognisant that any type of operations will have some impact on the surrounding environment. Where possible, we seek to conduct our business in an environmentally responsible manner by complying with environmental regulations and incorporating good environmental practices into our daily processes.

Our daily processes involve the collection of metal scraps and sorting them into their respective types and grades. The scrap metals may then be further processed into different specifications at our scrapyards. These activities will inevitably generate fugitive dust, fine metal dust and scrap paint dust. However, most of these airborne particles are relatively large and heavy and it rapidly settles on the ground. In addition, our sorting activities are also undertaken under a covered area, which minimises air pollution.

Exhaust emissions from delivery trucks is another source of air pollution. All our trucks undergo vehicle roadworthiness checks every 6 months. If the vehicle fails the inspection, the problem will have to be fixed and the vehicle has to return for a re-inspection. Vehicles that has high maintenance costs or do not satisfy the road worthiness checks will be replaced under our fleet replacement programme.

Policy on Climate Change

We take cognisance of the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) and will be formulating policies and procedures suitable for our Group in our effort to reduce climate change and in line with the TCFD framework.

EMPLOYMENT AND LABOUR PRACTICES

Employment

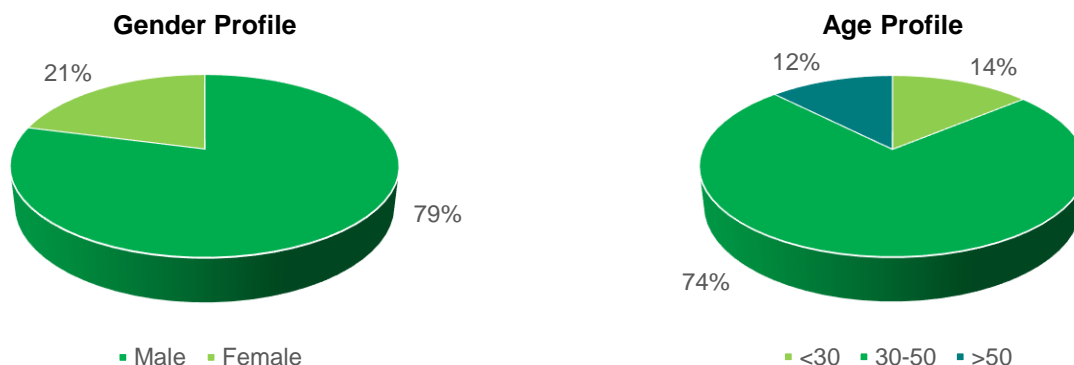
The Group employs a total of 129 employees as at 31 December 2019 in Malaysia. We strive to create a safe and sound working condition for our employees and to provide fair and equal treatment to all. We recognise the importance of a balanced and inclusive workforce, and we do not discriminate based on age, gender, nationality and ethnicity in our employment practices.

Our Employee Handbook includes guidelines on compensation and dismissal, rest periods, anti-discrimination, and other benefits and welfare to ensure compliance with the Employment Act 1955 of Malaysia.

We have put in place various incentives to encourage high performance culture in the workplace. These include:



We are also mindful that an inclusive and supportive culture will create a workplace environment that will be both fulfilling and rewarding to our employees. This will attract, engage and retain our pool of diverse and talented people. To this end, we aim to build strong and close workplace relationship amongst our employees through activities such as annual dinners and catered lunch during festive occasions such as Chinese New Year and Hari Raya as well as staff birthday parties.



As at 31 December 2019, the Company has a total 129 full-time staff, all of whom are based in Malaysia.

In FY2019, the Group recorded an average turnover rate of approximately 10%, which is similar to the average turnover rate for FY2018.

Category	Sub-category	Employee turnover rate
Gender	Male	7%
	Female	3%
Age group	<30	1%
	30-50	8%
	>50	1%

Occupational Health and Safety

We prioritise the importance of a safe and healthy work environment for all our employees as well as external parties who come to our facilities. In complying with the Occupational Safety and Health Act 1994, the Group has set up a Safety Policy, Rules and Regulations to ensure adequate protection of its employees, customers and other third parties.

Some of the health and safety measure adopted are ensuring first aid kits and fire extinguishing equipment are located prominently and properly maintained, evaluating hazard sources once a year, offer training on safety operation rules on a regular basis, and performing evacuation and fire drills on an annual basis. In addition, all employees shall comply with the Group's Safety and Health Policy and are encouraged to practice good safety habits such wearing appropriate protective equipment or attire.

In FY2019, there are no reported incidences of work-related injuries or fatalities. We take an extremely serious view of workplace safety and any accidents will be thoroughly investigated. Our goal is to maintain zero-fatality incident rate.

Development and Training

We believe our employees are valuable assets to our business and we are committed to unlocking their potential and providing them with career development opportunities. To this extent, the Group provides certain funding for employees to attend professional seminars and external training, which is decided on a case-to-case basis based on recommendation by department heads. While the Group does not have a formal training programme, it also provide learning opportunities for employees through internal workshops, on-the-job training, education on occupational safety and health and other various training necessary to improve employees' job functions and capability.

In FY2019, approximately 9% of our employees were trained, resulting in an average of 25 training hours per employee.

Percentage of employees trained by gender and employee category	Gender	Male	6%
		Female	3%
	Grade	Senior management	7%
		Middle management	2%

Total training hours completed by gender and employee category	Gender	Male	222 hours
		Female	32 hours
	Grade	Senior management	190 hours
		Middle management	64 hours

Labour Standards

The Group has complied with laws and regulations in Malaysia applicable to employment matters such as the Employment Act 1955 and Children and Young Persons (Employment) (Amendment) Act 2010. During FY2019, the Group does not employ any children or young persons under the age of 18 years and there are no reported cases of forced labour. Although the Group does not formulate relevant policies to prevent child or forced labour, our Human Resources Department does checks on identification documents of potential hires and employment contracts are made based on mutual agreement between the Group and the employees. The Human Resources Department also closely monitors all overtime hours proposed and allowed overtime hours based on urgency of the business operations.

OPERATING PRACTICES

Supply Chain Management

Over the years, we have established a nationwide supplier base of feeder yards from which we source recyclable scrap ferrous metals. In 2019, the Group procures recyclable scrap ferrous metals from approximately 4,367 suppliers all over Malaysia.

We have a process in place in the selection and evaluation of our suppliers. Prior to engaging a supplier, potential suppliers are evaluated based on their price offer, reputation, track record, compliance with local laws, policies on managing environmental and social risks, and regulations and expertise in their field to ensure common standards across the Group's business units. We will also visit the operation premises of the potential supplier to assess its business operations, sources of scrap ferrous metals, product quality and logistics capability. For engagements that are complex or entail high financial risks, due diligence is carried out to ascertain their financial standing and track record for heightened risks. We perform periodic evaluation of our suppliers.

Product Responsibility

The products sold by the Group are commodities and are mainly sold to steel mills in Malaysia. During FY2019, we have not received any complaint from our customers. The Group does not offer any product recall or product warranty once the sale has concluded.

As our processing activities involves only sorting, bundling and shredding, the Group does not generally generate industrial pollutants. During FY2019, there are no instances of non-compliance in respect of any applicable Malaysian environmental protection laws, rules and regulations and there are no environmental issue in relation to the scrapyards where the Group carries out processing activities.

Our business does not involve advertising and product labelling activities.

We are committed to protecting our data assets which include customer information, intellectual property and privacy. During FY2019, we did not receive any complaints on disclosure of client information.

Anti-corruption

We have, and will continue to have, zero tolerance towards any form of corruption and bribery in our business and operations. During FY2019, there were no legal cases regarding corrupt practices brought against the Group or its employees. The Group's Code of Business Ethics and Corporate Conduct strictly prohibits any form of bribery, abuse of power, conflict of interest and financial misconduct, amongst others, in compliance with the Malaysian Anti-Corruption Commission Act (Amendment) 2018.

As part of our continuous effort towards upholding a culture of integrity in the Group, we have reviewed and are in the midst of updating our Fraud Detection Policy to meet the changing needs of the Group.

The Group, relying on these policies and channels for whistleblowing, is not aware of any non-compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering that have a significant impact on the Group in FY2019.

Whistleblowing Policy

We believe that operating our business with high level of accountability, openness, honesty and integrity are essential to minimise and prevent the occurrence of potential improper behavior or misconduct. We ensure all our staff adhere to the standard prescribed by our Code of Business Ethics and Corporate Conduct. The Group has established a Whistleblowing Policy to encourage our employees, customers and suppliers to report on any suspected or actual business misconduct, malpractice and other form of impropriety. Meanwhile, the Whistleblowing Policy also ensures those who disclose information shall be protected and granted confidentiality.

The Group will investigate any report raised by the whistleblowers thoroughly to assess the validity of the assertions and to determine the actions to be taken. We will review every report which discloses a possible criminal offence to the Audit Committee. The Audit Committee shall consult with our legal advisers to decide if the matter should be referred to the authorities for further action. A final report will be prepared by the Audit Committee and the recommendations will be made to the Board.

COMMUNITY INVESTMENT

The Group's community investment comprises mainly sponsorships and donations. During FY2019, the Group has contributed approximately RM93,890 in cash and in-kind donations to various charitable organisations in Malaysia, whereby 36% of our donations went towards children, youth group and the elderly to support education and community programmes and activities. Looking ahead, the Group aims to continuously engage with and contribute to the community where it operates.

ESG Reporting Guide Index

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