



**MEGROUP LTD.**

(Incorporated in the Republic of Singapore on 7 February 2018)

(Company Registration Number: 201804996H)

**SUSTAINABILITY REPORT 2020**

## **CORPORATE PROFILE**

MeGroup Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") is a Malaysian-based automotive company involved in the manufacturing of noise, vibration and harshness ("**NVH**") and non-NVH components for the automotive industry, and the operation of automobile dealerships in Malaysia. The Company was listed on the Official List of SGX-Catalist on 31 October 2018.

Established in 30 March 1995, the Manufacturing Business segment specialises in manufacturing NVH components such as headliners and engine outers which are incorporated into various parts of automobiles, including the ceiling, dashboard, hood and boot, as well as non-NVH components such as parcel trays and board assembly decks. On the other hand, the Dealership Business comprises several 3S and 4S automobile dealerships for the sale of new automobiles with brands such as Honda, Mazda and Peugeot. These Dealerships are owned and operated by MeGroup.

## ABOUT THIS REPORT

This is the Group's Sustainability Report which covers the sustainability approach, initiatives, performance and material environmental, social and governance ("ESG") factors with regards to the Group's upstream manufacturing operations in Balakong, Malaysia throughout the 12-month period, from 1 April 2019 to 31 March 2020 ("FY2020").

## FRAMEWORK

This Sustainability Report is prepared with reference to the guidelines of the Global Reporting Initiatives ("GRI") Standards and is in compliance with Rule 711A and 711B of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst (the "Catalist Rules"). It also makes references to the guideline set out in SGX-ST's Sustainability Reporting Guide under Practice Note 7F of the Catalyst Rules.

## CONTENT AND QUALITY

This sustainability report is prepared with reference to the guidelines of the Global Reporting Initiatives ("GRI") Standards – Core Option and GRI's principles of stakeholder, inclusiveness, sustainability context, materiality, and completeness have been applied to determine the content of the report.

GRI's principles of accuracy, balance, clarity, comparability, reliability and timeliness have been used to help stakeholders assess our sustainability performance. The ESG data provided in the report has been extracted from internal information systems and records to make certain that they are accurate and consistent.

## ASSURANCE

No external assistance and assurance were sought in the preparation of this report. The board of directors of the Company (the "Board") has relied on internal verification to ensure the accuracy of data. The ESG performance is reported in good faith and to the best of our knowledge.

## FEEDBACK

We welcome the feedback, suggestions and input of stakeholders on this report. You may contact us through our investor relations email at [admin@mnsb.me-grp.com](mailto:admin@mnsb.me-grp.com).

## **BOARD STATEMENT**

The Group has considered sustainability as part of its strategic formulation and determined the material ESG factors most applicable to the Group. The Board oversees the management and monitoring of these factors, through internal reviews of the Group's sustainability performance. Sustainability and corporate social responsibility are at the core of our corporate strategy and adhering to these twin tenets would allow the Group to create lasting and positive change on the communities we operate in.

We are committed to our stakeholders, particularly, our employees, business partners and customers who purchase our products and services. This is why one of the key strategies of the Group is to maintain stringent and unwavering standards of quality control for the products produced and sold by us, whether through our supply chain of upstream manufacturing of automotive parts or downstream automotive retail dealerships.

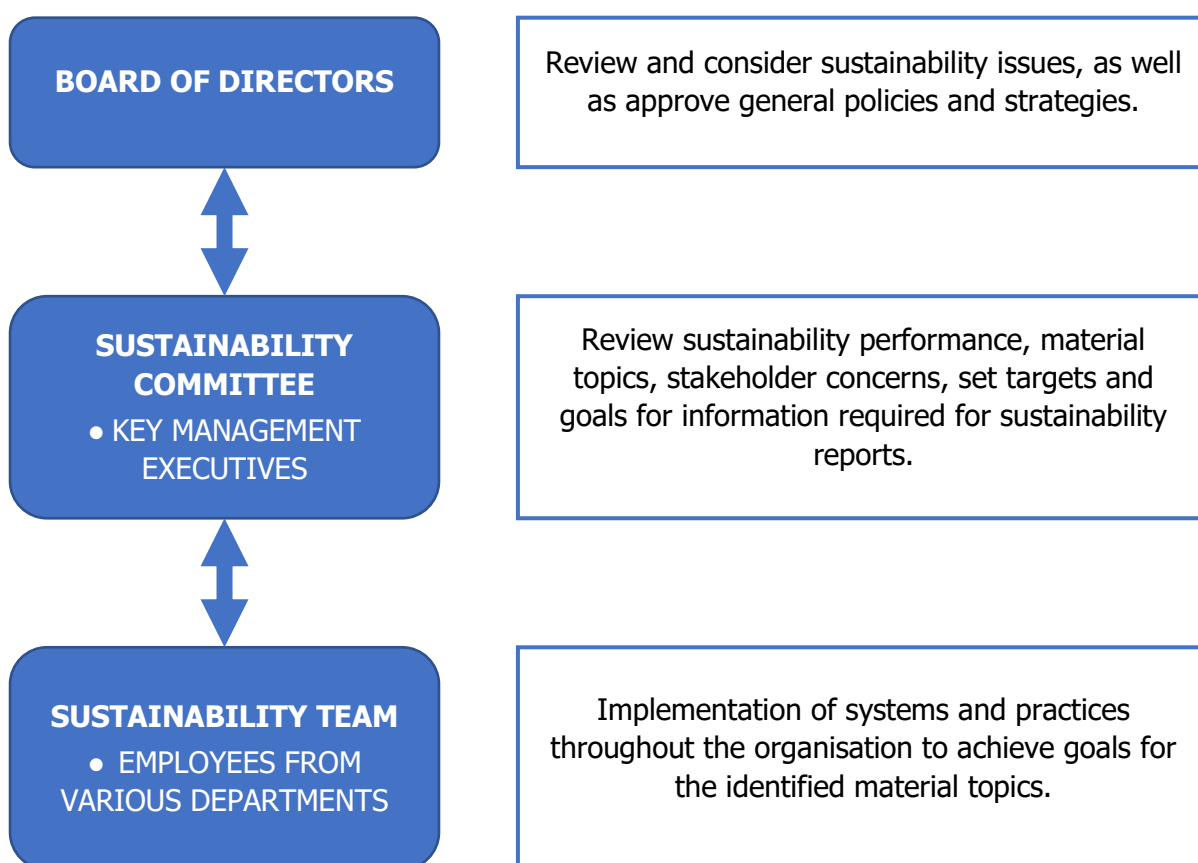
Our upstream manufacturing is certified to internationally recognised standards of ISO 9001 Quality Management and IATF 16946 Automotive Management. The intention behind starting upstream manufacturing and downstream retail dealership business segments concurrently was to be able to provide a wider range of quality products and services across different areas. In order to align ourselves with our initial objectives, we continue to hold our products to the same high standard and provide bespoke products with specialised industry applications through research and development and close collaboration with our technical partners.

In order to support long-term value creation for our stakeholders and shareholders, the Group adopts the precautionary principle to minimise negative effects of conducting its business whenever possible. The precautionary principle is a strategy for approaching issues of potential harm when extensive scientific knowledge on the matter is lacking. It emphasizes caution, pausing and review before leaping into new innovations that may prove disastrous.

## SUSTAINABILITY FRAMEWORK

The Group acknowledges the importance of putting in place an effective ESG strategy and management across the different facets of the business operations. To this end, the Group has established a Sustainability Committee, led by key management executives of the Group and supported by representatives from various departments in the Group, with principal charge of the Group's ESG strategy. The Sustainability Committee reports to the Board and is responsible for reviewing the Group's sustainability performance, material topics, stakeholder concerns, the setting of targets for material topics, and establishing systems to collect, verify, and monitor information required for the sustainability reports.

We are aware of the risks and impact associated with the industry we operate in and endeavour to identify, evaluate and prevent these risks whenever possible. The Board approves the Group's general policies and strategies including those relating to sustainability and are satisfied that the framework in place is sufficient to ensure that the Group's sustainability risks and issues are managed and mitigated effectively.



## KEY STAKEHOLDERS ENGAGEMENT

We recognise that engagement with all of our stakeholder groups (including the receiving of feedback) forms an integral part of our sustainability strategy and initiatives. As such the Group takes steps to proactively engage our stakeholders through a variety of channels. Through such engagement, our stakeholders are updated on the Group's developments; in addition, the Group is able to receive feedback which would in turn allow us to tailor our sustainability strategy and initiatives.

We recognise that continual engagement and communication with these key stakeholders are vital to the longevity of our business and being open to their feedback would allow us to identify and prioritise the sustainability issues that matter to them the most. We have identified stakeholders as groups that have an impact, or have the potential to be impacted by our business, as well as external organisations that have expertise in aspects that we consider material. We would also be continually refreshing our list of key stakeholders to ensure that the people most crucial to our materiality assessment process will be involved.

Our significant stakeholders, mode of engagement and our initiatives in relation to them are set out below:

Stakeholders	Expectation and Concerns	Mode of Engagement	Our Initiatives
Employees	<ul style="list-style-type: none"> <li>• Career advancement</li> <li>• Benefits and remuneration</li> <li>• Health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Annual performance appraisal</li> <li>• Training</li> <li>• Dialogues</li> </ul>	<ul style="list-style-type: none"> <li>• Regular internal meetings to review health and safety issues</li> <li>• Sponsor employees to attend courses, seminars and conferences</li> <li>• Implementing fair employment policies and practices</li> <li>• Benchmarking salary with market rate</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Quality control</li> <li>• On-time delivery and services</li> <li>• Competitive pricing</li> <li>• Technical expertise</li> <li>• Workplace health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• Feedback and engagement sessions</li> <li>• Dialogues, consultations and meetings</li> <li>• Annual reports</li> </ul>	<ul style="list-style-type: none"> <li>• ISO 9001 and IATF 16949 certification to assure consistent level of quality in products and services</li> <li>• Regular internal meetings to review customers' fulfilment and requirements</li> </ul>

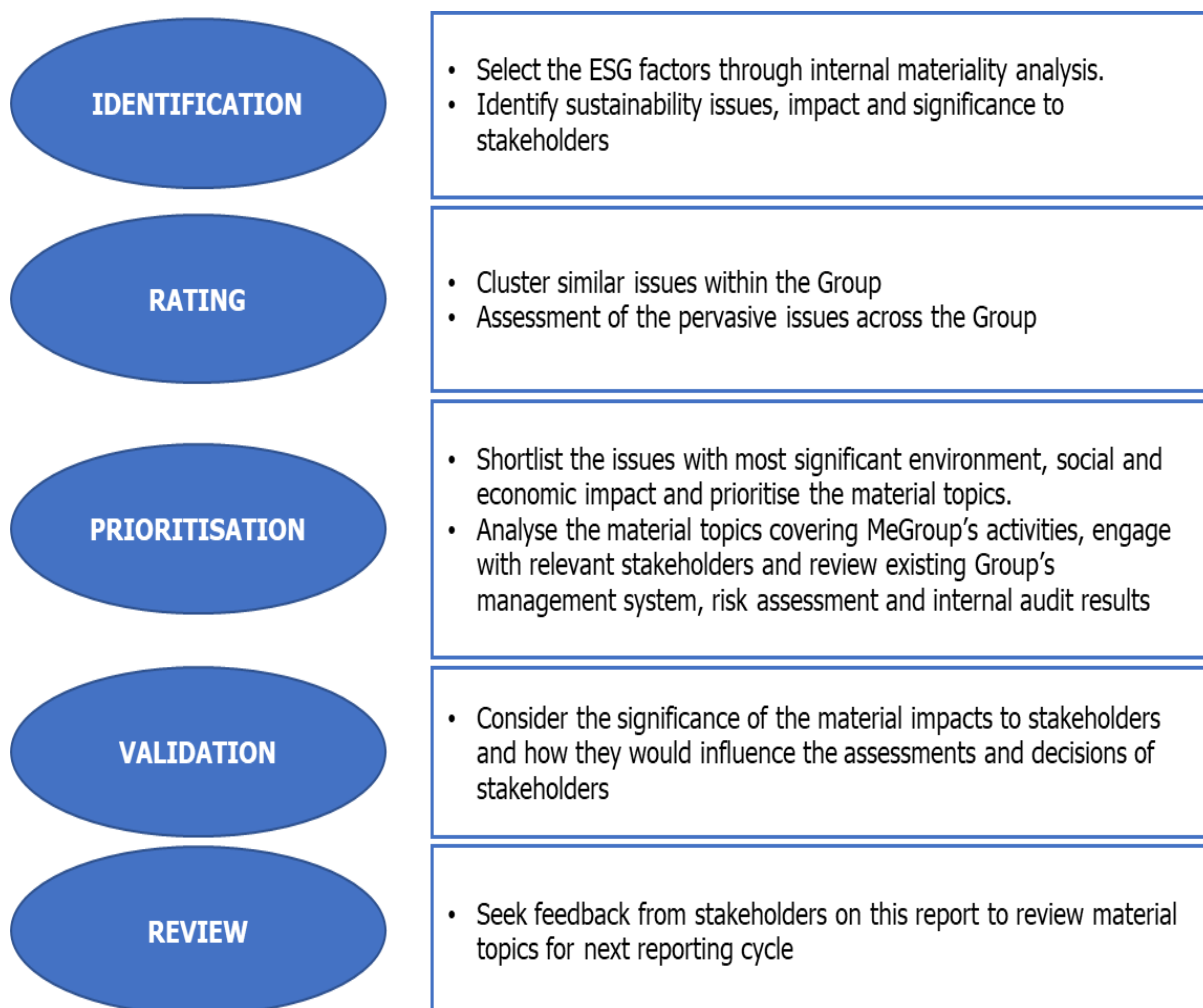
Stakeholders	Expectation and Concerns	Mode of Engagement	Our Initiatives
			<ul style="list-style-type: none"> <li>Ensuring adherence to WHS policies</li> </ul>
Government and Regulators	<ul style="list-style-type: none"> <li>Compliance</li> <li>Occupational health and safety</li> <li>Environmental matters</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled and ad-hoc site visits</li> <li>Meetings</li> <li>Seminars</li> </ul>	<ul style="list-style-type: none"> <li>Ensure compliance with applicable laws and regulations</li> <li>Constantly getting update on relevant law and regulations through various channels</li> <li>Meeting the relevant authorities as and when necessary</li> </ul>
Shareholders and Investors	<ul style="list-style-type: none"> <li>Financial returns and long-term shareholders value</li> <li>Business growth and sustainability</li> <li>Transparency and corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>Annual Meeting</li> <li>Annual reports</li> <li>Company website</li> <li>Announcement on SGXNET</li> </ul>	<ul style="list-style-type: none"> <li>Providing relevant and prompt disclosure on Group's financial announcements and corporate developments</li> <li>Ensuring robust risk management and corporate governance</li> <li>Half-yearly meetings with analysts and investment community to update corporate developments</li> </ul>

## MATERIALITY ASSESSMENT

The Group has applied the relevant GRI Standards to identify and prioritise sustainability topics to tailor its approach taken in relation to sustainability centres on the management of the ESG impacts of its business operations on its stakeholders. MeGroup's strategy is to manage its most significant sustainability impacts, risks and opportunities while keeping in mind the aim of creating long-term value for all its stakeholders.

The Group had identified the material ESG factors using the GRI Standards for Sustainability reporting and through internal sessions with internal stakeholders to understand their concerns and emerging priorities. Each material issue was discussed in detail, taking into account both the internal and external perspectives in relation to our sustainable development performance. Such discussions would allow us to constantly evolve and provides us with the opportunity to collaborate with these different stakeholders in order to resolve or facilitate the resolution of any problem efficiently. We will, from time to time, be updating our materiality analysis to ensure that the material issues stay relevant.

The Group undertook the following steps to arrive at the list of material factors for reporting:





Following the findings of the internal materiality analysis, the most relevant concerns for the Group that were identified are:

- (1) Corporate Governance
- (2) Data Privacy
- (3) Economic Performance
- (4) Occupational Health and Safety
- (5) Diversity and Equal Opportunity
- (6) Environment

Moving forward, the Group seeks to share more information on its performance and targets after the production capacity in our upstream manufacturing has been fully integrated and our downstream retail dealerships have been established.

The Board has, after assessing ESG related business risks and opportunities and ESG related issues in the automotive sector, subsequently reviewed, determined and approved these material topics for reporting. The ESG related matters will be reassess annually or when the circumstances required.

## CORPORATE GOVERNANCE

The Group recognises the importance of observing a high standard of corporate governance and transparency in ensuring the sustainability of our businesses and safeguarding our stakeholders' interests and value for the long term. We are committed to complying with all industry requirements and legislation relating to trading, accounting, financial reporting, internal controls and auditing.

We are committed to upholding best practices in corporate transparency and disclosures, and have in place a set of procedures and policies to ensure adherence to our risk management guidelines and compliance with applicable legislation. We are also committed to operating with utmost integrity and to the highest standard of ethical principles. We maintain a zero-tolerance policy for any form of bribery, fraud or corruption in accordance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018. If any of our employees are found to be non-compliant with anti-corruption and anti-bribery principles, they may face disciplinary action or termination. We regularly apprise our employees on the need to conduct business at the highest ethical standards and the need to exhibit honesty, integrity and respect in our dealings and interactions within and outside the Group. The Group had set a target of zero incident of regulatory non-compliance by all employees, officers and directors of the Group.

Objectives	FY2021 Goal
Regulatory non-compliance by all employees, officers and directors	Zero (0) Cases

Our Board has established stringent standards for employees, officers and directors. In carrying out one of the principal functions of the Board, which is to oversee the formulation of and approve the Group's overall long-term strategic objectives and direction, the Board would consider issues of sustainability, review the management of the Group's business affairs, performance, resource allocation and also establish a framework to manage risks and prioritise shareholder's interests and the Group's assets. We continue to comply with the principles and guidelines set out in the Code of Corporate Governance 2019, where appropriate. We hereby confirm that there was no incident of regulatory non-compliance by the Group and no incident pertaining to whistle-blowing for this reporting period under review.

## DATA PRIVACY

We are committed to complying with all applicable data privacy laws, (including the Personal Data Protection Act 2012 in Singapore, Personal Data Protection Act 2010 in Malaysia and all relevant legislation). We have various systems and procedures in place to protect information related to our employees and customers. Customers can trust that their personal data is being collected, handled, and protected in a responsible and secure manner.

Moving forward, we will continue to stay vigilant and observe compliance with all applicable laws and regulations and target to maintain our record of nil incidents of non-compliance.

Objectives	FY2021 Goal
Incidents of non-compliance with the applicable data privacy laws	Zero (0) Cases

## ECONOMIC PERFORMANCE

The Group's economic performance is crucial for shareholders and employees as it is considered a material issue at MeGroup and is one of the primary ways we create value for all stakeholders. Our business growth and economic performance would have a positive impact our employees and stakeholders as this would allow us to generate economic value and provide continued stable employment for our employees.

On 30 January 2020, the World Health Organisation ("WHO") declared the outbreak of Covid-19 a Public Health Emergency of International Concern. The WHO had subsequently recognised the spread of Covid-19 as a pandemic on 11 March 2020.

The outbreak of Covid-19 pandemic has adversely affected many businesses where the government of Malaysia had imposed the movement control order since 18 March 2020. The Group were also affected for not able to operate due to mandated business closure. However, the Group were granted the approval from the Ministry of International Trade and Industry to commence its operation during the conditional movement control order period where the dealership business had started on the 2 May 2020 and the manufacturing business had

started on the 4 May 2020 with the compliance of the applicable standard operating procedures imposed.

The Group's earnings and operating cash flows are expected to be affected by the challenging operating environment due to the Covid-19 pandemic, the Group has prepared plans and strategies to minimise the impact should it be adversely affected particularly on capital and cash flows management, including cost-cutting measures and actively seeking to enhance its financing facilities. These are expected to equip the Group with sufficient cash flows and financial resources to meet its obligations as and when they fall due.

As the Covid-19 pandemic continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's businesses and the countries where the reporting entity operates. The Group had taken and will continue to take myriad actions to deal with the Covid-19 crisis.

Nevertheless, the Group targets to achieve sustainable growth in the coming years through strengthening our two core business segments:

- a) upstream manufacturing, and
- b) downstream retail dealerships.

while we continue to raise market awareness for our broad range of products under distinguished proprietary brand names, particularly in our downstream retail dealerships with a total of 9 dealerships under 6 brand names i.e. Ford, Honda, Hyundai, Mazda, Mitsubishi and Peugeot.

## **OCCUPATIONAL HEALTH AND SAFETY**

As a responsible employer, the Group aims to address and prevent the variety of health and safety risks that employees are exposed to, wherever possible. Health and safety hazards can arise over the use of unsafe equipment, machinery, processes and practises. They can also arise with the use of dangerous substances such as chemical. Therefore, we are continuously working towards the minimisation of the risk of accidents, injuries and illnesses to our employees, contractors and place health and safety as top priority in our operations.

MeGroup is committed to achieving Workplace Safety and Health (“**WSH**”) excellence through:

- ✓ compliance with applicable WSH legislations and regulations as well as other requirements to which we subscribe;
- ✓ consistently establishing and maintaining WSH management performance;
- ✓ operating and maintaining our facilities to prevent and minimise risks to the health and safety of our employees and surrounding communities; and
- ✓ ongoing communication of our WSH policy to all parties.

The Group constantly monitors the working conditions of its employees to ensure that they comply with national standards issued by government agencies or associations such as Department of Occupational Safety and Health (“**DOSH**”). The Management is wholly committed to complying with the local occupational health and safety and all other relevant regulations. The Group implements a comprehensive safety management system to ensure the health, safety and welfare of all its employees and people in the community who may be affected by its operations.

The Group prioritises process safety, especially in relation to the Group's upstream manufacturing, and is committed to maintaining a safe and healthy workforce. Management actively ensures that the Group's Standard Operating Procedures are complied with, including the provision of Personal Protection Equipment, as may be necessary, to its employees. Our Employee Health and Safety and Fire Safety Committees, which comprise staff from each relevant department of the Group and which are advised by the Group's registered safety officers, oversee the implementation of the WSH management plan, and reviews such WSH management plans on a monthly basis.

For FY2021, the Group had set the following goals:

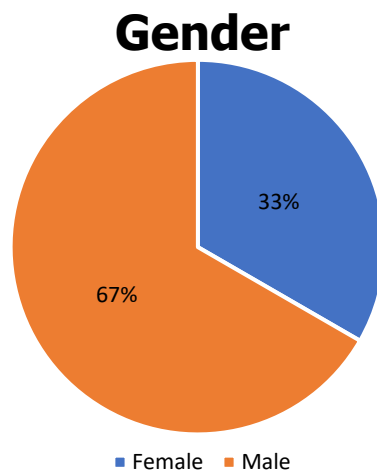
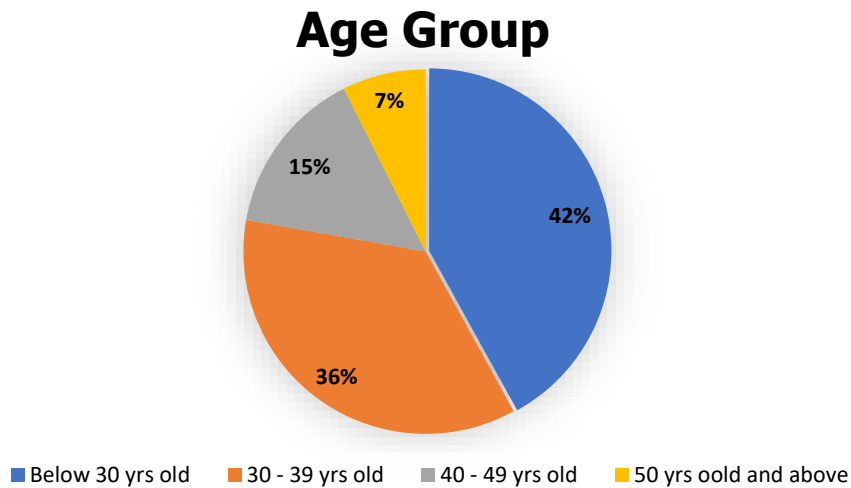
Objectives	FY2021 Goal
Workplace Safety and Health Complaint	Zero (0) Cases
Industrial Accident	Zero (0) Cases

Due in part to the Group's prioritising safety and the health of our workers, the Group is pleased to report that it achieved its goal of zero cases of WSH complaints FY2020, and fully complied with WSH and environmental inspections conducted by the authorities. We also recorded no cases of work-related ill health. However, we have recorded one case of industrial accident in our Balakong Production Plant 1 at machine area caused an injury to one of our maintenance team member. Countermeasure of risk control is taken place to mitigate the risk of accident in machine area such as safely operating procedure and training daily briefing to all members of operation.

In respect of workplace safety and insurances, certain of our employees fall under the ambit of the Social Security Organisation (“**SOCSSO**”) of Malaysia. SOCSSO oversees the administration, implementation and enforcement of the Employees' Social Security Act 1969 and the Employees' Social Security (General) Regulations 1971 in Malaysia, and provides employees with security protection social insurance through various schemes, including the Employment Injury Scheme and the Invalidity Scheme. The Employment Injury Scheme provides coverage to employees who are victims of industrial accidents, commuting accidents, accidents during emergency and occupational diseases. The Invalidity Scheme provides 24-hour protection to employees against invalidity or death which is caused outside working hours, even if the cause is not related to their employment. Both of these schemes provide cash benefits to employees and their dependants in the event of unforeseen incidents.

**DIVERSITY AND EQUAL OPPORTUNITY**

Employee information of the Group as at 31 March 2020:



At MeGroup, we believe in upholding the principles of equality and non-discrimination, and endeavour to employ based on merit as we understand that the success of our Group turns upon the quality and dedication of our employees. We do not discriminate our employees or potential recruits according to their race, age, gender, religion, ethnicity, facial attractiveness, physical impairments, sexual preference, political viewpoints or nationality. We strive to provide a fair, performance-based working environment that is diverse, inclusive and collegiate.

Employees with questions or concerns about discrimination in the workplace are encouraged to bring these issues to the attention of their supervisor and are able to raise such concerns without any fear of reprisal.

As of 31 March 2020, we have about 80 employees in our upstream manufacturing operations and corporate office. In the assessment of our people's performance, we practise meritocracy and believe in providing due recognition for their excellence. We also implement remuneration packages that are competitive within the market and are internally fair in order to attract external talents.

We also provide learning and development resources so as to make available ample opportunities for our people to better themselves through internal courses or on-the-job training in the areas of technical and functional competencies. We target to increase the competence of our employees through the internal training programs such as leadership and personality training so that they are able to contribute effectively to the Group.

## **ENVIRONMENT**

The minimisation of our environmental footprint impact is one of the key objectives of the Group in relation to the environment. By minimising our environmental footprint, this would achieve a twofold benefit where we would be conducting our business in a socially responsible manner and benefit from reducing operational costs for example, through the reduction in the use of electricity by utilising more energy efficient appliances. Moving forward, we target to introduce more energy saving measures including the use of solar energy throughout our operations of the Group, while still maintaining the other conservation initiatives which we have already put in place. We have set the objective and goal to be achieved in FY2021 as follows:

<b>Objectives</b>	<b>FY2021 Goal</b>
Reduction in electricity consumption	10%

There were no incidents of non-compliance and penalties pertaining to environmental-related issues in this reporting period under review. The Board and Management continue to review and improve current environmental management system and practices and ensure that all our

activities and operations comply with regulatory and customers' requirements. Target is set for FY2021 as follow:

<b>Objectives</b>	<b>FY2021 Goal</b>
Incident of non-compliance and penalties pertaining to environmental-related issues	Zero (0) Case

In addition to this, the Group is also looking into harnessing the power of solar energy to generate green electricity within the manufacturing plant to enable in reducing carbon print and become more environmentally friendly.