

# SUSTAINABILITY @ BHIC



## OUR APPROACH TO SUSTAINABILITY

As a key player in the marine and aerospace sectors with a large presence in the defence segment, BHIC is driven to contribute to the highest level of national defence and security. More than this, we recognise that our operations impact various stakeholders, either directly or indirectly; and, by upholding our core values of Belonging, Honour, Integrity and Commitment, we seek to create value for these stakeholders. By extension of this commitment, we endeavour to play our role in developing a more equitable society while protecting and preserving the sustainability of the environment.

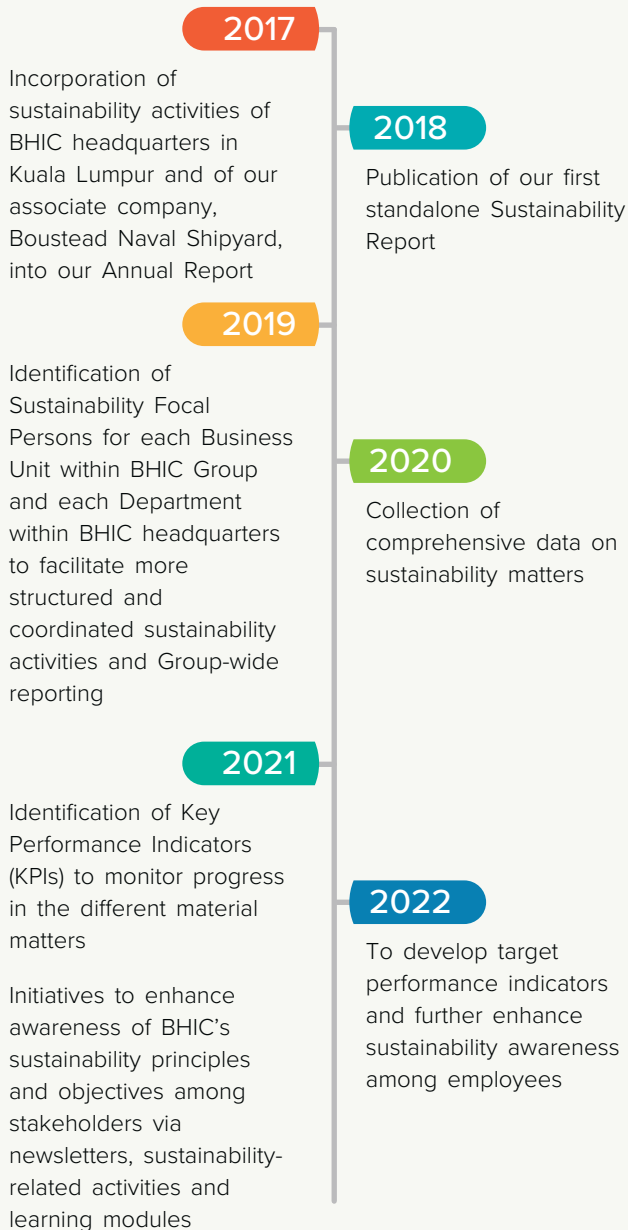
In fulfilling our sustainability agenda, we are guided by our Sustainability Policy which embeds economic, environmental and social (EES) principles into our entire value chain. The policy is available on our corporate website for easy reference of our employees and stakeholders. We believe it is important for our employees to understand the importance of sustainability, hence are investing into programmes to increase awareness of various key sustainability issues and to encourage them to play their part in becoming agents of change for the betterment of the economy, environment and society.



We are committed to managing and mitigating some of the world's most pressing issues. We have identified ways in which our initiatives can support the United Nations' Sustainable Development Goals (UN SDGs) and Malaysia's sustainability agendas. Initiatives undertaken towards this end are described in the Sustainability Review section of this Sustainability Statement.

## OUR SUSTAINABILITY JOURNEY

While we have always sought to create value for our stakeholders, our formal sustainability journey began in 2017. Milestones achieved thus far are illustrated below.



## SUSTAINABILITY GOVERNANCE

Sustainability at BHIC is led by our Board of Directors, which has the overall responsibility for our sustainability direction and performance. Our Board is assisted by a Board Sustainability Committee (BSC) comprising four members who meet at least twice a year to provide guidance and direction to the company's sustainability initiatives. At the management level, the Management Sustainability Committee (MSC) ensures that we fulfil our sustainability objectives, policies and agenda. The MSC comprises eight members and is led by our Chief Executive Officer.

### BOARD OF DIRECTORS

Responsible for overseeing the Group's overall sustainability strategy and direction

### BOARD SUSTAINABILITY COMMITTEE (BSC)

Assists the Board in discharging its oversight duties pertaining to the Group's sustainability objectives, policies and practices

### MANAGEMENT SUSTAINABILITY COMMITTEE (MSC)

Ensures that the Group fulfils its sustainability objectives, policies and agendas. Oversees sustainability reporting within the Group and advises BSC on sustainability matters

### STRATEGIC PLANNING & TRANSFORMATION (SPT) DEPARTMENT

Acts as MSC's secretariat and custodian for all sustainability initiatives and reporting within the Group

### SUSTAINABILITY FOCAL PERSONS AT CORPORATE OFFICE / BUSINESS UNITS

Execute, monitor and liaise with SPT on reporting and implementation of sustainability matters at the corporate office and Business Units

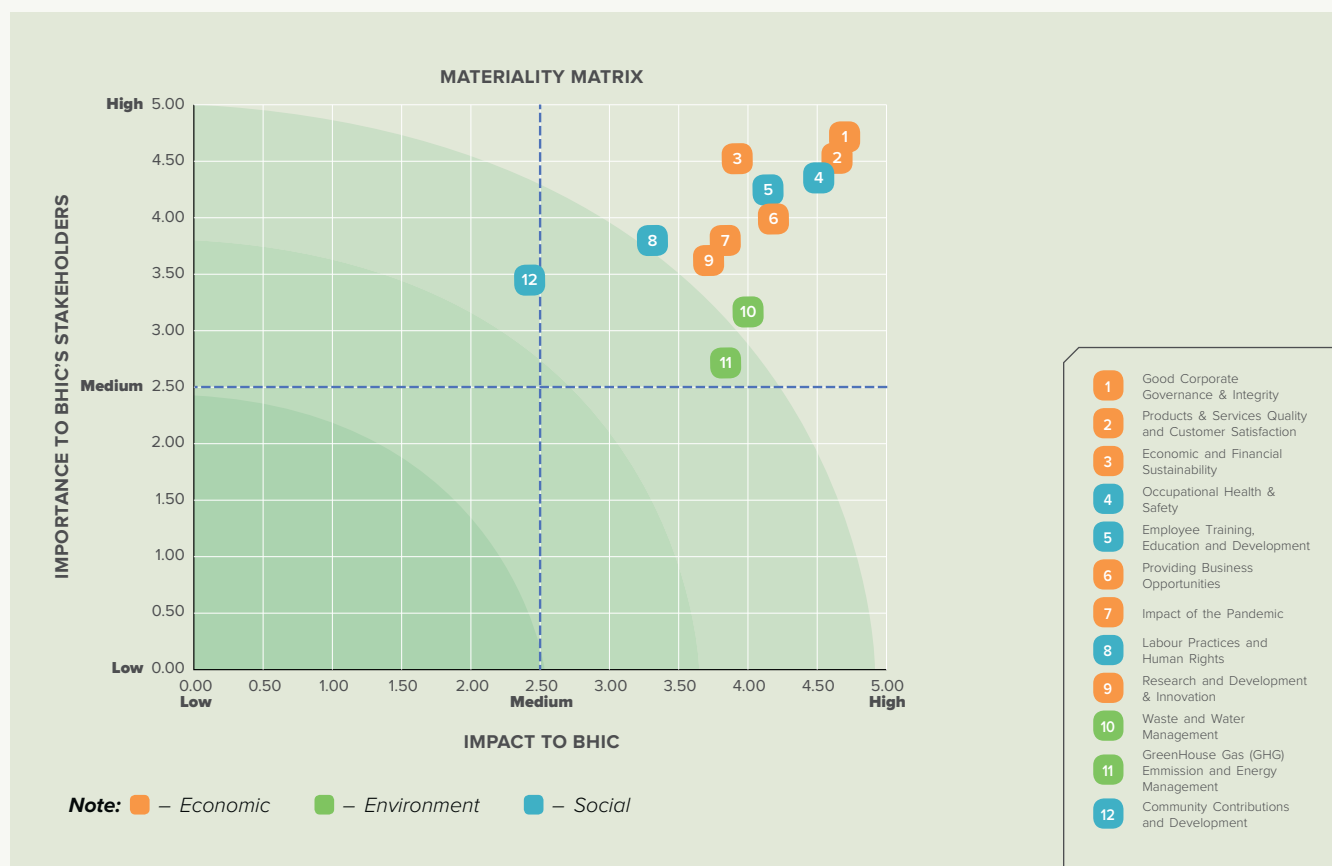
## SUSTAINABILITY @ BHIC

### OUR MATERIAL MATTERS

In 2019, we undertook a comprehensive materiality assessment to determine matters that were important to our stakeholders as well as to BHIC. The assessment followed a four-step process involving:

- Identification of issues
- Identification of stakeholders
- Assessment of relative importance and impact on stakeholders
- Validation of our materiality matrix

Through this assessment, we identified 12 material matters. In 2020, we added another material matter, namely 'Impact of the Pandemic'. In 2021, our management determined that these 13 material matters continue to be relevant, however we have combined 'Water Management' and 'Waste Management' into 'Waste and Water Management'. Hence, we still have 12 material matters, which will be the subject of our disclosure in this Sustainability Review.



For ease of reading the Sustainability Review section of this statement, we have categorised the material matters into Economic, Environment and Social areas.

## SUPPORTING THE UN SDGs

Through our sustainability initiatives, we hope to contribute towards global efforts to redress important social and environmental issues. As a guidance, we have mapped our material matters against the relevant UN SDGs.

	Material Matter	UN SDG	SDG Icons
1	Good Corporate Governance and Integrity	Peace, Justice and Integrity	
2	Products and Services Quality and Customer Satisfaction	Responsible Consumption & Production	
3	Economic and Financial Sustainability	Decent Work and Economic Growth	
4	Occupational Health & Safety	Good Health and Well-Being Decent Work and Economic Growth	 
5	Employee Training, Education and Development	Quality Education Decent Work and Economic Growth	 
6	Providing Business Opportunities	Decent Work and Economic Growth	
7	Impact of the Pandemic	Good Health and Well-Being Sustainable Cities and Communities	 
8	Labour Practices and Human Rights	Zero Hunger Gender Equality Peace, Justice and Integrity Decent Work and Economic Growth	   
9	Research and Development & Innovation	Industry, Innovation and Infrastructure	
10	Waste and Water Management	Clean Water and Sanitation Life Below Water Life on Land	  
11	Greenhouse Gas (GHG) Emissions and Energy Management	Affordable and Clean Energy Climate Action Life on Land Life Below Water	   
12	Community Contributions and Development	Good Health and Well-Being Reduced Inequalities Sustainable Cities and Communities	  

# SUSTAINABILITY REVIEW



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A viable financial performance allows us to balance shareholder value with the needs of society, the nation's economic growth and environmental protection.”

## ECONOMIC PERFORMANCE

The Group strives to achieve economic success through unrelenting focus on operational excellence across our business. A viable financial performance allows us to balance shareholder value with the needs of society, the nation's economic growth and environmental protection. Ultimately, the objective of attaining good economic performance is to generate positive outcomes for all our stakeholders.

### PRODUCTS AND SERVICES QUALITY & CUSTOMER SATISFACTION

#### Project Management Programme

Most of the work undertaken by BHIC comprises high-value, long-term projects that involve many parties. To ensure a consistently high quality of products and services, timely delivery and the efficient management of costs across projects, it is important to have skilled personnel in Project Management. Accordingly, in 2019 our Group Human Capital Management (GHCM) Department introduced a structured BHIC Project Management Professional (PMP) Certification Programme which we encourage our employees to undertake. To date, five employees have successfully completed the five-phase training and obtained their PMP certification.

#### Project Risk Assessment

To support our project management capabilities, a Project Risk Management Plan was established in 2014. Under this plan, our Project Managers are required to assess, record and manage all risks associated with their respective projects. The risk assessment is conducted via workshops or meetings in which key stakeholders are represented in order to be thorough and to create transparency. Once the risks are identified, they are recorded in a Risk Register. The Project Managers then monitor these risks throughout the projects' life cycle. If needed, key risks will be escalated to the Management.

To ensure its continued relevance, our Project Risk Management Plan was revised in 2019.



### Early Delivery of LMS Vessel

In mid-January 2021, BHIC delivered the second Littoral Mission Ship (LMS) to the Royal Malaysian Navy (RMN). The ship had been slated to be handed over in mid-February under a revised schedule but was completed and delivered one month earlier, despite the ongoing pandemic. Later, in September and December, the third and fourth LMS units were also delivered, successfully completing the programme. All four LMS units, built in collaboration with Wuchang Shipbuilding Industrial Group Shipyard (WSIG) in Shuangliu, China, comply with the Rules of Classification of Naval Ship 2016 (RSCNS 16) issued by China Classification Society, a member of the prestigious International Association of Classification Societies.

### Customer Engagement

We engage regularly with our customers through project management meetings as well as monthly project management reviews. These are complemented by informal discussions at project sites regarding progress and operational matters. In addition, customer satisfaction surveys are issued periodically as required either monthly, quarterly or upon the completion of projects. These surveys provide invaluable feedback from our customers' perspective.

### Partnerships

Over the years, BHIC has built a high level of technical expertise through experience as well as collaborations with leading international players in the defence sector. Our partners include Airbus Defence and Space, French defence company Naval Group (previously known as DCNS), as well as Swedish arms manufacturer BOFORS, which today is part of British defence, security and aerospace multinational company BAE.

- With Airbus Defence and Space, we have developed local capabilities to carry out maintenance, repair and overhaul (MRO) works for the H225M (formerly known as EC725), Fennec and Dauphin helicopters
- With Naval Group, we are developing capabilities in the design and construction of naval vessels such as the Littoral Combat Ship (LCS) while enhancing our MRO and refit capabilities for Prime Minister Class Scorpene submarines of the Royal Malaysian Navy (RMN)
- Our partnership with BOFORS has enabled us to develop a high level of competency in the maintenance and repair of naval guns

### Superior Submarine Service

Our joint venture company BDNC and subsidiary BSES provide In-Service Support (ISS) and Refit services to RMN's Prime Minister Class Scorpene submarines. Thanks to the quality service, we have managed to optimise the operational availability of RMN's submarines generating cost savings of approximately RM10.2 million in 2020 and 2021, with expected subsequent savings of about RM1.5 million annually.

### Certifications

BHIC Group of Companies has attained various quality management certifications that guide our systems and processes, assuring a consistently high quality of products and services.

ISO certifications attained by BHIC companies:

#### → ISO 9001:2015 Quality Management Systems

- ✓ BHIC AeroServices Sdn Bhd
- ✓ BHIC Bofors Asia Sdn Bhd
- ✓ BHIC Defence Techservices Sdn Bhd
- ✓ BHIC Marine Technology Academy Sdn Bhd
- ✓ BHIC Navaltech Sdn Bhd
- ✓ BHIC Submarine Engineering Sdn Bhd
- ✓ Boustead DCNS Naval Corporation Sdn Bhd
- ✓ Boustead Langkawi Shipyard Sdn Bhd
- ✓ Boustead Naval Shipyard Sdn Bhd

#### → ISO 45001:2018 Occupational Health & Safety Management

- ✓ Boustead Naval Shipyard Sdn Bhd
- ✓ Boustead DCNS Naval Corporation Sdn Bhd

#### → ISO 37001:2016 Anti-Bribery Management System

- ✓ Boustead DCNS Naval Corporation Sdn Bhd

Malaysia Defence Industry Council (MIDES) assessment

#	Company	Assessment/ Rating
1	BHIC Bofors Asia Sdn Bhd	4 Star
2	BHIC Defence Techservices Sdn Bhd	4 Star
3	BHIC AeroServices Sdn Bhd	4 Star
4	Boustead DCNS Naval Corporation Sdn Bhd	5 Star

## SUSTAINABILITY REVIEW

### ECONOMIC AND FINANCIAL STABILITY

Economic and financial stability is critical to the sustainability of our business hence also to our ability to create value for our stakeholders. We therefore place priority on ensuring the capability to generate good financial results. Our efforts are supported by constant realignment of our strategies according to the risks and opportunities presented in our operating environment. In 2021, our parent company Boustead Holdings Berhad (BHB) launched the Reinventing Boustead programme to transform Boustead Group into a high-performance and sustainable organisation. This programme complements our ongoing Performance Improvement Programme which has the ultimate objective of transforming BHIC Group into a high-performance, digitally-driven and sustainable organisation.

We had been registering losses after tax since FY2018, mainly owing to the stalled Littoral Combat Ship (LCS) project. Nonetheless, the Government announced in March 2022 to continue with this project of national interest.

Meanwhile, the Group recorded revenue of RM149.2 million for FY2021 and achieved a turnaround in profits, attaining a profit after tax of RM15.2 million. The Group also sustained a high level of activities in 2021, as depicted in the table below.

Number of completed projects during the year:

	2020	2021
 <b>Marine</b>	MRO on: <ul style="list-style-type: none"> <li>• <b>6</b> naval ships</li> <li>• <b>61</b> commercial ships (yachts and ferries)</li> </ul>	MRO on: <ul style="list-style-type: none"> <li>• <b>2</b> naval ships</li> <li>• <b>78</b> commercial ships (yachts and ferries)</li> </ul>
 <b>Aerospace</b>	<ul style="list-style-type: none"> <li>• MRO on <b>3 EC725</b> helicopters</li> </ul>	<ul style="list-style-type: none"> <li>• MRO on <b>5 EC725</b> helicopters</li> </ul>
 <b>Weapons &amp; Combat Systems</b>	MRO on: <ul style="list-style-type: none"> <li>• <b>3 units</b> of Oto Melara (76 mm) guns &amp; Oto Breda (30mm) guns</li> <li>• <b>45 units</b> of Bofors guns</li> </ul>	MRO on: <ul style="list-style-type: none"> <li>• <b>1 unit</b> of Oto Melara (76 mm) guns</li> <li>• <b>44 units</b> of Bofors guns</li> </ul>

For more information on our financial performance please read our CEO's Statement on page 024 of this IR.


### PROVIDING BUSINESS OPPORTUNITIES

As a key player in the defence and security sector in Malaysia, BHIC recognises our responsibility to develop a healthy ecosystem of service providers and other vendors and suppliers to support defence and security programmes of national importance. We have been contributing significantly to the national economy through our Vendor Development Programme (VDP) as well as the award of contracts to various small and medium-sized enterprises (SMEs). In the process, we have been increasing local content by enabling local suppliers/vendors to be involved in projects undertaken by the Group.

#### Vendor Development Programme (VDP)

We initiated the VDP in 2007 with the express intention to help grow local SMEs and entrepreneurs. Through this facilitating training programme, and with the cooperation of MEDAC, SME Bank and MIDF, our vendors receive support to address their skills gaps in technical, operational and management areas. Despite the pandemic, we have continued to conduct various training and engagement sessions online while providing other forms of support.

VDP support extended in FY2021


**Funds/grants**

**RM777,915** VDP Grant (GPPV) provided to VOSS Engineering Sdn. Bhd. by MEDAC, with assistance from BHIC

We currently support **36 vendors** under our VDP scheme, and have a total of **2,661 registered vendors**. Of these, 2,045 are local vendors.

### BDNC's Localisation Initiative

Our joint venture company, BDNC, was established in 2009 to develop local skills and capabilities in the niche area of MRO for submarines. Among others, BDNC provides ISS and Refit services to RMN's Prime Minister Class Scorpene submarines. In 2020, BDNC established a Localisation Initiative Programme to elevate national technological know-how and reduce dependence on foreign expertise. To date, it has contracted out more than RM700 million worth of submarine maintenance work to over 150 Malaysian-owned companies.

As a result of this localisation programme, BDNC has achieved various national milestones, including:

- ✓ Completion of the country's first submarine refit works, and the first Scorpene refit work outside France
- ✓ Development of 100% in-house Hull Inspection Plan (HIP)
- ✓ 100% in-house involvement in diesel engine valve technical anomaly rectification works
- ✓ In-house acoustic panel fabrication
- ✓ Localisation of nuclear detection sensor maintenance
- ✓ Multiple in-house submarine equipment obsolescence treatments
- ✓ In-house major design and manufacturing of a submarine bridge maintenance platform
- ✓ Development of in-house R&D tools for sonar panel fault verifiers, navigation subsystem equipment functional analysers, safety breathing and life raft container leak test benches

In FY2021, the following provided various services to BDNC:

- i) Forte Drus Sdn Bhd (attack periscope, search optronic masts and radar)
- ii) Unimekar Metals Sdn Bhd (pipe galvanisation)
- iii) Sapura Thales Electronics Sdn Bhd (electrical & combat system)
- iv) Voss Engineering Sdn Bhd (pump maintenance & test facilities)
- v) Keisha Marine East Malaysia (full maintenance & verification of Fenzy Emergency Life Support Apparatus)
- vi) Multipower Engineering Sdn Bhd – localisation for machining custom-made submarine parts
- vii) ES Jesselton Engineering Sdn Bhd – localisation and rectification work (repair & machining new) of Attack Periscope Hoist Ram
- viii) SAT Industries Sdn Bhd – Leroy Somer motor repair

## RESEARCH AND DEVELOPMENT (R&D) AND INNOVATION

BHIC places strong emphasis on R&D and innovation in order to produce cutting-edge products, services and solutions to meet the demands of our customers. To maintain our technological edge, we invest in R&D activities with a focus on ship design, ship integration, equipment life extension and process improvement.

A major R&D success has been the development of Malaysia's first ever design for an offshore support vessel which was produced as an Entry Point Project under the Economic Transformation Programme launched by the Government in 2011. Featuring a high level of local content, this design has received the stamp of approval from Bureau Veritas, one of the world's leading classification societies.

Supporting the maintenance of quality standards, especially in the areas of design and engineering capabilities, we have forged partnerships with four local universities – UTM, International Islamic University Malaysia (IIUM), Universiti Pertahanan Nasional Malaysia (UPNM) and Universiti Malaysia

Terengganu (UMT). We also undertake continuous improvement projects and cost-saving exercises to attain better service at lower cost.



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continuous improvement projects completed in 2021, enabling cost saving of

**RM7.8 Million.**

In recent years we have also been investing into the development and implementation of more digital technologies to benefit from the operational and cost savings that these bring. Digitalisation is part of the Reinventing Boustead strategy and is being embraced by all our subsidiaries, associate companies and joint venture companies. For a start, we have introduced online learning and online document collaboration, the former to ensure our employees are able to continue to develop their professional capabilities despite the pandemic; and the latter to facilitate access to information and documents, especially by those working remotely.



## SUSTAINABILITY REVIEW

### Digital transformation at BNS

Our associate BNS is making good progress in building an online platform to facilitate business operations and monitor key business parameters. Via an Engineering Change Request (ECR) and Quality Control Dashboard, it is able to undertake data analysis to improve productivity. It has also introduced the MyBNS Digital Employee Experience (DEX) System which creates greater efficiencies across the Human Resources (HR) function.

DEX incorporates the following features:



### GOOD CORPORATE GOVERNANCE & INTEGRITY

Corporate governance serves as the foundation for our business sustainability as it ensures we operate transparently and uphold integrity in our actions and transactions at all times. Corporate governance at BHIC is driven by our Board of Directors which sets the tone from the top, entrenching a culture of zero tolerance for any form of bribery or corruption. In maintaining best practices in governance, the Board is guided by frameworks such as Securities Commission Malaysia's Malaysian Code on Corporate Governance updated as of 28 April 2021 (MCCG) and the Corporate Governance Guide (3rd edition) issued by Bursa Malaysia Securities Berhad.

#### Policies and Processes

Supporting good governance practices and to cultivate a culture of integrity, we have various policies and processes that guide our employees, business partners and vendors in conducting business ethically.



BDNC signing pledge with MACC, Sabah

To reaffirm our commitment to integrity, in 2017/2018 BHIC undertook the Integrity Pledge. Meanwhile, our joint venture company BDNC signed the Malaysian Anti-Corruption Commission (MACC) Corruption-Free Pledge at a ceremony in Kota Kinabalu, Sabah, on 9 March 2021. BDNC also successfully obtained the ISO 37001:2016 Anti-Bribery Management System (ABMS) certification from SIRIM in April 2021.



BDNC Chief Executive Officer, Feroz Razi Ramli at the signing ceremony of the Corruption-Free Pledge with MACC

For more information on these policies/guidelines, please refer to the Corporate Governance Overview Statement in this IR, on pages 098-116.

Any act of impropriety by our employees or officers of the company can be reported and submitted via e-mail at [whistleblowing@bhic.com.my](mailto:whistleblowing@bhic.com.my) or hardcopy addressed to:

Chairman  
Audit Committee  
17<sup>th</sup> Floor, Menara Boustead  
69, Jalan Raja Chulan  
50200 Kuala Lumpur

In 2021, no whistleblowing reports were received through the two channels.

### Engagement with MACC

Since 2020, we have been engaging with MACC to create a culture of integrity in BHIC and within the Group. In 2021, we conducted three training and awareness programmes with MACC on Section 17A of the MACC Act 2009 which requires companies to ensure adequate provisions are in place to prevent corruption. These sessions were attended by members of our Board of Directors and employees.

To date, we have been leveraging the Integrity and Governance (I&G) function of BHB to oversee the climate of integrity at BHIC. Moving forward, the Group will further engage with the unit to strengthen the I&G function in BHIC and across companies in the Group.

### IMPACT OF THE PANDEMIC



Since the outbreak of the COVID-19 pandemic, companies globally have had to face the twin challenges of maintaining business continuity while keeping their workforce safe. Even before COVID-19 was declared a global pandemic, BHIC had already rolled out a Business Continuity Plan (BCP) to safeguard critical business functions and ensure the ability to keep our operations going while enabling a large segment of our employees to work remotely.

With the BCP already in place, we managed to quickly ensure that our IT infrastructures were able to support all office-based employees working remotely. Once this was assured, we provided our employees with laptops and a virtual private network (VPN) for them to access dedicated company applications such as our Intranet portal MyCompass and AVEVA MARS system from home. At the same time, we ensured our core Information and Communication Technology (ICT) systems and applications remained robust, further protecting our data and enabling quick recovery under our ICT Disaster Recovery Plan should any incident happen.

Subsequently, we set up split-team operations in which two teams took turns to work remotely and in the office. For employees coming to work in the office, we ensured that various SOPs as provided by the Ministry of Health and those formulated internally were adhered to strictly. These include scanning at entry points, temperature checking, the use of masks, and maintaining social distance. We also conduct regular cleaning and sanitisation of our premises to ensure a high level of hygiene while protecting the health and safety of our employees.

“ Upon the roll out of the national vaccination programme in 2021, we encouraged all our employees to be vaccinated. In addition, BNS donated hand sanitisers to RMN personnel, food baskets to employees affected by the Extended Movement Control Order and SIM cards and reloads for volunteers of the COVID-19 Vaccination Programme organised by the Perak Marine Department. ”

To reduce as much as possible the risk of infection, we have shifted almost all our stakeholder engagement activities online, using technologies such as video conferencing and sharing of content on the cloud. For the first time ever, our Annual General Meeting in 2020 was successfully held virtually and attended by 411 participants. There were no technical glitches and the entire event proceeded smoothly.

For more information on how we have managed to reduce the risk of infection since the pandemic, please refer to *Engaging With Stakeholders During the Pandemic* on page 044 of this IR.

## SUSTAINABILITY REVIEW



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To guide our environmental performance, BHIC and our Group of Companies strictly adhere to the Environmental Quality Act 1974 and comply with all environmental-related rules and regulations.”

# ENVIRONMENTAL PERFORMANCE

We recognise the need to play our part in protecting the environment by minimising the depletion of natural resources, disposing of wastes properly and contributing towards the transition to a low-carbon economy. To guide our environmental performance, BHIC and our Group of Companies strictly adhere to the Environmental Quality Act 1974 and comply with all environmental-related rules and regulations.

### WASTE AND WATER MANAGEMENT

Waste management efforts at BHIC are led by conscientious efforts to reduce the use of materials in our operations hence also the volume of waste generated. Within our office premises, we encourage recycling among employees to reduce our waste-to-landfill footprint. Recognising that water is a scarce commodity, we also promote its responsible consumption and plan to implement rainwater harvesting in certain sites in 2022.

### Scheduled Waste Management

We generate 16 categories of scheduled waste as listed in the table below:

No.	Scheduled Waste Code	Metric Tonnes (2020)	Metric Tonnes (2021)
1	SW 102 – Lead acid batteries in whole or crushed form	Nil	1.5
2	SW 104 – Dust, slag, dross or ash containing arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium excluding slag from iron and steel factory	48.1	Nil
3	SW 303 – Glue waste	Nil	0.0
4	SW 305 – Spent lubricating oil	57.9	70.5
5	SW 306 – Spent hydraulic oil	1.6	1.7
6	SW 309 – Oil-water mixture such as ballast water	423.5	348.0
7	SW 312 – Oily residue from automotive workshop, service station oil or grease interceptor (grease)	0.2	0.1
8	SW 322 – Non-halogenated organic solvents	Nil	0.0
9	SW 325 – Uncured resin waste containing organic solvents or heavy metals including epoxy resin and phenolic resin	Nil	0.0
10	SW 409 – Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	2.0	1.0
11	SW 410 – Rags, plastics, papers or filters contaminated with scheduled wastes	0.4	0.6
12	SW 416 – Sludge comprising inks, paints, pigments, lacquer, dye or varnish	0.6	1.7
13	SW 418 – Discarded or off-specification inks, paints, pigments, lacquer, dye or varnish products containing organic solvents	1.0	0.2
14	SW 427 – Mineral sludge including calcium hydroxide, phosphates, calcium sulphite and carbonates (soda lime)	6.9	2.0
15	SW 429 – Chemicals that are discarded or off-specification	0.1	0.0
16	SW 501 – Any residue from treatment or recovery of scheduled wastes (benzotriazole & water up-liquid)	0.1	Nil
<b>Total</b>		<b>542.2</b>	<b>427.4</b>

In 2021, we generated a high volume of lead acid battery waste due to increased activity at our workshops as well as from tug boat operations. All scheduled waste is stored safely in secured areas and disposed of by third-party contractors licensed by the Department of Environment.

### Scrap Metal

Scrap metal is recycled in order to reduce waste to landfill as well as to generate income. During the year, BNS reduced the volume of scrap metal discarded by 94,925 kg, achieving about RM159,246 in savings.



## SUSTAINABILITY REVIEW

### e-Waste Management

e-waste consists of unwanted or old/obsolete electronic equipment including batteries, TV sets, personal computers, laptops, air conditioners, washing machines, refrigerators and welding machines, among others. Such waste is becoming a global issue because of: 1) the exponential increase in demand for electronic equipment; and 2) the fact that these equipment contain hazardous materials such as lead and mercury. If they are not disposed of correctly, leachate from such waste would cause significant environmental damage, especially to subterranean water tables.

Recognising that many such items can be repurposed, reused, refurbished or recycled, BHIC launched an e-waste recycling initiative from July to December 2021. The e-waste were collected, sorted and sent to approved recycling centres.



BHIC employees handing over their e-waste items at e-waste collection centre



### Water Management

Water consumed at BHIC is supplied by municipal water companies and is not extracted directly from the ground. To ensure responsible consumption, we run awareness programmes for employees on the importance of conserving water via our periodic e-newsletter on sustainability matters. In one of the e-newsletters, methods and awareness to conserve and minimise usage of water was shared.

	2020	2021
Water consumption (m <sup>3</sup> )	274,566	224,874

For the year, we recorded an 18.1% decrease in water consumption compared to 2020. This was due to conscious efforts by employees to reduce water usage and to rectify leakages from broken pipes and taps immediately.

### Reduced Paper Consumption

We seek to reduce our paper consumption as part of more general efforts to use materials and natural resources responsibly. Messages on saving paper are communicated regularly to employees through our periodic sustainability e-newsletter and sustainability-related contests and campaigns.

As we digitalise our operations, we are moving towards a paperless environment. The following are among various digital applications that are helping us to reduce our paper consumption:

- Digitising employees' leave, travel and overtime requests, gate passes for visitors entering our shipyard, and obtaining customer feedback
- Keeping all ISO documents in our Intranet portal, MyCompass
- Using e-mail and softcopy for internal and external communication
- Using e-signatures for documents and correspondence

### Greenhouse Gas Emissions & Energy Management

We seek to be energy-efficient throughout our operations in order to reduce our carbon emissions. Among others, we identify high-energy activities and seek ways to enhance efficiencies in order to reduce our overall energy consumption.

The following are some of the initiatives undertaken to create energy efficiency across BHIC:



Proper asset management and maintenance, ensuring equipment are able to function at optimum levels of energy efficiency



Replacing conventional lights with LED lighting



Switching off air conditioners and lights when people are not using particular spaces



Switching off all lights and air conditioners after office hours

### GHG Emissions

We measure and monitor our Scope 1 and Scope 2 GHG emissions – the former being direct emissions from our operations and the latter representing indirect emissions associated with the purchase of electricity.

#### Scope 1 emissions by BHIC Group according to source

Scope 1 emissions (TCO <sub>2</sub> e)	FY2020	FY2021
Heavy Machinery	349.5	156.0
Welding and Oxygen-Cutting	17.3	11.1
Cars and Motorcycles	50.7	46.0
Light and Heavy Goods Vehicles	29.6	110.4
<b>TOTAL</b>	<b>447.1</b>	<b>323.5</b>

#### Scope 2 emissions

Scope 2 emissions	FY2020	FY2021
Purchased Electricity (kWH)	9,802,600	8,627,138
Emissions (TCO <sub>2</sub> e)	6,917.6	6,099.3

Both Scope 1 and Scope 2 emissions dropped, by 27.6% and 11.8% respectively from 2020 to 2021, due to lower level of onsite activities and having employees work remotely.



## SUSTAINABILITY REVIEW



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We also demonstrate the value we place in our employees by offering competitive remuneration and benefits as well as opportunities for training and career progression.”

## SOCIAL PERFORMANCE

Our social citizenry is marked by efforts to care for the welfare of our employees, local communities and society at large.

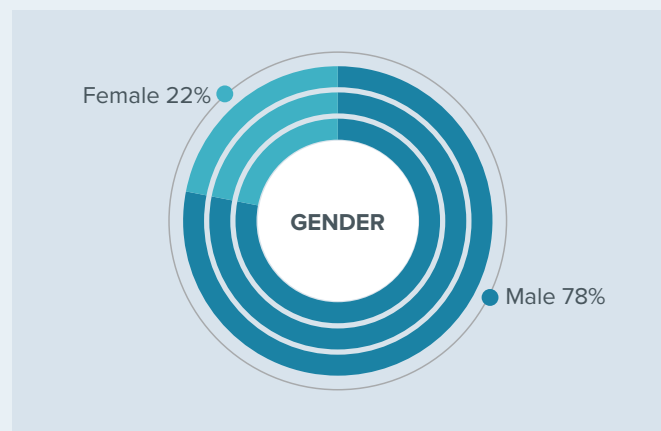
Within our premises, we seek to provide a conducive work environment that is safe, fair and just while embracing diversity and inclusivity. We also demonstrate the value we place in our employees by offering competitive remuneration and benefits as well as opportunities for training and career progression. Our intention is to build a highly motivated and high-performance workforce that shares our values and is driven to achieve our corporate objectives.

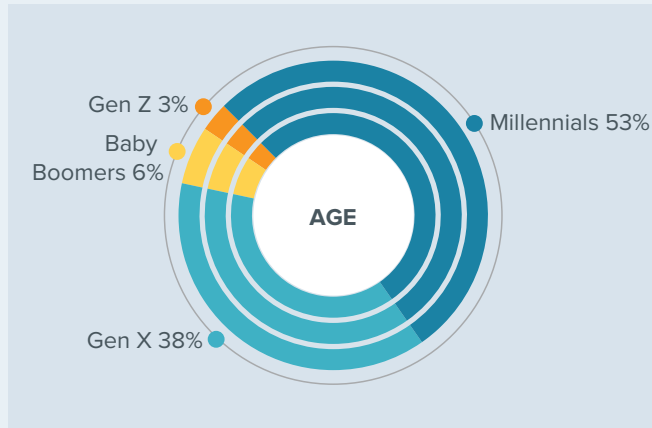
Within society, the Group's corporate social responsibility initiatives allow us to contribute to the communities in which we operate. While focused on veterans and serving members of the Malaysian Armed Forces as well as their families, we also contribute to the community at large, as underlined by our pandemic efforts.

### EMPLOYEE DIVERSITY

We recognise the benefits that diversity brings to the workplace, especially in enriching our collective perspective which will enable more effective strategising and decision-making. We therefore seek to create a diverse employee profile with a good representation of different ages and gender. As indicated in the pie charts, 56.6% of our employees are aged 40 years or below, and the average age of our employees is 40 years, reflecting a relatively youthful organisation. Guided by our Recruitment Policy, we base our selection of new hires on individual merit, capabilities and skills. Wherever possible, we also give preference to local talents hence develop local skills, capabilities and expertise in order to propel the growth of local marine and aerospace sectors.

### Employee profile





Gen Z – Born after 1996  
 Millennials – Born between 1981 and 1996  
 Gen X – Born between 1965 and 1980  
 Baby Boomers – Born between 1955 and 1964

## OCCUPATIONAL HEALTH AND SAFETY

Given the nature of our operations, there is an inherent risk of injury at our worksites particularly our shipyards, aeroservice hangars and workshop floors. We are, however, committed to minimising this risk by creating a work environment that is as safe as practicable. While we implement processes and controls to ensure the safety of our employees, clients and contractors, we also seek to nurture a culture of safety in which employees are conscious of their own responsibility to look after their safety and the safety of others.

The Group has in place a Safety and Health Policy that adheres to the Occupational Safety and Health (OSH) Act 1994 while incorporating national and international standards and regulations, including the principles of the International Labour Organization (ILO) and Malaysia's Department of Occupational Safety and Health (DOSH). Through our internal policy, we ensure that all the necessary safety and health precautions are incorporated into our operations.

Further strengthening our safety management, two of our subsidiaries – BNS and BDNC – have attained the ISO 45001:2018 Occupational Health and Safety Management System certification.



In addition to ensuring their safety, we encourage our employees to adopt healthy lifestyles. During the year, the following initiatives were carried out to promote their health and well-being:

- BNS – Daily morning exercise and morning cleaning carried out by all employees
- BNS – On-site health checks conducted on 10, 17 & 22 February
- BNS – Virtual 'Importance of Vaccination' talk on 2 September
- BNS – SOHELP DIY by DOSH on 15 November
- BNS – Webinar titled 'Minda Sihat Emosi Terjaga' on 26 November

## Safety Performance

The Group recorded four lost time incidents (LTI) and zero fatalities across all operations in 2021. The LTI injuries were non-life threatening and consisted of burns, sprains and bruises.



## EMPLOYEE TRAINING, EDUCATION & DEVELOPMENT

We recognise that our employees are our most valuable asset as they determine our ability to meet our sustainable growth objectives. Our human capital development approach, therefore, is premised on enabling our employees to realise their potential as they contribute to a high-performance culture coupled with productivity.

As part of our investment in the growth of our talent, we provide continuous training and development opportunities for employees to upskill and expand their horizons. Given that our operations are highly dependent on engineering and project management skills, training at BHIC focuses on the development of skills relevant to these two areas. In addition, we offer soft skills training that empower personal growth.

## SUSTAINABILITY REVIEW



Nurul Aini Mohd Ariffin, the first female Project Manager at BNS

We also encourage employees to pursue professional skills training to improve their knowledge and marketability. Initiatives made in this area include sponsorship for the Project Management Professional (PMP) certification and the Professional Engineers Development Programme (PEDP). In promoting gender equality, a female employee at BNS who joined as a Technical Executive in 2007 was promoted as the first female Project Manager, since the incorporation of the business unit in 1991.

Since the pandemic, most of our training programmes have been conducted online. In June 2021, our Group Human Capital Management introduced MyLearning, an online platform featuring almost 400 training modules in various areas, greatly facilitating the ease with which employees can acquire new knowledge and skills.

	Amount invested in training & development	No. of hours spent on training & development
2020	RM778,774	28,615
2021	<b>RM501,041</b>	<b>23,159</b>

Training expenditure, according to employee grade/level

Level	2020 (RM)	2021 (RM)
Senior Management	42,975	<b>18,035</b>
Middle Management	144,433	<b>66,357</b>
Executive	274,889	<b>298,129</b>
Non-Executive	316,477	<b>118,520</b>
<b>Total</b>	<b>778,774</b>	<b>501,041</b>

The amount spent on training decreased significantly from 2020 to 2021 due to the fact that we transitioned our training activities from physical settings to online platforms.

### Employee Engagement

Other than training, we ensure a high level of employee engagement to nurture a sense of belonging to the Group as this enhances job satisfaction while encouraging efficiency and productivity. Our senior management regularly engage with employees through events such as site visits and Townhalls to keep them updated on developments within the Group. We also leverage various internal platforms to communicate work-related as well as interest-related news and events. These include an e-newsletter, memos, e-mails, social messaging apps, our intranet portal MyCompass and our social media page on LinkedIn.

Prior to the pandemic, BHIC regularly organised social and sports activities to build a strong team spirit and feeling of camaraderie amongst our employees. Since COVID-19, some of these activities have shifted online.

### LABOUR PRACTICES AND HUMAN RIGHTS

The Group fully embraces all universally acknowledged principles of human rights. We treat everyone in our team with utmost respect and dignity, guided by applicable laws and regulations including the Employment Act 1955, Trade Union Act 1959 and Contracts Act 1950 in Malaysia.

In line with regulatory requirements, we do not employ anyone below the age of 18, nor will we coerce anyone into working for the Group.

As an equal opportunity employer, we do not tolerate any form of discrimination – be it based on race, nationality, gender, religion, (dis)ability, age, place of origin or any other factor. We hold ourselves and our employees to the highest ethical standards in deference to our core values as reflected by the BHIC acronym, which stands for Belonging, Honour, Integrity and Commitment.

We also uphold our employees' right to freedom of association and are supportive of their joining local unions such as the BNS and BPS Unions. We have a good relationship with these unions, with management regularly engaging with their leaders at special meetings and Townhalls. These engagements contribute to mutual understanding and respect which promote harmonious industrial relations and a sustainable business environment.

Negotiations on the fifth Collective Agreement (CA) were held between BNS and Boustead Penang Shipyard (BPS)' Employees Union on 20 December 2021.



Group photo of meeting with union representatives at BNS

## COMMUNITY CONTRIBUTIONS AND DEVELOPMENT

As a responsible organisation, we contribute to the local communities in areas where we operate, not only because it is expected of us but because we believe strongly that it is the right thing to do. Committed to creating positive social outcomes, we support various causes that resonate with our core values. Our ultimate objective is to promote greater social equity by empowering those who are underprivileged, underserved or marginalised.



Blood donation programme held at BNS

## Pandemic-Related Contributions

In the last two years, we have focused our community initiatives on helping to overcome some of the burdens caused by the pandemic.

- BDNC, based in Kota Kinabalu, donated to the Food Bank Station launched by Sabah Economic Development Corporation (SEDCO) in collaboration with NGOs to provide food and essential items to the needy, especially the B40 group.
- BNS donated hand sanitisers to RMN personnel, food baskets to employees affected by the Extended Movement Control Order and SIM cards and reloads for volunteers of COVID-19 Vaccination Programme organised by the Perak Marine Department.
- BNS also organised a blood donation programme on 23 December 2021 at Hospital Seri Manjung, Perak.

## THE WAY FORWARD

We have been strengthening our sustainability platform over the years, and are committed to further advancing our sustainable practices in order to create long-term value for our business, stakeholders and society, while enhancing the economy and protecting the environment. Our objective is to integrate sustainability into all aspects of our operations and business strategies.

Moving forward, we will continue to explore digital and green technologies that will help address social and environmental challenges and improve our sustainability performance by putting in place better systems to collect, measure and monitor key data. This will enable the accurate measurement of our sustainability performance in various metrics and set targets in matters that are important in our sustainability agenda.

This Sustainability Statement has been made in accordance with a resolution of the Board of Directors dated 26 April 2022.