

The DRIVE for SUSTAINABILITY

SUSTAINABILITY REPORT 2019



MBM Resources Berhad

Holding its ground in a global economic context
and at the same time pushing ahead with
positive developments

in the sphere of environmental and social
sustainability is indeed a challenge for the
MBMR Group. The Group is motivated to
**improve the environmental
performance** of vehicle and
component manufacturing, the investment in
the skills of employees, right through to the
remanufacturing or **“second life”**
of components and the recycling of waste, to
ensure it is a model of industrial sustainability.





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OVERVIEW

ABOUT THIS REPORT

The Group is currently in the process of reviewing its sustainability approach and intends to explore various ways and programmes in which it can improve the sustainability practices and performances across the management and operations. For this report, we began by embarking on obtaining baseline data to measure and subsequently monitor the impact of our projects and activities, which helped us determine our performance and progress in areas considered material to our company and stakeholders. Our team believes that developing the comprehension of where the Group stands in its sustainability journey is essential towards identifying potential sustainability opportunities, implementing effective programmes, retaining and attracting talent in our workforce and instilling the sustainability mind-set and practices in our corporate culture which meet our values. This report will share our three main sustainability pillars – economic, environmental and social.

In preparing this report, we conducted activities involving various group of stakeholders and priorities through stakeholder engagement and meeting with the sustainability team at subsidiary level to discuss on materiality assessment and adopting the sustainability guidelines provided by Bursa Malaysia. Although we are still in the process of strengthening our sustainability governance, we are becoming increasingly aware that more can be done in other fragments to reduce the harmful impacts of our business activities. Through the journey we had in 2018, we aim to drive further towards accomplishing much better results to meet our target in economic, environmental and social sustainability.

ABOUT US

MBM Resources Berhad (MBMR) is an automotive group with diverse investments in distributorship and dealership of major international vehicle brands, automotive parts manufacturing and property developments in Malaysia.

The motor trading segment covers marketing and distribution of motor vehicles, spare parts and provision of related services. Auto parts segment comprises manufacturing of automotive parts and components, steel and alloy wheels and discs, noise, vibration and harshness products and provision of tyre assembly services.

The property segment includes development of Menara MBMR, The Signature Hartamas and other segments encompassing investment holding, corporate headquarter and dormant companies.



Our Vision

To be a Complete Automotive Group

Our Mission

To be the Automotive Partner of Choice to our Employees, Customers and Investors

Motor Trading



Auto Parts Manufacturing



CHAIRMAN'S STATEMENT

2019 has been another challenging year for MBMR, as the national economic outlook remains unstable with trade wars issue and financial market instability. This economic commotion plus political upheavals will continue to adversely affect our business operations. However, despite the obstacles faced in the automotive industry, MBMR remains resilient and poised. The Group can overcome these setbacks by remaining focused on its vision to be a complete automotive group, leading automotive industry in Malaysia. Our vision has always been our motivation in directing the company ahead as we seek to overcome challenging times and build our resilience as a company with a bright and sustainable future.

The Group is committed to executing its strategy, which is to focus on its core competencies, widening its presence in the auto parts manufacturing, exploring and diversifying earnings through new opportunities and other investments plus emphasizing on human capital development. We believe that this strategy will enable us to achieve continuous business growth in advancing our competitiveness.

In overcoming numerous challenges while undergoing the ups and downs of the business cycle, we have matured to become a stable and steadfast business in automotive manufacturing and motor trading. The Group continues to be inspired by its mission – “To be a Complete Automotive Group”. As we continue to drive ourselves forward in achieving this mission, the Group gradually expands its knowledge, abilities and outreach to move ahead of our competitors. Through the decades, MBMR's reputation has increased due to its numerous leads, which have strengthened its leadership position in the automotive industry. These advantages include our solid track record in sales and marketing, competent product and service quality, efficient management team, experienced workforce while continuing to delight our customers.

The Group considers seriously sustainability issues in the formulation of its strategies. We believe that sustainability means operating our business in a way that is not only profitable but also creating a positive impact on our stakeholders and the environment. We believe this is a strategic direction which leads to better management, greater efficiency and sound business performance.

In the foreseeable future, Malaysia's automotive industry will maintain an optimistic vibe with a steady outlook for both the domestic and export market.



Although the automotive industry is very competitive, MBMR is confident of increased earnings as the Group is an experienced performer. To stay ahead of the tough competition, the Group has been widening its expertise and strengthening its capabilities by investing in human skills and potential in both manufacturing and motor trading sectors.

Nevertheless, we are also pragmatic and expect the operating environment in the automotive industry to stay challenging. This is due to increasing business costs, a tough labour market, tough competition and a shortage of experienced and skilled manpower. To tackle these issues, MBMR has updated its operations and productivity via various measures. These include the adoption of advanced technologies, conducting training programmes and continuous engagement with our principals.

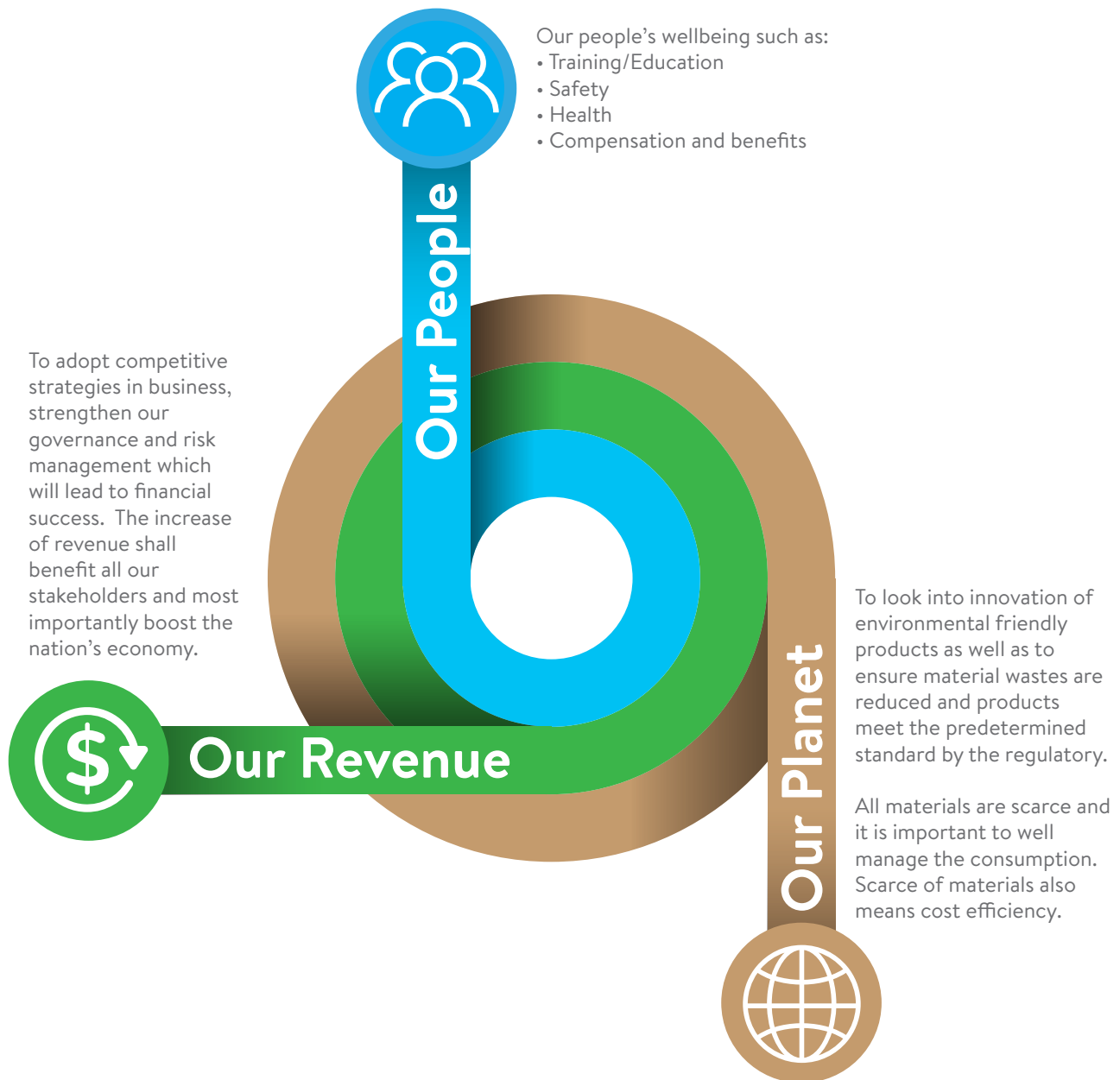
Last but not least, on behalf of the MBMR, I would like to say a big thank you for the unwavering and loyal support of our shareholders, business associates, customers, vendors and suppliers through the years. I would like to convey my profound gratitude to all MBMR Group of company's management team and staff for their leadership, collaborative efforts and strong teamwork. As we look to the future, I am confident that MBMR can depend on all of you to give your very best to make MBMR resilient and stronger to achieve a sustainable future.

I would also like to express my deepest appreciation to our Board of Directors for their wise counsel and invaluable contributions. All of you have given generously of your time, hard work and commitment to make MBMR what it is today.

Datuk (Dr) Aminar Rashid bin Salleh
Chairman

OUR GOALS

In recognising our efforts in all aspects of sustainability, our aim is to focus on our role in contributing to the economic sustainability of our country, the community around us and the environment. We integrate our corporate sustainability goals to clearly reflect our vision, values and material issues, while also being compatible with the core pillars of sustainable development. Our Sustainability Goals aim to achieve the triple bottom line - engaging our people, our planet and revenue as our destination of driving ahead towards sustainability



OUR SUSTAINABILITY GOVERNANCE

Good and strong governance play very important roles in delivering our sustainability goals. It is a foundation in ensuring our sustainability activities are integrated into, and not separate from, our business. It provides a solid foundation in developing sustainability strategies and targets as it focuses on embedding sustainability into the business by implementing decisions in the relevant business areas. Each company in the group has required performances and duties on how to support the sustainability activities and its implementation.

In MBMR, setting the right tone at the top is more than just compliance training. It encourages its leaders in finding ways to connect with all our stakeholders. Leaders must be responsive and consistently deliver value through different platforms. This is critical in building and maintaining business ethics and integrity.

We are working forward towards strengthening our governance structure to incorporate the Business Ethics and Values Committee which evaluates relevant Group Internal Rules as well as participating in and exit from commitments to sustainability and/or approves external position statements and sector guidelines. This governance structure allows the Board, relevant management committees and senior management to integrate business risks and opportunities and other sustainability issues into their decision-making and business processes.

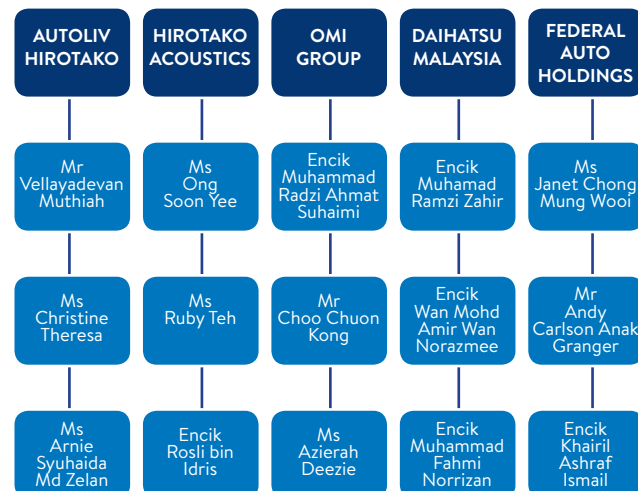
The key elements of our sustainability structure include:

BOARD OF DIRECTORS
 Datuk (Dr) Aminar Rashid bin Salleh (Chairman)
 Mr Low Hin Choong
 Mr Ng Seng Kong
 Dato' Anwar bin Haji @ Aji
 Encik Muhammad Lukman bin Musa @ Hussain
 Ms Wong Fay Lee

CHIEF EXECUTIVE OFFICER (CEO)
 Dr Muhammad Iqbal bin Shaharom

MBM RESOURCES BERHAD'S SUSTAINABILITY COMMITTEE TEAM
 Ms Edawati Heli
 Ms Rohaida Abd Rashid

SUSTAINABILITY COMMITTEE LEADERS (SUBSIDIARY)
 Mr Ngeow Zoo Gin
 (Autoliv Hirotako Sdn Bhd)
 Mr Thean Lip Sung
 (Hirotako Acoustics Sdn Bhd)
 Mr Low Eng Hong & Mr Chai Kin Poh
 (OMI Group)
 Encik Noor Arman Putra bin Mohd Madi
 (Daihatsu (Malaysia) Sdn Bhd)
 Encik Adam Firsham bin Aqil
 (Federal Auto Holdings Berhad)



Our sustainability governance structure development is progressing as we get more involvement from the subsidiary members. This development is to ensure successful management of ESG issues in MBMR Group.

<p>Board level - governance and oversight</p>	<p>MBM Resources Berhad’s Board of Directors The Board have the ultimate responsibility for the management, general affairs, direction, performance and long-term success of the company. The Board reviews and monitors various aspect of the governance and other oversight issues.</p>
<p>Sustainability Management Committee</p>	<p>Chief Executive Officer (CEO) The committee led by our Chief Executive Officer (CEO), is responsible for managing and overseeing the progress of all the sustainability strategies and goals.</p> <p>Leads the integration of sustainability into our business and communications, working with all the business unit head to unlock capacity for business growth.</p> <p>Chief Sustainability Officer (CSO) Leads our sustainability agenda to drive transformational change across the company and to monitor the progress of sustainability programmes.</p>

<p>MBMR Team – Cross-functional executive team</p>	<p>Reporting directly to CEO and CSO, the team engages leadership across business units, departments and provides further oversight and strategic guidance. This team also mobilised employees to implement strategies. The functions involve operations, marketing, public affairs and communications, human resources, environmental health and safety and investor relation.</p>
<p>Subsidiaries Sustainability Team -leadership - strategic development of our goals</p>	<p>Autoliv Hirotako Sdn Bhd (AHSB) Hirotako Acoustics Sdn Bhd (HASB) Daihatsu (Malaysia) Sdn Bhd (DMSB) Federal Auto Holdings Berhad (FAHB) Oriental Metal Industry (M) Sdn Bhd (OMI)</p> <p>The team are responsible for the implementation of the strategic development of our sustainability goals. They work together as function leaders and our Sustainability Management Committee.</p>
<p>Sustainability Team Members (Subsidiary based)</p>	<p>The core team that help coordinate daily activities and implement sustainability initiatives. The team play a key role in helping integrate sustainability across the company’s value chain. They are the owner of priority sustainability topics and are responsible for implementing strategies, tracking performance, and engaging employees.</p>

SOCIAL

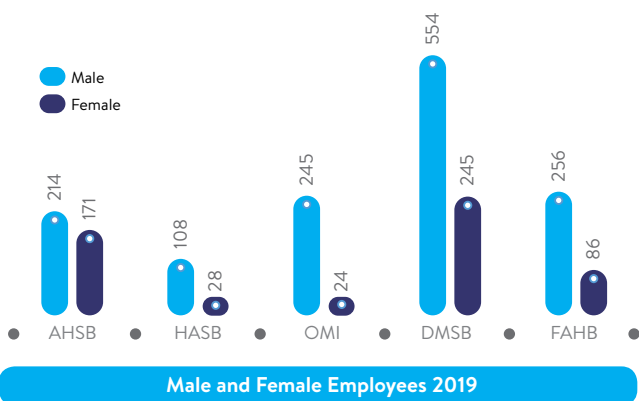
Business efficiency, stakeholder pressure and the need for legislative compliance compel the automotive sector to design and manufacture fuel-efficient, low-impact, environmentally responsible and sustainable vehicles. Managing and responding to these multiple and sometimes conflicting interests requires the measurement of economic, environmental and societal performance. In MBMR, our social responsibility revolves around vehicle safety, vehicle user and even safety. Nevertheless, our employees' wellbeing is our top priority.

EQUAL OPPORTUNITY

Amidst aggressive competition for talent and manpower, we stand with the principle of equal employment opportunity and to be acknowledged as a diverse and responsible employer by all our people. We always believe that the company and the business will be stronger when our workforce reflects the communities in which we operate.

MBMR practises fair treatment to all our people and commits to provide our people with a working environment that is free from discrimination and harassment. Our aim is always to provide the most efficient and comfortable working environment to our people.

In general, our workforce reflects the diversity in gender, ethnicity, religion and culture. This diverse culture is celebrated by the Group by organising events such as Chinese New Year Dinner, Raya Open House and Deepavali Open House.



HEALTHIER WORKPLACE

We believe that our people are the driving force of a strong business and that a motivated workforce delivers value to our stakeholders.

Fitness activities have been proven to improve health and wellbeing as well as foster teamwork and a stronger work culture. MBMR promotes a healthy lifestyle by encouraging our people to maintain their fitness through regular exercise and participate in sports activities organised by the Group. We motivate and encourage our staff through the provision of venue, equipment and prize sponsorship by the company. Besides building a healthy community, this encouragement also indirectly creates a healthy competition and fair game which in practice makes our people more focused in delivering better results and continuously improving their skills and strategy.

Below are few of the activities conducted in 2019 by MBMR Group.

- Badminton Tournament
- Charity Runs
- Fit Run
- Bukit Gasing Hiking
- Bowling Tournament
- Table Tennis Tournament

To measure the effectiveness of our activities, we plan to view our employees' overall health improvement reports from quarterly health reports from the subsidiaries. This effort will require support from the Human Resources Departments and the Business Unit Heads. This is part of the improvement plan that we believe will benefit the company in the long run. The measures shall be able to justify the returns of investment in time, effort and amount of support by both employer and employees.



COMMUNITY ENGAGEMENT

Our community engagement campaigns and programmes focus on creating the awareness on the importance of safety, health, relationship and environmental conservation. We are continuously involved in sharing information and always looking forward to participating in events that involve educating the community in topics related to our businesses.

In 2019, we conducted various activities involving almost all levels of community – from individuals to government agencies. We are committed to balancing our business needs with the support for community growth and well-being. So, it is important for us to take a more strategic approach in planning our future investment programmes that are linked to our businesses and areas of operations. The investment strategy will focus on support programmes for community safety education, environmental awareness and health activities.

Although we have yet to establish any specific community investment, as part of our continued commitment to improving the support to our community, we successfully organised our corporate social responsibility programmes such as KITA Festival, PINK October, Rohingya Winter Mission 3.0, Blood donation drive, visit to old folks' home, donation to Red Crescent Malaysia and etc in 2019.



STAFF BENEFITS AND DEVELOPMENT

It is the norm in any organisation that compensation and benefits play a vital role in the organizational performance. In MBMR, we always evaluate and assess the employee's compensation and benefit aspects as we are well aware that this is part of the contributing factor to our business performance.

MBMR Group management team has implemented a strategic compensation and benefits scheme to clearly define the salary grading of new recruitment, incremental scheme of salaries, methods of rewarding and giving incentives and other indirect reward schemes.

Part of the benefits received by the employees includes skills development and training. Employees within the Group receive training in areas relevant to their function. Relevant employees receive ongoing training on the latest legal and regulatory requirements such as updates to the Employment Act, Companies Act and MACC Act.

Trainings are always a priority in MBMR Group. We encourage our people to keep themselves efficient by upgrading their skills, education level and even general knowledge of new areas of their interests.

In our sustainability approach, we integrate all aspects of a business, from energy consumption to procurement. Not forgetting the reinforcement of employee confidence, is our duty to ensure that the company educates them about sustainability as well as to create systems and processes that make it easier for employees to integrate sustainability into the company's process and business decisions. This will help to equip the employees with necessary skills, and thus be well prepared for any future challenging business environment. Ultimately, this can also raise the employee's living standards, hence creating a more prosperous society.

Skills for sustainable development are also central to innovation and vital for a productive, adaptable workforce. We need employees to understand, across functions and markets, how social and environmental issues affect the Group's sustainability goals. We believe that our businesses can achieve competitive advantage by equipping our employees with the skills and knowledge needed to make the most of the opportunities ahead.

MBMR is certain that education and proper training enable the Group to demystify sustainable development by portraying it as a common fragment of business life. We are confident that our businesses can benefit from showing how action on sustainable development is central to our daily operations and essential for a flourishing society, inclusive of economic growth and human progress. Due to that in 2019, various private training and training with the authorities conducted at subsidiary level including such as APAD ICOP safety training conducted by Agensi Pengangkutan Awam Darat (APAD), Fire Pre-incident Planning meeting with BOMBA by Bomba Shah Alam, internal training for all HASB staff by AED Consulting, forklift training for forklift operators in HASB, chemical spillage and CRP training by AED Consulting. On holding company level, MBMR conducted a sustainability training to increase awareness of the importance of sustainability to all its subsidiaries. The training was held in July 2019 which involved all Business Unit Heads, Finance team, HR team, Operation and Sales and Marketing leaders. MBMR also managed to conduct a Critical thinking training for Directors together with all MBMR management, subsidiary's Business Unit Heads, Finance, HR & Admin, Operation, Sales and Marketing and Internal Audit team.



MINIMISING INJURIES

Nothing is more important than the safety and health of our people. We ensure everyone is well educated and committed to minimizing injuries in the workplace.

We aim to foster a risk averse working environment, eliminate safety hazards and target zero fatalities all across our Group. It is not only the management's responsibility but also the people's involvement in achieving this goal. MBMR strives to ensure that our people understand that they have a share in this responsibility and everyone is accountable for not only their personal health and safety but also their colleagues.

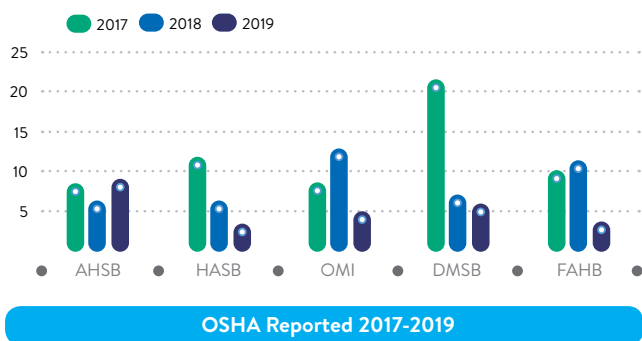
In relation to the above, we always keep our people reminded, educated and at all times to be aware of the hazards around them at the work place. The reminder, education and awareness are ongoing and scheduled in advance on a yearly basis.

- Health screening and blood donation program.
- Distribution of N95 mask to all DMM's outlets.
- Organise safety talk such as Fire Prevention program.
- Ensure that all facilities are well maintained and safe to be used.
- Forklift training for the manufacturing sector.
- Chemical spillage audit.
- Fire drill training.
- Safety campaign by NIOSH.
- Safety DOJO visit by Autoliv.
- CPR and AED training
- Monthly audit for fire equipment and first aid.

In relation to minimising injury, our Occupational Health and Safety Administration (OSHA) from each subsidiary reported their activities and incidents on a monthly basis to MBMR's risk management officer. This report will be monitored and analysed based on any incidents reported. The management team represented by the risk management officer, will review factors such as health and safety regulation or policy set in the

company, Standard Operating Procedures (SOP) implementation, supervision and quality control inspection process, maintenance procedures for machinery/equipment, hazard recognition and control method.

2019 showed more safety awareness and health activities conducted to ensure the staff are well trained and updated with the new rules and regulations on OSHA by the authority. In the same issue, total reported accident cases have decreased from 43 cases in 2018 to 26 cases in 2019.



OUR CORPORATE RESPONSIBILITY

Embedded in the integration of environmental, social and economic considerations, the sustainability movement has steadily gained traction. MBMR defined occupational safety and health as a component of existing conceptual models to, not only ensuring the people’s safety and health, but also to focus on environmental concerns. We believe that are only truly sustainable when we are able to ensure the safety, health and welfare of our employees are well managed and in the finest situation we can provide. It helps to allay the management’s understanding of safety and health in sustainability, recognize opportunities and challenges and strategize the potential actions that could advance safety and health of our employees. We integrate our vision of sustainability to protect the environment for future generations, ensure long-term economic viability and allow people to thrive and flourish.

We are actively involved in Corporate Social Responsibility (CSR) where sustainability represents an important dimension of corporate strategy, with a view to monitoring and improving the social and environmental impact of our business operations. While there are many interests in combining effective business practices and management into serious obstacles, it raises the need for more research and studies to be conducted. Our CSR Committee will be responsible for preparing detailed plans for CSR activities, including expenses, types of activities, roles and responsibilities of various stakeholders and ensuring the mechanisms for their planned activities. The CSR Committee also ensures that all types of income accrued to the company through CSR activities should be returned to the public.

MBMR has always encouraged the Group to be cautious especially in selecting and implementing appropriate social responsibility strategies. This is crucial in achieving added value through the creation and strengthening of sustainable business at several levels: at the stakeholder level (investors, customers, suppliers, communities, NGOs, partners and distributors), at the organizational level (market share, sales, intellectual capital, reputation, brand awareness) and the environmental level.

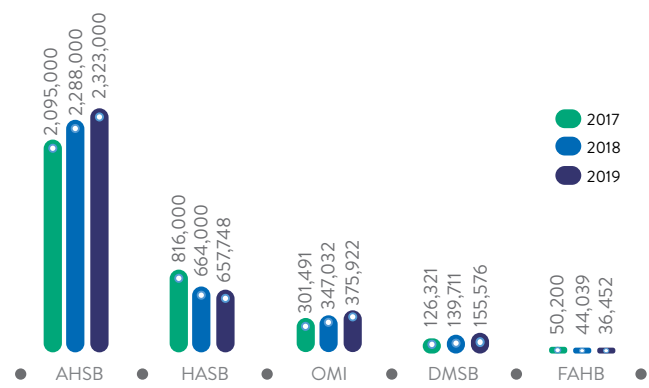
Name of Activity		Attendees	Purpose
Majlis Berbuka Puasa With	DMM Sales Selayang	DMMS business partners + Selayang customers Total: 143 pax	1. Company Group – Daihatsu Malaysia S/B CSR activity effort 2. Foster closer ties between DMMS and the local communities (selected areas closest to showroom)
Orphanage House: Madrasah Tahfiz Darul Zikri	DMM Sales Ipoh	DMMS business partners + Ipoh communities and customers Total: 150 pax	
Orphanage House: Persatuan Kebajikan Anak Yatim dan Miskin Al-Munirah Perak	DMM Sales Melaka	DMMS business partners + Melaka communities and customers Total: 150 pax	
Orphanage House: Kompleks Anak Yatim Al-Zaharah	DMM Sales Shah Alam	DMMS business partners + Shah Alam customers Total: 200 pax	
Orphanage House: Pertubuhan Rumah Anak Yatim dan Asnaf Kampung Sijangkang Free Tree Society (FTS)			
Free Tree Society (FTS)	Malaysian Commercial Vehicle Expo (MCVE) 2019 at MIECC Seri Kembangan	MCVE trade visitors, DMSB Dealers & Principal	1. DMSB MCVE Themed ‘Driving Value Through Innovation’ – to increase points of contact with customers and local communities in pursuit of even more high-quality vehicles at even more affordable prices 2. #FreeTreeGiveaway (total 450 trees given out) for 3 days and to promote environmental awareness and sustainability 3. Showcased custom-built Gran Max Green Van to transport plants from one point to another
	Daihatsu Private Volunteering Planting Event at Free Tree Society, Bangsar Nursery	Management & Staff of DMSB and DMMS Total: 25 pax	1. Seed funding for mobilization of Re-wilding Roadshow & Daihatsu green spaces
Columbia Asia Hospital Puchong (CAHP)	Malaysian Commercial Vehicle Expo (MCVE) 2019 at (MIECC), Seri Kembangan	MCVE trade visitors, DMSB Dealers & Principal	1. DMSB MCVE Themed ‘Driving Value Through Innovation’ – to increase points of contact with customers and local communities in pursuit of even more high-quality vehicles at even more affordable prices 2. Provide Free Healthcare Screening & Blood Donation Drive (127 checked) 3. Showcased custom-built Gran Max Mobile Clinic Truck
	Together is Better Campaign Launch at Rekascape, Cyberjaya	1. Management of CAHP 2. Management of DMSB 3. Founder of Projek57 4. Media	1. In collaboration with CAHP, Projek 57 & powered by Daihatsu (Malaysia) Sdn Bhd
	Hong Leong Assurance (HLA) Fit Run at Paya Indah, Wetlands	1. HLA Fit Run Participants 2. Management of HLA 3. Management of CAHP	1. Support a healthy lifestyle by providing free express medical check-up
	KITA Festival at Spacerubix, Puchong	1. Puchong Community 2. Management of CAHP 3. Visitors	1. Giving back to the community by organising free express medical check-up
	PINK October at Columbia Asia Puchong	1. Puchong Community 2. Management of CAHP 3. Visitors/Patients	1. In conjunction with Breast Cancer Awareness by supporting free breast check-up

Name of Activity		Attendees	Purpose
Red Crescent Malaysia Kuala Lumpur Low Yat Group Charity Golf Tournament at Tasik Puteri Golf & Country Club			1. Monetary support of RM3,000 for a charity event
Rohingya Winter Mission 3.0 at Rohingya Refugee Camp, Cox's Bazaar Bangladesh			1. Monetary support of RM2,500 to all Rohingya victims
CNY Dinner	FAC Glenmarie	Management and staff	1. Celebrating the festival and promoting cultural diversity among the management and staff at the workplace
Volvo S60 – Showroom launch	Federal Auto Showrooms Nationwide	Staff, customers, management team, community	1. Open door event to showcase of Volvo's new launched model S60
Blood Donation Drive	Glenmarie Volvo Showroom	Staff, customers, management team, community	1. Promote health awareness among the employees. Also as part of FAHB customer's engagement programme.
Charity Run	UPM Serdang, Selangor	Management, staff and community around UPM	1. Fund raising activity for National Kidney Foundation Malaysia. Community engagement.
Volkswagen Raya Open House	Volkswagen showroom nationwide	Existing customers, potential prospects, staff, management team, community around the areas	1. Celebrating the festival by sharing the event with everyone. 2. Brand awareness marketing activity.
E-Waste Campaign Launching	Hirotao Acoustics Sdn Bhd	Management and staff of HASB	1. Kick start campaign to ensure that staff understands the importance of waste management and to achieve "minimizing waste" goal within the company.
Gotong royong in April	Pantai Remis, Selangor	Management, staff of HASB and community near the area	1. Sharing efforts to clean the beach and educate the staff on the importance of keeping the beach clean and the benefits to the community.
HASB Bowling Tournament	Ampang Superbowl, Summit USJ	Management and staff	1. Other than being a sport for exercise, entertainment and teambuilding, it also instils building team spirit among the players by closing the gap between management and staff.
Orphanage home visit @	Rumah Anak Yatim Ulin Nuha, Johan Setia, Klang	Management and staff	1. Charity drive and to share with the less fortunate community. Giving away goodies and necessary items to support the children's daily living and education.
Ceramah Kesedaran & Keselamatan di Tempat Kerja by NIOSH	Hirotao Acoustics Sdn Bhd	Management and staff	1. To educate management and staff on the importance of safety at their workplace. 2. Get connected with the authorities on the latest updates on important information of occupational safety and health requirements.
Autoliv Hirotao Sports Club Committee Engagement visit to Persatuan Kanak-Kanak Istimewa Kajang (PKIK),	Kajang Selangor	Management and staff of AHSB	1. Supporting the organisation (PKIK) by contributing cash donation, groceries item and household sundry for daily needs. 2. To share caring and love with PKIK students by taking them out for visit to KL Bird Park. This is community engagement conducted yearly by AHSB.

ECONOMICS

The automotive industry is constantly under pressure in ensuring continuous restructuring of its systems is based on consumer demands. This forces the industry to be more agile and flexible towards developing a high end security system. The competitiveness of automakers depends largely on their ability to lead while focusing on the industry development with agility coupled with efficiency of the suppliers and technology. The greater integration of suppliers and assemblers into product development activities has made it possible to reduce the development time and the engineering hours required. Furthermore, they are able to review more frequently both the product and technology used at lower costs with shared responsibility and sustainable practices.

In MBMR, the concept of sustainability in automotive industry focuses on vehicle and auto parts manufacturers with planned actions in reducing carbon impact on both their products and their manufacturing processes. However, recently, innovation has become necessary for survival in the automotive industry. Due to structural changes in the marketplace, more intense competition, stricter regulation, growing fragmentation and shorter product life cycles, manufacturers are required to continuously incorporate new technologies, designs and features in the product development process.



2017-2019 Productivity Level

Note:
 Manufacturing productivity based on production achievement and general consumption from January to December. Based on Units sold.
 Motor trading productivity based on aftersales achievement and general consumption from January to December. Based on Ringgit.

REDUCE COSTS

As part of our responsibility towards the organisation, the people and the economy, reducing costs is part of the measures that can increase productivity, generate higher margin and motivate people to be more efficient in production or business planning. In ensuring cost efficiency, manufacturing has aligned its goal through reducing waste at production levels, localising raw materials supplier and also increasing production productivity.

In raw material sourcing, manufacturing always ensures that they are able to assign a local supplier before appointing an overseas supplier. This can reduce transportation and process costs which includes bank transfers, foreign exchange rate depreciation and also time efficiency. Packaging and logistic coordination also play part in reducing costs. A properly planned packaging and logistic process will help reduce wasted time and freight charges. Another factor that plays an important role in cost reduction is having a low downtime for machinery breakdown or maintenance. Scheduled maintenance has to be closely monitored as it involves production efficiency, as breakdowns can cause time loss and faulty products – waste of materials.

In motor trading, the cost reduction activity focuses on cutting down unnecessary expenditure while increasing creativity in the sales and marketing section. The advertisement costs can be very expensive. However, with new technology and innovative talent in the company, it can increase sales with lower costs. Of course, this comes with an investment in employee skills. Thus, it is necessary for the company to employ a long-term, comprehensive approach in order to develop a good public image. By doing so, a company is attracting and retaining high-quality employees, creating innovation, improving productivity and lowering operating costs. At the same time, it enhances its image with customers and socially conscious investors – all of these have direct implications on the company’s market value and income.

BOOST NATION’S ECONOMY

Automotive industry is one of the most important industries in the Malaysian manufacturing sector. In the past MBMR group has always been well known as dealers of Volvo, Volkswagen and also the national car, Perodua. As a Malaysian company, it is our pride to be part of the national car dealers and auto parts supplier. It is

essential for MBMR to continue supporting the national car auto parts production and our aim is to ensure that all these supplied parts are of high quality, safety tested and reliable. The growing demands for vehicles in the past years have boosted MBMR auto parts manufacturing sector. This increase in market demand has created more opportunities for locals such as local material suppliers and logistic companies thus reducing unemployment with job opportunities for fresh graduates up to professional level.

PRODUCT QC

Part of our responsibility towards our customers is to provide the best quality product. This can only be achieved by high quality control, through inspections and continuous improvements. In every single product, high quality requirements are placed before any items are packed for delivery and this can easily generate considerable costs. Sudden increases in orders, process instability or operator errors will cause manufacturing process to be more complex. Our aim is to protect the consumer from defective products and the company from damage to its reputation due to inferior manufacturing process or faulty products. We ensure that our quality control is well-defined and standardised according to the requirements.

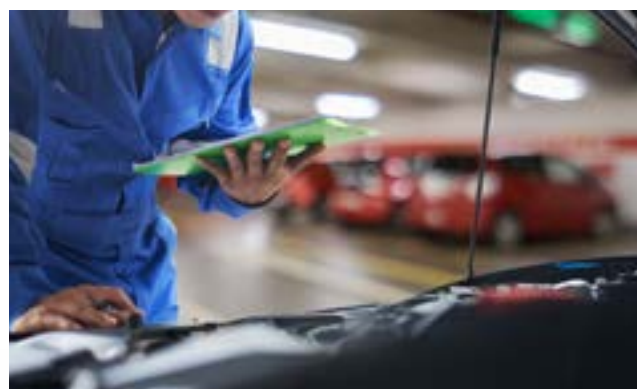
The production team is always detailed in not allowing any room for errors by specifying which production activities are to be completed by which personnel or team to reduce the chances of mistakes or accidents. Here, the importance of good training and education plays a part as well. Our management team is always aware of the need to provide proper training for all employees and it is embedded in our values to educate our employees with the right skill to enhance their effectiveness.

For the motor trading sector, the quality control is more focussed on vehicle service quality, customer service and other after sales services. Customers are one of our most important stakeholders and it is crucial for us to maintain an ongoing positive interaction with them to understand their needs and thus provide best-fitting solutions for them. The quality control team must ensure that all maintenance works carried out are cost effective, meeting quality standards in order for vehicle downtime to be kept to a minimum. The maintenance and service section keeps customer records in proper filing and regularly communicates with the customers by giving updates on new products and reminders on

next their service appointment. It is important to ensure that the company's image of professionalism and quality of service is up to the customers' expectations. This is also an opportunity for the Aftersales team to deliver to customers a high level of productivity with excellent standards by ensuring that the workshop is always clean, safe and conducive. Our professional and well trained mechanics, technicians and sales advisors are assigned to maximise the efficiency and performance of the workshop. A leader takes full accountability to any issues and leads the team in troubleshooting complex jobs, motivating the team and monitoring their performance in achieving day-to-day targets.

ENVIRONMENTAL FRIENDLY PRODUCTS

Our approach towards environmental sustainability is integrated in our economic sustainability plan to balance between the environmental needs and our economic stability. In the past, our manufacturing sector has been working on the development of environmental friendly products for auto parts. This has been progressively monitored by the respective departments. It was a new development for our subsidiary company, Hirotao Acoustics Sdn Bhd (HASB) which started its auto parts production by using recycled item such as used papers and fabrics. Unfortunately, further studies have to be carried out due to the complexity of the process and lack of material resources from local suppliers, incurring higher costs to produce the items. However, the Group offered assistance to HASB by collecting and delivering all recycled newspapers to HASB on a monthly basis. Latest developments shared with us showed that HASB has successfully exported its first 40-footer delivery of the item by using recycled materials. Although the margin is very minimal, the aim is to produce sustainable products towards a better future.



ENVIRONMENTAL

We recognise the importance of environmental protection for the long term sustainability of our businesses. As highlighted in our previous report, our materiality matters showed that the most immediate issues within our own operations are related to resources used and the impact of the consumption of energy, water and waste management. MBMR Group of companies mainly operate in industrialised zones in Shah Alam, urban primary areas in Kuala Lumpur and few other states in Malaysia. Therefore, our significant target is to minimise carbon footprint, reduce energy consumption, lower water impact and improve waste management.

ENERGY SAVING

The Group's electricity consumption is the largest direct source of carbon emission and we are committed to managing and reducing our energy usage. We target to achieve at least 5% electricity consumption for 2020 and are committed to continue monitoring the conservation of energy. While working on assessment on carbon footprint, our Group of companies will continue to initiate energy-saving activities such as :

- Change the usage of normal lightings to LED
- Scheduled maintenance inspection to reduce high energy consumption during start- up.
- Electricity consumption control within the company by implementing timer switches.
- Implementation of solar panel investment.

In our previous report, we have disclosed the total consumption and savings from some of the above initiatives and we will continue to share the details in our full report. As for the initiatives that are still under planning such as solar panel installation, we plan to disclose on the investments of the above initiatives, the process and the initial outcome of the implementation.

Change the use of normal lightings to LED

Widespread use of LED lightings has the greatest potential impact on energy savings for our manufacturing sector. By 2025, we estimate the LED lightings to be fully implemented in all our factories including office spaces, warehouses and parking lots. Autoliv Hirotako Sdn Bhd has moved to LED lightings since 2017

and they are still continuing the efforts to ensure their energy consumption is kept as low as possible. Similarly, this was also initiated by Hirotako Acoustics Sdn Bhd in 2019 when they first changed their factory's lightings to LED. The removal of non-LED lightings in their office and parking lots is also in the pipeline. However, this will be done over a period of time for the company to remain cost effective with prudent expenditure.

Scheduled maintenance inspection to reduce high energy consumption during start up.

MBMR Group is working to achieve a common goal in improving operations and maintenance and energy/water efficiency across both the motor trading and manufacturing sectors. This requires the participation of staff from five well defined areas: Operations, Maintenance, Engineering, Training and Administration. While a given site may not have all five of these areas as separate entities, these functions are provided for within the organisation and supported by the whole Group. This cannot be achieved without the full cooperation, dedication and participation of staffs at all levels, as everyone need to understand the basic principles towards supporting this cause.

The control and upkeep of property and equipment in manufacturing are not limited to actions by the respective teams in charge of scheduling, procedures and work/systems control and optimization and performance of scheduled routine for the prevention of equipment failure towards better efficiency, reliability, and safety.

Operational efficiency encompasses the life-cycle, cost-effectiveness coupled with equipment calibration and management capabilities, targeting reliability, safety, occupants' comfort and system efficiency.

The motor trading sector may not practise shut-down period for any maintenance of their automotive equipment. However, scheduled maintenance is conducted regularly, such as car lift maintenance which is compulsory on a bi-monthly basis. This is in compliance with the regulation set by the Department of Safety and Health (JKKP) which requires the car lift and passenger lift are conducted at least once every three months.

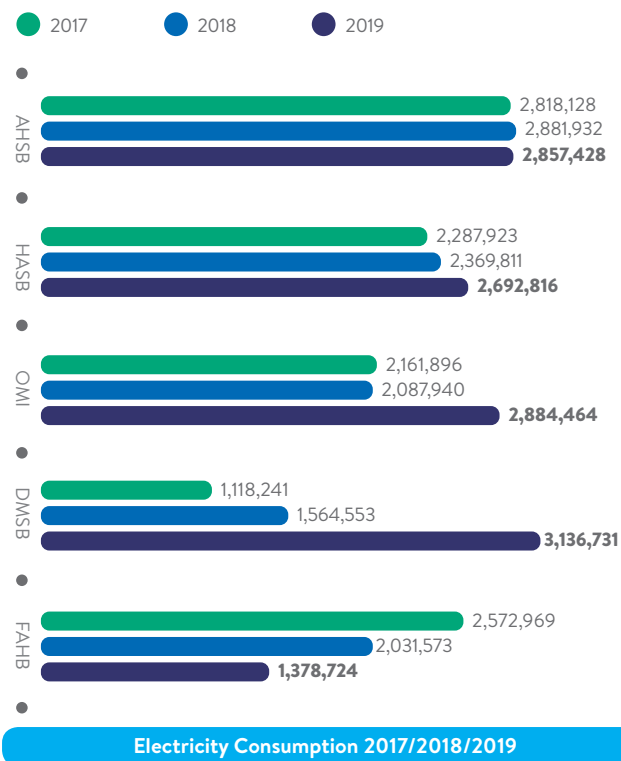
Electricity consumption control within the company by implementing timer switches.

MBMR Group has been constantly monitoring every department's energy reduction or energy saving activities. This issue is becoming one of the main environmental issues due to the increasing level of pollution and global warming that arises from extreme use of fossil fuel energy sources. One of the first steps to energy savings is through close monitoring of internal electricity or energy usage. Individually, this exercise may not show any contribution in the bottom line but in the long run, it will somehow reduce costs and this cost efficiency will determine the level of consumption. Most of the manufacturing sectors in the Group has implemented the usage of timer switches to minimise energy consumption. Only authorized persons have access to configure these timers so as to manage the working hours of the classroom electrical load units such as lightings, air conditioning and other appliances. The analysis of the collected data reflects the effectiveness of the proposed system in the reduction of electrical energy consumption, hence energy saving.

Solar panel investment.

Solar systems and installation of solar panels are projects that have been discussed among the manufacturing sectors in the Group. As of today, only Menara MBMR has invested in this renewable energy. The implementation and usage has been detailed in MBMR 2018 Sustainability Report. Due to high investment costs in the initial stage, the Group is looking into a better approach before starting this initiative.

The Group is also looking into incentives offered by the government which allows companies to lease photovoltaic panels from providers without incurring any initial capital to purchase and install the system. We are targeting the full implementation soon. However, this implementation will affect the manufacturing sectors only. On motor trading sector, the cost cutting activities which involve energy efficiency will still be monitored accordingly. More details on the accomplishment of the energy saving shared in this report with the following yearly consumption chart



WATER CONSERVATION

Reducing water usage, like most other environmentally friendly practices has always been overlooked by most of us as we often lack the information or know-how in achieving water conservation goals. Although we are well aware that Malaysia is blessed with an abundance of water resources, we still conserve the usage of water to ensure issues such as water shortages and crisis do not occur in the future.

Our Group consumed more than a hundred cubic metres of water in 2019 as compared to other industries especially in manufacturing but the total consumption is still manageable. The management's approach in controlling and monitoring the usage of water for cooling process at the manufacturing plant is effective with the implementation of cooling tower and water curtain which helps in reducing water consumption as it can be reused or recycled.

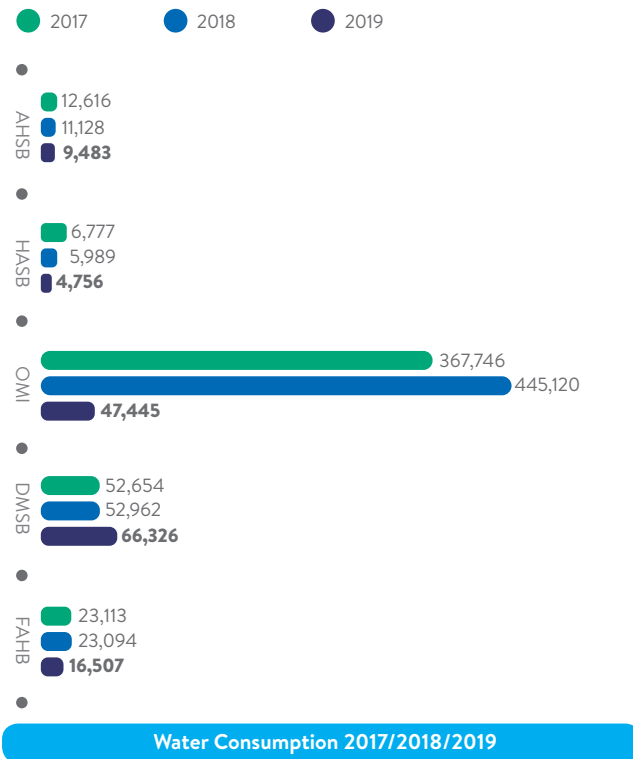
Over the last two years, we have reported on water consumption of both sectors in the Group and we will monitor it continuously to strive in achieving our goal in reducing water usage.

Some of the current water conservation practices in MBMR are:

- Water treatment for manufacturing operations in HASB and OMI.
- Rain water harvesting at Menara MBMR (monitored by MBMR Properties Sdn Bhd.
- Water recycling for manufacturing chiller systems.

As a result of the informal activities conducted by the management for their workforce, it has impacted their employees in their commitment towards water conservation.

The management will also work with employees and educate them about water conservation and conduct regular checks to ensure shared water saving methods are implemented accordingly. This will develop positive habits among the employees without having their supervisors/managers to monitor. A regular check for water leakages will be an advantage to the management as the consistent maintenance will prevent any unexpected issues.



We provide bottled water during interviews or meetings and it is a habit that unfinished water in an opened bottle will be thrown away. This is part of water wastage that should be avoided. In MBMR, it is our practice to ensure that leftover water in the bottles or cups are used to irrigate indoor and outdoor plants.

The Administrative Officer, together with Human Resource Manager, will monitor the water usage through monthly utility bills and make comparison of any increase or decrease of consumption. Justification is needed for both situations as this is part of the cost saving analysis to be implemented across the Group.

MINIMISING WASTE

Waste management is an ongoing issue for almost every business and a proper waste management is vital for the protection of our environment and local population health. Waste has become an increasingly important material issue as consumers and businesses find ways to reduce its impact on our environment. Similarly, MBMR Group will implement strategies to reduce, reuse and recycle waste and packaging.

Our manufacturing sector uses appropriate technologies to handle and treat various waste and pollutants in achieving their goals to minimise waste. Minimizing waste involves various support and our people working together to ensure that the waste minimising programme is implemented accordingly.

These are some of the initiatives that have been carried out throughout the year.

- Ban of plastics usage
- HASB has been promoting the restriction of plastic usage in their business operation.
- Reusing discards.
- Comprehensive recycling.
- Reduce scheduled waste.
- Waste water treatment.
- Paper recycling for production of goods.
- Reinforce policies, regulations, incentives and financing structures to support the implementation.

In our previous report, we have shared some of the existing facilities on water and waste management and these efforts will be kept under observation to ensure waste is treated before disposal. We encourage reusing, recycling and resource recovery in our businesses in all areas. Reducing business waste is one of the most effective ways to cut costs while benefitting our environment. Our goal is to minimise all kinds of waste especially waste that cannot be treated or recycled.

Both sectors in the Group have identified the following options :

- Reduce - can waste be avoided or reduced by the way your business obtains goods and services or by changing the way it operates?
- Reuse - does another local business have a use for the waste materials we produce and can be sold to other businesses?
- Recycle - what materials can be targeted for recycling and how much we can reduce?

Through this assessment the waste management team will know how much material they produce over a period of time and the types of materials that can be treated or recycled. From here, it will be easier to identify the most suitable waste and recycling methods.

Different businesses generate different types of recoverable materials. In manufacturing, there are types of waste that can be recycled 100%, such as metal spurs and chips which can be melted and reproduced into another product. However, this is different from motor trading because the oil from car servicing will only be collected as scheduled waste, which will be recorded accordingly as per required by Department of Environment (DOE).



STAKEHOLDER ENGAGEMENT

As a public listed company, we interact with numerous stakeholder groups at national level. It is an integral part of our sustainability development commitment that MBMR proactively engages with the stakeholders to learn their expectations and feedback. These expectations and feedback will later be studied, analysed and incorporated into our business sustainability material. As such, stakeholder engagement has always been one of the most important aspects in contributing to the successful mission in any of MBMR's sustainability developments. We engage our stakeholders to understand their diverse and evolving expectations and incorporate that understanding into our business strategies.

Our consistent adoption of transparent approach to our investor relations efforts continues with events, meetings and visits to the community.



Events	Description	Frequency
Annual General Meeting (AGM)	Yearly meeting with the members or shareholders was held on 24 May 2019 at The Royale Chulan Hotel, Damansara. During the meeting a presentation of the company's financial performance and other activities was reported by the CEO, Dr Muhammad Iqbal bin Shaharom and new Board Members were elected. We also shared our future plans during this meeting to ensure our stakeholders are aware of the business developments.	Once a year
Analyst Briefing	Two briefings organised simultaneously with the release of our quarter 2 and quarter 4 results to Bursa Malaysia. The briefings attended by financial analysts, fund managers and research analysts to gain further insight and review of the presented results.	Twice a year
Events with Authorities	Events organised with the local authorities and regulators in sharing our knowledge with the community. The list of events shared in our community engagement is in this report.	Occasional
New Outlets Launch and Media Relation	The media involvement in our Group are important as they are the main channel for our media coverage on any events we organise. In 2019, we launched a new centre in the Northern region of Malaysia as part of our business expansion plan.	Occasional
Websites and Email	Our website - www.mbmr.com.my , provides information on the company's subsidiaries, business partners, associates and updated information on our business performance. We formed a team to monitor the updates and progressively enhance the website on a timely manner. Currently, we are in the midst of updating our website and looking forward to a new look in 2020. We also can be reached at contact@mbmr.com.my to ease our investors, suppliers, contractors and the community to communicate with us. To ease our monitoring on the whistleblowing matters we created a new email especially for community that have any disclosure related to inappropriate practices occurring within the MBMR Group. We can be reached at info@mbmr.com.my .	Progressively

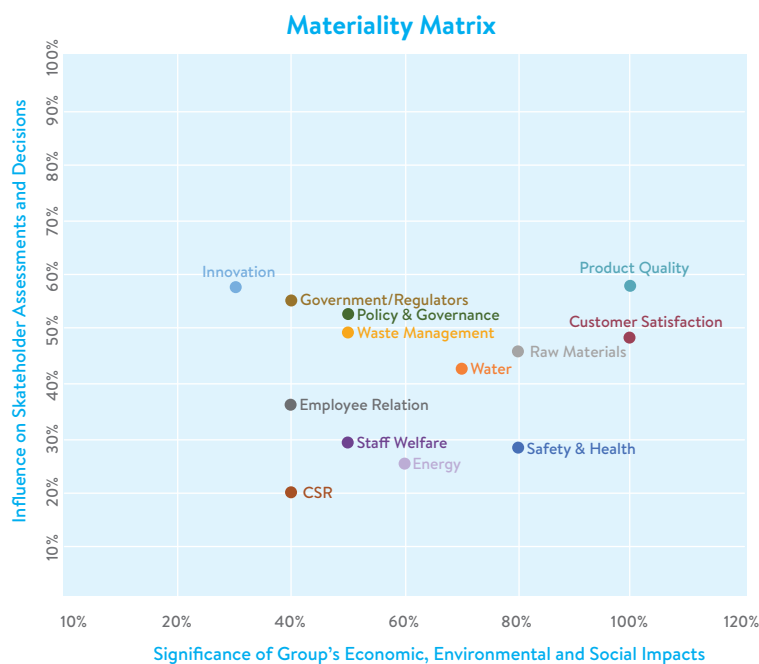
MATERIALITY MATTERS

Our focus in 2018 was to define the materiality matters and to set the sustainability target for 2021. As part of the process to derive this report, and to go one step further to define the reference points for a comprehensive sustainability strategy, in July 2019, we conducted a sustainability workshop, bringing together the internal company perspective with that of MBMR's broad range of external stakeholders.

The workshop shared the details of sustainability reporting and the importance of sustainability. During the session, we held a discussion on topics with the highest relevance for MBMR at that point in time and the topics set to gain importance in the future. The structured workshop included Business Unit Heads, Human Resources, Internal Auditors and Operation Departments of all subsidiaries, Finance and Procurement and Risk Management. Input and feedback received throughout 2018 in various interactions with customers, employees, investors, regulators and other external stakeholders were incorporated into the discussion. The outcome was summarized, verified with senior management and

fed into the resulting materiality matrix. The comprehensive sustainability strategy definition will be initiated in the second half of 2020.

The details behind each category in the matrix, as well as the reasoning behind their placement, are described below.



Material Matters	Aspect Included	Explanation
Product Quality	<ul style="list-style-type: none"> - Sustainable products - Quality standards - Certifications 	Consumer behaviour is changing and resources are becoming scarcer. We are incorporating the questions of how the procurement, production and use of materials can reduce the dispose section in the waste management inverted pyramid. It is also important for us to ensure that our products meet the predetermined standard by the regulatory.
Customer Satisfaction	<ul style="list-style-type: none"> - Customer relations - Service quality - Feedback 	Customers are one of our most important stakeholder and it is crucial for us to maintain an ongoing positive interaction with them to understand their needs and thus provide best-fitting solutions for them. Only with our customers as partners can we create a sustainable impact across the organisation.
Policy & Governance	<ul style="list-style-type: none"> - Corporate governance - Business ethics and compliance - Human rights 	A well-directed, administered and controlled organisation to ensure its stability and the integration of stakeholders' expectations and interest particularly the corporate governance: independence of the BOD; existence of specific committees.
Raw Materials	<ul style="list-style-type: none"> - Resources management - Alternative materials 	All materials are scarce and it is important to well manage the consumption. Scarce of materials also means cost efficiency. Limitation of access to get the materials will cost the materials to be more expensive. Thus, alternative materials are crucial.
Waste Management	<ul style="list-style-type: none"> - Management methods - Regulators requirements 	An improper solid waste management system may contribute to a worsening environmental degradation of the community. Management are to ensure procedures comply with the regulators requirements in managing the waste.

The following topics were identified as being relevant for the business, but carrying a lower materiality encumbrance. We consequently keep them on our monitoring for future development, while at the same time ensuring that we mark a positive impact in these matters with concern to the affected stakeholders.

Material Matters	Aspect Included	Explanation
Corporate Social Responsibility	- Recognition of local communities' needs in order to create awareness of our products and services and ensure their positive impact	Our production sites do not carry material risks for or have adverse effects on local communities and the direct impact is low. However, engagement with the community and cooperation with them on a local level is important for us to keep our reputation as a good company to the community.
Energy	- Usage/consumption - Operation control - Cost effectiveness	Energy related matter still one of the issue that need to be well monitored. Our management is committed to tackle the challenges to reduce consumption and to be more cost effective.
Staff Welfare	- Work-life balance - Health and wellbeing	A good organisation should be able to allow the employees to enjoy their freedom to learn and grow. Develop a continuous improvement culture and recognise good work or achievements. Compensating the employees by providing a healthy and happy environment.
Safety & Health	- Safe workplace	To care about our people who work for the company and to void any risk impacting their health and physical integrity by ensuring a culture of "Safety First" especially in manufacturing sector.
Employee Relation	- Employee management - Training and development	The broad spectrum of functions and roles within our business requires efficiency in human resource management process and the possibility to engage, develop and retain employees. Continuous training and skills development are mandatory to keep the high quality productivity.
Government/Regulators	- Regulators requirements - Compliance issues	Other than taking regulatory requirements as compliance matters, it is also act as guidelines to be aligned to the business efficiency and responsibility.
Innovation	- Innovation in new business models	Innovation is the key to business progress, especially in time of economic crisis. Embedded innovation in value chain (ie. Idea generation, Development and Implementation).
Water	- Water management	Our operations are not water intensive. Yet it is important for us to keep monitoring the water management as it is part of the scarce resources. Sustainable water is a significant topic for society at large.

Since 2018, our sustainability team has been gathering to brainstorm on how to improve the materiality assessment and work together to analyse the issues highlighted in the matrix to ensure our strategy is focused in the right areas, to assess the changing sustainability landscape and to understand and prioritise the issues that matter to our business and our stakeholders.

To ensure a best practice approach and objectivity, we plan to conduct an in-depth analysis of business impacts, using data and understandings to measure the relative importance of each issue to our stakeholders. Our five-stage process is detailed below:

Process	Details	Purpose
Identifying the Stakeholders	Creating a list of relevant stakeholders and categorizing to groups.	Easy to identify key contact within each group, who can provide significant perspective of the sustainability matter.
Conduct Stakeholders' Participation (Outreach)	To collect data and express the unique insight of each stakeholder group. This data will be used to show how valuable insight is for the company.	To set the right strategy for each materiality and to prioritize each matter accordingly.
Identify and Prioritize the Materiality Matters	This will help to determine which sustainability indicators to measure.	To clear the insights needed by the team in order to categorize it either under : Economics – revenue, profit, turnover Social – human rights, community impact or equal opportunity. Or Environmental – related to energy, water, GHG and waste management.
Organise Survey	To design materiality survey to collect insights from the stakeholder	As a formal participation from the stakeholders that can be recorded. This will show their willingness to participate and the data will be useful in information accuracy.
Evaluate and synthesize	To analyse the collected data from the survey and to put the insights into action.	To review all the result collectively, ranking them to reviewed indicator and analyse insight individually to determine the issues that are most important to each stakeholder group. Data will be compiled as a matrix that helps to map out trends and observations. The plots will indicate the significance of the issues/matters to stakeholders influence.

We believe that by sharing the materiality assessment results can serve as a starting point for continuing the conversation and maintaining engagement of our sustainability initiatives. Response and feedback from all stakeholders will be incorporated in overall sustainability strategy. From here, we will be able to create further communications plans for each group and more effectively report to our Board on the progress.



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