

SUSTAINABILITY STATEMENT

The Group has embraced the values of corporate responsibility and elements of sustainability management since the early days of its operations. These values are reflected in our core values, policy statements and work practices across our operations and contribute to the development of the Group's Sustainability Framework. The Group is cognisant of the 3 aspects of sustainability i.e. economic, environmental and social ("EES") underpinning sustainability management and is incorporating good sustainability practices into its operations and businesses.

This Sustainability Statement provides an overview of our sustainability practices and performance for the financial year ended 30 June 2018 in the areas of corporate governance, upholding stakeholders' interests, promoting a safe, healthy and harmonious working environment for all our employees and contributing to the communities in which we operate. Recognising the importance of embedding sustainability management and considerations in our business strategy to reduce risks and take advantage of business opportunities, we continued to set standards and frameworks and adopt innovative means to sustain and amplify our sustainability efforts. We have taken steps to incorporate standard disclosures in accordance to the Global Reporting Initiatives ("GRI") reporting guidelines and Bursa Malaysia Berhad's Main Market Listing Requirements on sustainability reporting.

ECONOMIC

We are focused on building sustainable relationships with stakeholders and utilising our resources optimally to contribute to economic growth and bring value to all our stakeholders. This section, covering the Marketplace and Workplace, highlights the continual measures to support the economic sustainability of our operations by giving due attention to our suppliers and customers, and our employees respectively. We have strengthened our policies governing our business dealings, conduct of employees and business continuity management via our Sustainability Framework. These policies pertaining to group procurement, vendor code of conduct, code of business ethics and conduct, integrity and fraud, competition, whistleblowing and sexual harassment, are disseminated to all our companies and employees as well as uploaded onto our website for public viewing.

Marketplace

We are committed to uphold ethical and responsible marketplace practices by practising transparent business conduct and operating our business with integrity and a commitment to excellence to improve our competitiveness and foster long-term relations with our stakeholders.

- **Product Responsibility**

We are committed to providing products that meet regulatory, safety and quality standards to fulfil customers' requirements and ensure that our suppliers share the same philosophy. The quality management system we have in place is designed to monitor and control the processes from planning and development to production and after-sales service in order to comply with all the stipulated standards.

- **Customer Satisfaction**

Customer support and loyalty is critical to the success of our business. Hence, we strive to put customers at the forefront of everything we do whilst we aim to provide quality products and premium, value-adding services to our dealers and customers. Product knowledge and service skills training are part of our routine training programmes to ensure that our employees provide excellent quality services to our customers. We place high priority on customer engagement and interaction through customer appreciation dinners and gatherings to show our appreciation for their support, and have various customer feedback channels including conducting customer satisfaction surveys for our business improvement.

- **Supply Chain and Responsible Procurement Practices**

Our procurement department ensures that we engage in responsible procurement practices which is reinforced with the requirement for all our active registered vendors to periodically acknowledge their commitment to the Code of Conduct. Vendors' qualification/credentials are carefully vetted before being admitted into our list of qualified suppliers. Our initiatives start with the supplier selection process incorporating sustainability considerations such as fair labour practices and safety requirements. Compliance and commitment by vendors and suppliers to conduct business with us in a transparent manner is sought through performing audits and making continuous improvements in our procurement processes and policies.

- **Vendor Code of Conduct**

This serves as a guideline prescribing a set of principles to be adhered by all vendors and to inform our vendors of their role and contribution as a key business partner and on the need to comply with all rules and regulations including health and safety standards, and labour standards; avoid conflict of interest, conserve the environment, and notify the Group of any breaches or non-conformance.

- **Employee Code of Conduct**

We apprise our employees on the Group's Code of Business Ethics and Conduct and the need to conduct business at the highest ethical standards. We do not tolerate bribery and corrupt practices or behaviours that may bring disrepute to the Group or its employees. Above all, we expect honesty, integrity and respect to be exhibited in our dealings and interactions within and outside the Group.

- **Whistleblower Policy**

We are committed to conduct our affairs in an ethical, responsible and transparent manner. To this effect, we encourage our stakeholders to disclose suspected wrongdoings which may involve or concern our Group's directors, management, employees, performance, relations with other stakeholders, assets and reputation. Whistleblowers will be accorded protection of their identity unless the disclosure is required by any applicable law.

All concerns may be disclosed in writing and submitted to the Chief Internal Auditor of the Group via mail, facsimile, email or telephone call to the office as follows:

Tel No. : 03-21423142

Email : whistleblowing@lion.com.my

Fax No. : 03-21489830

Address : Level 12, Lion Office Tower, No. 1 Jalan Nagasari, 50200 Kuala Lumpur, Wilayah Persekutuan

- **System Efficiency**

We strive to achieve the highest efficiency in our operating systems and technology to support our daily business activities across our Group; where our IT resources provide daily support services to ensure our systems run smoothly and are risk-protected. We also ensure that the connectivity with our subsidiaries and business partners through emails, mobile and web-based communications are maintained and risk-protected at all times. Continuous constructive feedbacks and suggestions have enabled our IT resources to improve and fine-tune business processes and upgrade specific IT facilities to provide quality and timely services.

- **Privacy and Data Protection**

We continuously strive to ensure the confidentiality and protection of customers' and stakeholders' information and documents based on requirements under the Personal Data Protection Act 2010 and secrecy provisions under the Financial Services Act 2013. Information on our vendors, suppliers and customers is strictly private and confidential, and is treated as such at all times.

Workplace

We recognise our employees as key assets, hence managing talent at all levels is a key priority. Our Human Resource (HR) policies and guidelines comply with all relevant legislations and have been designed to ensure that our workplace embraces diversity, inclusion, equality and innovation.

The Group's efforts to attract, develop, motivate and retain its employees are pursued within the ambit of 5 HR strategic focus areas or pillars – Talent Management, Rewards, Capability Building, HR Operational Excellence and Employee Engagement.

The following are key highlights of our efforts to create a healthy and conducive workplace:

- **Talent Acquisition**

We assess applicants for employment in our Group of companies based on objective criteria regardless of their ethnic background, gender, age, religion, disability or any factors which do not have bearing on job requirements. The Lion-Parkson Foundation scholarship programme builds a healthy pipeline of talent for our businesses.

- **Talent Management**

We take stock of talent requirements for our businesses to allow high-potential employees the opportunities to develop and progress to senior and challenging roles at the Company and Group level. This will also serve to retain and cross-pollinate key talents within the Group.

- **Capability Building**

We provide learning and development opportunities in respect of technical, functional and behaviour competencies for our employees in line with their job requirements and career aspirations. Learning interventions are delivered on-the-job, via formal class training and continuing education.

- **Rewards and Performance**

We review and implement remuneration practices that are externally competitive and internally fair and equitable. Our reward process is closely linked to performance management process; our employees can expect to receive salary adjustments and bonus awards which directly relate to their performance and contributions.

- **HR Operational Excellence**

We continue to streamline, standardise and simplify our HR policies and processes in line with the requirements of our global organisation. We trust that with our LionPeople Global HR Information System (HRIS), it will take our people management agenda to the next level.

- **Safety & Health in the Workplace**

The safety and health of our employees is vital to our businesses, hence the Group subscribes to the safety, health and environmental regulations with a systematic approach reinforced by constant training and monitoring to ensure the safety and well-being of our employees. Workplace incidents are taken seriously; they are investigated and appropriate actions taken to prevent recurrence. Our employees are encouraged to observe and maintain a safe and healthy workplace. "No Smoking Zone" and "Reverse Car Parking" are some of the initiatives that are supported and practiced by our employees in our workplace.

In compliance with legal requirements such as the Occupational Safety and Health Act, Factories and Machineries Act and related regulations, we have in place our Safety and Health Standard Operating Procedures. Wearing of protective gear is strictly required in our plant and warehouse. Compliance with the safe work practices stated in these standard operating procedures is the primary responsibility of all employees, contractors and consultants performing their duties at our premises.

We have established the Emergency Response Team (ERT) in our plants to prepare for and respond to any emergency incident, such as occupational incidents, natural disasters or interruption of business operations. Our ERT members are well trained on safety awareness and preparedness in everyday situations. Training is organised regularly for the members on the use of various types of fire extinguishers and hose reel, first aid i.e. CPR and injury management, shutdown and evacuation procedures. Safety campaigns are held to remind and refresh the staff on safety awareness and related issues.

- **Employee Engagement**

We espouse the requirement to engage and listen to our employees in order to create a conducive, happy and productive workplace. We create forums to enable effective employee engagement such as town-halls, “lunch & learn”, festival open houses, sports and recreational activities/pursuits. Such engagements address both work and social requirements of our employees.

- **Work-Life Balance**

A balanced work-life desired by most employees proved to be an important factor for recruitment and retention of employees. As such, the Group strives to provide a working environment that promotes work-life balance for its employees with initiatives such as sports, fitness and recreational activities as well as organising various healthy lifestyle campaigns and programmes to promote healthier living.

ENVIRONMENT

The Group remains steadfast in our commitment to sustainable development and seeks to operate in a way that minimises environmental harm. We seek to uphold environmental concerns with emphasis on application of new technologies and industry best practices that are environmentally friendly, optimise the use of resources and promote energy efficiency and we are committed to taking proactive measures to preserve the environment for future generations whilst meeting the needs of our stakeholders.

- **Efficient Energy and Water Consumption and Waste Management**

The Group’s operations comply with the environmental laws and regulations governing the industries in which it operates. Our focus is on managing and reducing the impacts arising from operational activities over which we have direct control such as energy and water consumption and waste management.

- **Promoting Green and Environmental Friendly Products**

We constantly explore greener alternatives in our day-to-day operations such as introduction of more efficient and energy-saving products and processes and 5S management techniques in our operations. Our building materials division promotes and sells a variety of Green Building Index products in its range of cement, ceiling boards and aerated blocks. The lubricants division collects used oil and sells to licensed oil recyclers.

- **Prudent Use of Paper Practices**

We acknowledge that the environmental impact of paper usage is significant. Our approach is to avoid unnecessary paper consumption and waste generation, where possible and appropriate. We always look at ways to reduce paper usage and encourage the usage of electronic platforms such as social media, SMS and email as efficient alternative modes of communication with our dealers and customers and for our day-to-day internal operations, and to use recycled paper to print any document where possible.

SOCIAL

In keeping with its philosophy of giving back to the community, the Group is focused on helping to uplift the community via Lion-Parkson Foundation and Lion Group Medical Assistance Fund established by Lion Group of Companies of which the Group is a member. The companies within the Group also support the local community wherein they operate by participating in charity programmes and fundraising drives to assist those in need.

Empowerment through Education

Lion-Parkson Foundation started in 1990 and organises fundraising activities for charity and to provide educational opportunities for the less fortunate. The true sustainability of our project lies in the on-going transformation of peoples’ lives through the benefits of education. We believe in Empowerment through Education; that education is the catalyst to bring about sustainable change for the better, for our future generations.

Every year, the Foundation awards scholarships to undergraduates in the local universities. The selected scholars undergo training in soft skills such as problem-solving and communication skills and internships at our companies during their semester breaks to prepare them for the corporate world. This year, the Foundation awarded scholarships worth RM10,000 per annum to 12 students based on their academic performance, extra-curricular activities and leadership qualities. To date, the Foundation has sponsored a total of 448 students through various sponsorship programmes worth RM10.4 million.

For the 9th consecutive year, students from 5 schools had staged calligraphy demonstrations and Chinese orchestra performances at 9 participating Parkson stores in the Klang Valley over 3 weekends in January 2018 prior to the Lunar New Year, and successfully raised RM258,792.36 from the sale of their calligraphy pieces. The Lunar New Year Calligraphy Exhibition and Charity Sale in Parkson stores initiated in 2010, has raised a total of RM2,145,396.66 to assist needy students in these schools.

Under the annual Parkson Cares Educare programme organised together with Lion-Parkson Foundation, Parkson stores act as collection centres throughout Malaysia, for the public to contribute items such as school bags, shoes, uniforms, stationery and other schooling necessities for needy students nationwide. This programme, in collaboration with Yayasan Maha Karuna started in 2001 and every year, 5,000 school children from 200 government schools and orphanages benefit from these donations.

Home for Special Children

In reaching out to the various communities through education, we have not forgotten the less fortunate, namely the special children whose lives we seek to enhance and enrich through our Home for Handicapped and Mentally Disabled Children Association Selangor. It was built at a cost of RM2.2 million contributed by the Foundation in 2012 on a 4.17 acres piece of land worth RM1.2 million donated by Lion Group, and can accommodate 100 children. The Home was officially opened by National Shuttler, Datuk Wira Lee Chong Wei and Foundation Chairman, Puan Sri Chelsia Cheng on 4 November 2012. Construction work on the 2nd and 3rd phases which will enable the Home to accommodate another 100 children, and an old folks home is almost completed.

All in, to date a total of RM34.9 million has been contributed to various charitable causes championed by the Foundation.

Medical Assistance for the Less Fortunate

In reaching out to a broad and diverse cross-section of beneficiaries irrespective of race or religion, the Lion Group Medical Assistance Fund provides financial assistance to the less fortunate suffering from critical illnesses who require medical treatment including surgery, purchase of medical equipment and medication. Since its inception in 1995, the Fund has also assisted organisations that are geared towards helping the less fortunate achieve a better life, including sponsoring community health programmes such as medical camps and the purchase of 21 dialysis machines worth RM797,400 for Dialysis Centres providing subsidised treatment to those suffering from kidney failure.

To date, the Fund has disbursed a total of RM8.3 million being sponsorship of medical treatment to 921 individuals and for purchase of medical equipment and dialysis machines as well as medicine for medical camps.

Other Youth Development Initiatives

The Group also participated in various youth development programmes with the local institutes of higher learning to encourage youths to acquire various life skills that will assist them in their personal and future career growth and development.

STAKEHOLDER ENGAGEMENT

We recognise that stakeholder engagement, assessment and feedback are an integral part of our sustainability strategy and initiatives, and we are continuously improving our stakeholder engagement approach via various communication channels.

| Stakeholder Group | Communication Channel/Platform |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employees | Meetings Training programmes Internal newsletter Staff gatherings and other engagement channels |
| Customers | Face-to-face interaction through service channels Communication through Customer Service Department and Corporate Communications Department Feedback through website, email, social media Sales, promotions, road shows and related events |
| Suppliers/Vendors | Liaison with suppliers before sourcing and engaging with contract managers Meetings, business alliance events/meetings Vendor service/support channel |
| Shareholders and investors | Investor relations channel and meetings Annual General Meeting Quarterly reports, Annual Report, media releases |
| Government and regulators | Meetings and events |
| Local communities | Activities organised by the Company, Lion-Parkson Foundation and Lion Group Medical Assistance Fund |
| Media | Media releases and interviews |
| Industry associations | Meetings and events |