

Sustainability Report



“ With a strong heritage of over 180 years, we are firmly committed to building a legacy of sustainable growth as a leading public listed conglomerate. ”

Our sustainability initiatives reflect our continuous drive towards maximising opportunities for strong fiscal growth and optimising operational efficiency in tandem with long-term value creation based on economic, environmental and social considerations.

This inaugural Sustainability Report focuses on the collective sustainability efforts undertaken by our key business units, excluding associate and joint venture companies as well as overseas operations. To further demonstrate our commitment to sustainability, a number of our listed subsidiaries have also included Sustainability Reports within their respective Annual Reports for the year, focused on their sustainability initiatives in greater detail.



Mutiara Damansara MRT Station



ECONOMIC

To consistently deliver solid results, we are conscious of the need to integrate sustainability into our business strategy in a way that allows us to act as a conduit for the economic growth of those we come in contact with through our core businesses.

Cultivating a Thriving Holistic Ecosystem

Building a sustainable future for all is important to us. Our active interest in multiple sectors within the Malaysian economy allows us to positively impact the local economies that exist alongside our operations.

Leveraging on our diversified business streams, we have been able to create positive synergies for the Group by utilising the services of our stable of investments. Moreover, our various business ventures including the integrated townships of Mutiara Damansara and Mutiara Rini, retail shopping malls, banks, hotels, retail petroleum outlets, and the various shipyards and plantation estates across the country, amongst others, act as catalysts for economic growth.



Pedestrian bridge connecting the Curve with Tesco

Apart from creating thousands of jobs and boosting business development, this creates positive spillover benefits for surrounding communities through infrastructure development, over and above the basic requirements dictated by the local authorities. In our Mutiara Damansara development, this includes establishing additional access roads into and out of the township to ease traffic congestion as well as a retail hub comprising the Curve, eCurve, Tesco, IKEA and IPC Shopping Centre. In addition, we have constructed pedestrian bridges, underpasses and covered walkways to further enhance ease of movement and connectivity from the Mutiara Damansara Mass Rapid Transit (MRT) Station No. 8 to the entire retail hub. Our Taman Mutiara Rini township includes a retail hub comprising Tesco, Mydin and several fast food outlets.

These integrated townships provide a support system that benefits the community with schools, safety and security measures, places of worship and recreational facilities. Along with this, we offer affordable low cost and medium-low cost housing to serving and retired members of the Armed Forces and eligible homebuyers.

In addition, we make it a point to ensure that those surrounding our operations, in particular those in rural and hard to reach areas have access to modern conveniences. One of the ways we are undertaking this is through our commitment to the maintenance of access roads totalling 193 kilometres in rural areas of Peninsular Malaysia, Sabah and Sarawak, where our plantation estates are located.

Sustainability Report

In our heavy industries segment, our Littoral Combat Ship (LCS) project at our Lumut naval shipyard is the first naval shipbuilding project of this magnitude to be constructed in Malaysia. Not only is this a significant achievement for the Group, the LCS project has also helped to boost economic activity and spur economic development in the maritime sectors in the vicinity of Lumut, Seri Manjung and Sitiawan.

Across our operations, we prioritise surrounding communities in terms of both employment and business opportunities by engaging local suppliers, vendors and contractors. Beyond this, we provide tenancy in our retail shopping malls in support of local business development.

We are committed to ensuring a sustainable supplier base by applying sustainability standards to our procurement process. As testament to this, in the supply of fuel to our retail petroleum service stations, we partner only with reputable oil companies which adhere to safe practices.

Small and Medium Enterprises (SMEs) and entrepreneurs play a crucial role in the growth of our economy. As a responsible corporate citizen, we are dedicated to doing our part to ensure that they are given opportunities to thrive. This is all the more crucial given the current global economic environment. By supporting our local SMEs, we play an important role in spurring job creation and the growth of the local economy.

Through our retail petroleum business, we provide opportunities to local entrepreneurs, such as motorcycle workshop owners to market our lubricants in rural areas. We also get them started with credit to kick off their trading partnership with us.

Meanwhile, our RoyalePharma Alliance Programme has enabled us to increase Bumiputera participation in retail and wholesale pharmacy. A total of 35 local entrepreneurs signed up for this programme which provided participating entrepreneurs with access to central procurement, joint marketing activities, health events as well as educational programmes. Apart from utilising the established

RoyalePharma brand to boost sales, the entrepreneurs were equipped with the tools to achieve customer retention and business growth.

We have in place an intensive vendor development programme that has allowed us to empower local manufacturers under Skim Anak Angkat and Skim Panel Pembuat Bumiputera. During the year, multiple training sessions were conducted for the vendors on a range of industry-relevant topics. In addition to the external courses that we organised, our vendors had the opportunity to participate in five external programmes by various Government agencies.



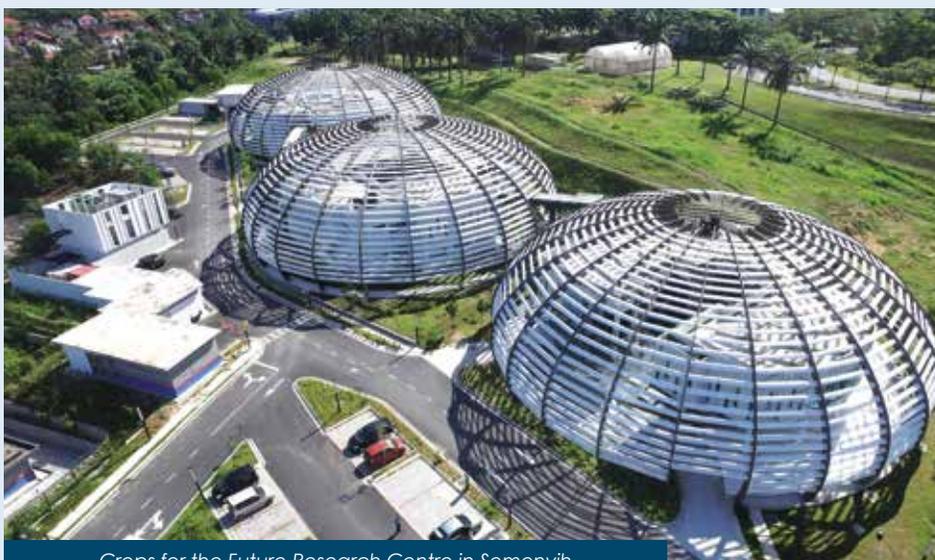
Euro5 Diesel dialogue session with lorry and bus associations, car manufacturers and Government agencies

Research & Development (R&D) Fuelling Economic Sustainability

Given our reach in the pharmaceutical arena, we are dedicated to maintaining the affordability and accessibility of medicines while upholding our standards of quality and efficacy. We are able to ensure this through our commitment to R&D into high quality and cost competitive pharmaceutical products for various therapeutic segments.

We registered 18 new local products and 27 new international products in 2016, with a total of 430 locally registered products and 210 internationally registered products. In addition, we have a total of 66 bioequivalent products that adhere to the strict standards of the Drug Control Authority of the Ministry of Health, Malaysia and have been certified as fully bioequivalent to the respective innovator products as well as being clinically interchangeable.

Our investment in R&D has also enabled us to boost productivity and earnings through cutting edge innovation. In the pharmaceutical sector, our Kacip Fatimah and Patawali projects will enable us to enhance the marketability of local herbs as phytomedicine.



Crops for the Future Research Centre in Semenyih

In the plantation sector, we improved our yields sustainably through our R&D efforts on high yielding planting materials, amongst others. Throughout the years, we have established several partnerships with a focus on promoting R&D.

In our building materials segment, we provide sustainable solutions for the construction and property development sectors through our innovative products. Our high-quality cellulose fibre cement products are adaptable, long lasting, resistant to damage and easy to install, while also being environmentally friendly.

We collaborated with the Government to establish the Crops for the Future Research Centre at the University of Nottingham Malaysia Campus (UNMC), which evaluates underutilised crops from all corners of the world. UNMC also partnered with Applied Agricultural Resources Sdn Bhd (AAR) to establish the AAR-UNMC Biotechnology Centre to promote R&D in plant molecular biotechnology.



Our community pharmacy, RoyalePharma



ENVIRONMENT

The impact that we have on our ecosystem will not only affect our Group, but also the generations to come. As such, the conservation of our environment is a crucial responsibility to ensure a sustainable future.

Preserving Our Precious Resources

We have incorporated environmentally conscious measures across the Group's operations, including our manufacturing facilities, plantation estates, shipyards as well as petroleum fuel terminals and retail service stations, amongst others. This comprises water conservation efforts such as routine inspections of water



Zero-burning – leftover palms are set aside to decompose naturally

spillage systems, drainage systems as well as checks on water pressure and leakages. We also ensure full compliance with the Department of Environment's (DOE) approved filtration methods for water effluents while closely monitoring our wastewater quality.

We have established a rainwater harvesting system for six of our new retail petroleum service stations in Kuala Lumpur and will roll this out to all of our new stations in Kuala Lumpur. We also carry out rainwater harvesting in our plantation estates.

To prevent environmental pollution, we have implemented operational controls to mitigate oil spillages and detect leakages at all our shipyards as well as petroleum fuel terminals and retail service stations. Along with this, we practise sustainable waste disposal methods in line with the DOE's stringent regulations. All waste disposals for our retail petroleum operations are reported to the DOE and are carried out by contractors accredited by the DOE.

We instituted a zero-burning policy at our shipyards in order to minimise our carbon footprint. Similarly, at our plantation estates, we implemented a zero-burning policy for the planting and replanting of oil palms. This policy ensures that leftover palms are set aside to decompose naturally and release nutrients into the soil. This also contributes to the reduction of carbon emissions.

Further to this, we have installed a biogas capture plant at our Telok Sengat Mill in Kota Tinggi, Johor, which will reduce emissions of greenhouse gases and enable the Group to utilise the captured biogas as a source of fuel to generate electrical power.

In order to improve energy efficiency, we carry out energy audits and scheduled maintenance of machinery and equipment, which reduces power consumption as well as air emissions and water effluents. Many of our buildings and facilities have also been progressively switching to energy-saving LED lights.



Telok Sengat Mill biogas plant –
Flaring of excess biogas

Making a Positive Impact

In line with our focus on sustainable growth, we are committed to ensuring that our businesses make a positive impact on the environment.

To this end, we created green lungs within our Mutiara Damansara and Mutiara Rini townships, providing recreational areas, jogging and cycling paths, outdoor parks and a 60-acre urban forest where different species of plants and herbs have been planted. We also established two water retention ponds, which act as anti-flooding mechanisms.

Moving forward, we plan for all new buildings under our property development segment to be Green Building Index (GBI) certified with MSC status. Amongst others, this involves sustainable building management systems, which entail water and energy conservation as well as the reduction of carbon emissions. In fact, our Nucleus Tower, which is currently under construction in Mutiara Damansara, was designed in line with GBI and MSC standards.



Artist's impression of Nucleus Tower

Further to this, our manufacturing segment provides a wide range of innovative and eco-friendly building products ideal for residential, commercial, institutional, industrial and hospitality properties. This includes the UCO SolidWall System and UCO SolidPanel System, which offer high durability, efficiency and quality, with properties that help to reduce energy consumption and construction waste. In addition, UCO Decowood is a durable wood replacement, helping to reduce the demand for timber products. In fact, due to these beneficial properties,

the UCO SolidPanel System will be utilised in the development of 2,000 homes under an affordable housing project.

Our retail petroleum business was the first in the country to introduce Euro 5 Diesel to Malaysian shores. The availability of this high-quality diesel has helped to encourage car companies to bring in more advanced and environmentally friendly cars into the market.

At UNMC, we have a number of initiatives in place to cultivate a sustainable campus. Our large water retention pond retains rainwater and doubles as a recreational area. Along with tree replanting and reforestation projects, we established green spaces on campus with flowering plants and fruit trees. We also designated a community garden, which is managed by both students and staff. All of these efforts help to reduce our carbon footprint.



Water retention pond at UNMC

Sustainability Report



SOCIAL

A successful company is built on a solid foundation of multiple pillars. For the Boustead Group, one of the most crucial pillars is the support that we provide towards the betterment of society, be it our employees or the communities we operate within. Through these social commitments, we are dedicated to making a positive difference in the lives we touch.



TOTAL HOURS OF TRAINING FOR EXECUTIVES

40 HOURS



PERCENTAGE OF FEMALE SENIOR MANAGEMENT STAFF

32%



TOTAL HOURS OF TRAINING FOR NON-EXECUTIVES

20 HOURS



Our People

As the driving force of our business, our employees play an integral role in the sustainability and success of the Group. As such, we are focused on attracting and retaining a highly skilled workforce while prioritising the wellbeing of our people.

In order to cultivate an organisational culture of excellence, we introduced our Core Values, namely Respect, Integrity, Teamwork and Excellence, as guiding principles across the Group. Further to this, over the years we have refined our Core Competencies to meet our evolving needs in an increasingly competitive environment. These comprise Building Relationships, Driving Results, Improving Continuously, Managing Customers and Thinking Analytically.

We have several talent development and leadership programmes in place, which enable our staff to develop their capabilities. To this end, our employees took part in a range of programmes and workshops during the year to facilitate skills development and knowledge acquisition. To encourage this, we have a company policy requiring 40 hours of training for executives and 20 hours for non-executives.

We also provide opportunities for employees to become accredited with professional qualifications from established bodies, including the Association of Chartered Certified Accountants, the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Certified Public Accountants, the Chartered Institute of Management Accountants, the Institute of Internal Auditors, the Board of Engineers Malaysia as well as the National Pharmaceutical Regulatory Agency.

As part of our efforts to prioritise employee satisfaction, we have introduced the option of flexible working hours, which is particularly beneficial for the talent retention of women in the workforce. This greater flexibility also works to boost motivation and improve overall employee retention levels. We also recognise employees who have been with the Group for a long time with Long Service Awards.

Additionally, to encourage collaboration and instil a sense of belonging in our people, every two years, we conduct a Group-wide Employee Engagement Survey. This allows us to have an open dialogue and address any issues that may arise in the workplace. We also carry out other employee engagement activities throughout the year, including team building and sports activities.

Sustainability Report

In tandem with these initiatives, we are focused on safeguarding the health and welfare of our workforce by implementing comprehensive safety measures across our operations. This is in line with the regulations stipulated by the Department of Occupational Safety and Environment. Apart from this, we regularly conduct safety awareness briefings and safety checks. Emergency response plans are also in place.

Touching Lives in the Community

As a caring and conscientious corporate citizen, we are committed to reaching out to those in need in the community. In line with this, we have initiatives and programmes in place across the Group which enable us to make a difference.

We provide assistance through financial donations and contributions in kind to charitable organisations, underprivileged groups and disadvantaged members of society, from senior citizens, orphans, disabled individuals and single mothers,



Food Flotilla for Myanmar departing from Boustead Cruise Centre terminal

to rural and poverty-stricken areas. At our plantation estates, we provide residents with basic amenities, make contributions during the festive seasons as well as sponsor community events and sporting activities. We also joined hands with Polis Diraja Malaysia to promote safe driving during the festive periods.

For the sixth consecutive year, we undertook the *Di Celah-celah Kehidupan* programme, with the aim of helping underprivileged families and to promote a caring society. The programme was aired during the month of Ramadhan and channelled much-needed financial assistance to families across the nation.



BHPetrol Orange Run creates a platform for Malaysian to adopt an active lifestyle while raising funds for the needy

We are also focused on promoting healthy lifestyles through various campaigns. This includes the annual BHPetrol Orange Run, which raises funds for charitable causes while encouraging Malaysians to be more physically active. The year 2016 marked the 11th year of the run, which saw over 3,500 runners participating and a total contribution of RM30,000 presented to three charities.

Furthermore, our Skuad Operasi Sihat 1Malaysia initiative continued to reach out to suburban and rural areas including Orang Asli communities to improve accessibility to healthcare. In



Back to School Programme at Kanowit Palm Oil Mill, Sarawak

2016, we carried out 35 programmes involving over 5,000 participants across the nation. Apart from this, we hosted several fundraising events and awareness campaigns for deserving causes, including the National Kidney Foundation, IJN Roadshow, WWF Malaysia and MAKNA Cancer Awareness Programme, along with celebrations during festive seasons with senior citizens and orphans.

A Brighter Future

Education is the cornerstone of our society. In light of this, we have undertaken various programmes aimed at supporting the development of young Malaysians, in order to bring about a brighter future for all.

We sponsor numerous Back to School programmes across the Group, which positively impacts schools, needy families and communities. In addition to providing funds, we also provide essential school items and support school activities.

We remain committed to the PINTAR programme, which aims to enhance and improve the quality of education and standards of academic

excellence of underprivileged students, particularly children of Armed Forces personnel. In 2016, we channelled funds to four primary schools located in Negeri Sembilan, Perak and Selangor.

Our Skim Latihan 1Malaysia-Boustead Graduate Internship Programme is aimed at enhancing employability amongst graduates, enabling them to refine their skills, knowledge and competencies through soft skills training and hands-

on experience. During the year, a total of 150 graduates participated in the programme. There are also opportunities for undergraduates to join the Group as practical trainees in order to gain valuable exposure to the working environment.

Apart from this, we conduct the annual *Cerah-ceria Bersama BHPetrol* campaign to raise awareness on road safety among primary school students. In 2016, a total of 900 children took part in this initiative, which was held in several school districts. The programme was highlighted in the Global Road Safety Partnership website as a successful road safety initiative undertaken around schools to improve safer walking and visibility. It was also shared internationally in conjunction with the United Nations Global Road Safety Week, which focuses on pedestrian safety. Additionally, we collaborated with the Ministry of Domestic Trade, Cooperatives and Consumerism to increase awareness on safety at service stations. This is an annual event targeted at students and members of the public.



SLIM interns