

Sustainability Statement

Sustainability at CCB

This is the Group's first Sustainability Statement which covers the financial period from 1 January to 31 December 2017 for all entities included within this Annual Report. This statement focuses on the Group's material sustainability risks and opportunities, and is prepared in accordance with Part III, Practice Note 9 of the amended Main Market Listing Requirements of BMSB.

The Group strives to balance commercial focus with sustainability factors. To this end, the Group is committed to continuously engage its stakeholders and report on the efforts to address the issues that matter to them.

Feedback on this statement or the practices highlighted can be shared by contacting sustainability@cyclecarriage.com.my.

Sustainability management

CCB Board of Directors is ultimately responsible for the Group's sustainability matters. The Board is supported by the CEO and CFO, who oversee and implement the Group's sustainability approach. Please refer to pages 10 to 17 for the full Corporate Governance Overview Statement.

Stakeholder engagement

At CCB, stakeholder engagement aims to be a continuous dialogue. From time to time, the Group engages with the following groups of stakeholders through meetings, reviews, discussions, calls, surveys and focus groups to better identify and understand any sustainability expectations our stakeholders may have:

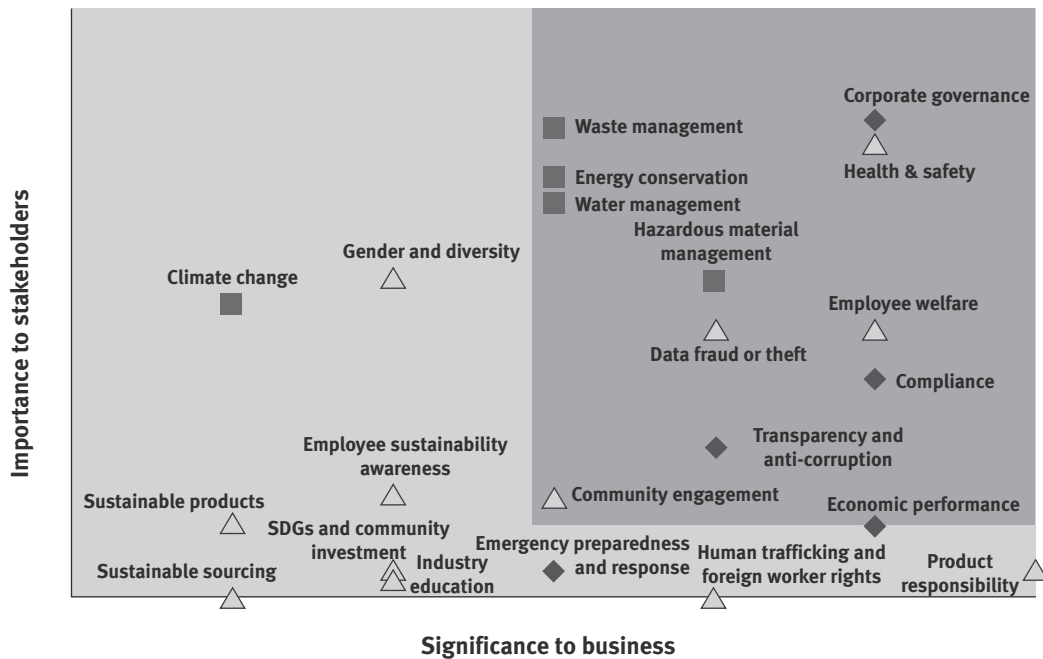
- Employees
- Business partners and principal
- Investors and shareholders
- Customers
- Government
- Communities
- Industry associations

Employees and executives, being key internal stakeholders, took part in the stakeholder engagement linked to sustainability materiality assessment in 2017. In addition, the Group's motor vehicle principal was also identified as a key external stakeholder and engaged during 2017.

Material topics

Material topics were identified as part of a materiality assessment exercise conducted in 2016 for JC&C, which includes CCB. This process involved a review of the sustainability context for the Group, an engagement with CCB's internal stakeholders and a final review by the JC&C Executive Committee, which comprises the Group's Chairman. Material topics were determined as part of this materiality assessment exercise.

Topics were further reviewed in 2017 following both internal and external stakeholder engagement. The topics were confirmed and signed-off by the Board of Directors.



Material Topics

- | | | |
|--|--|--|
| <p>◆ Governance</p> <ul style="list-style-type: none"> • Strong corporate governance • Compliance with laws and regulations • Transparency and anti-corruption measures • Economic performance | <p>■ Environment</p> <ul style="list-style-type: none"> • Managing energy • Managing water • Managing waste • Managing hazardous materials | <p>△ Social</p> <ul style="list-style-type: none"> • Providing a healthy and safe workplace • Ensuring the welfare of our employees • Preventing data fraud and theft • Engaging communities |
|--|--|--|

Sustainability Statements going forward

For this first statement, CCB seeks to identify the material topics to be focused on and to establish baselines against which to improve the Group’s sustainability in the future.

Material sustainability matters: Governance

Code of Conduct

The Group adopts the Jardine Matheson Group Code of Conduct (“CoC”) which applies to Jardine Matheson group companies including CCB, which is 59.1% held by JC&C. The CoC requires compliance with all relevant laws, all rules and regulations applicable to the business and with proper standards of conduct. The CoC sets out the standards and values upheld in business operations. All new employees are provided a copy of the CoC and all employees (excluding bargainable employees), existing and new, are required to undergo regular online training on conduct. While bargainable employees do not undergo the online training, they are trained on the broad principles of the CoC.

Corporate governance

The Board of Directors recognises that sound corporate governance is essential for the long-term growth of the Group. Consequently, the Board of Directors, together with the Senior Management team, are responsible for corporate governance. The Board Charter sets out, among other things, the responsibilities, authorities, procedures, evaluations and structures of the Board and Board Committees, as well as the relationship between the Board with the Management and shareholders. The current Board Charter is available online. See pages 10 to 17 for further details and the full Corporate Governance Overview Statement.

Sustainability Statement

Performance rating for corporate governance is provided by BMSB. As part of BMSB's efforts to enhance the corporate governance practices and disclosures of listed issuers, BMSB reviews and determines the adequacy of their disclosures within the Corporate Governance Overview Statement, Audit Committee Report, and Statement on Risk Management and Internal Control in respect of Practices 1-10 and the Recommendations of the Code.

Both external statutory and internal audits are reported to Audit Committee and elevated to Board of Directors if there is any non-compliance to law and regulations or Group policies recorded.

Based on BMSB's most recent review in 2016 of CCB's Annual Report 2015, the Group obtained an average score of 71.1%. As a result of BMSB's findings, the Group's Management, together with advice from the Company Secretary, have incorporated enhancements into the subsequent annual reports.

Compliance

Compliance is crucial for a responsible business. The Group applies its Securities Dealing Rules, Division Standard Operating Procedures, Whistle Blowing Policy, and Occupational Safety and Health Manual in managing compliance matters. The Management team is obliged to ensure full compliance with the law and applicable regulations. All departments are responsible for ensuring compliance management, with periodical internal audit to monitor the process.

Transparency and anti-corruption

The Group is committed to high standards of accountability and responsibility in the conduct of its business. Being transparent and combating corruption are therefore necessary to ensure operations are conducted in a fair and lawful manner.

The CoC sets out policies on illicit payments as well as gifts, favours and entertainment aimed at upholding honesty, integrity and fair dealing. New employees are provided a copy of the CoC during on-boarding, and the CoC is also available on the intranet accessible to all employees.

To evaluate the effectiveness of anti-corruption measures, internal audit is conducted on areas that include illicit payments and favours as well as matters of serious concerns. Audits are reviewed by Audit Committee and elevated to the Board of Directors if there is any non-compliance to law, regulations or Group policy recorded.

It is vital to continue managing the business well and to attract the right people who will uphold the Group's reputation. In 2017, 'Good Compliance Practices' training was conducted for all employees in phases from June to September, being a total of 764 staff at this point in the year. All new hires in 2017 also completed the 'Good Compliance Practices' training to reinforce Group principles within one month of joining.

Transparency and anti-corruption	New hires trained	Total new hires	Percentage trained
Training in 2017			
Senior management employees	5	5	100%
Middle management employees	4	4	100%
Function group (administration, technical, production, etc.)	134	134	100%
Group total	143	143	100%

Economic performance

The importance of the Group's economic performance for shareholders makes this topic material for the business.

The Group's capital structure is regularly reviewed to ensure optimal function and shareholder returns, taking into consideration future capital requirements and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditure and projected strategic investment opportunities, before the distribution of economic value to shareholders.

A significant component of the Group's economic performance is also derived from profitability. This is measured regularly against budgets, forecasts, and projections assessed on a periodic basis.

In addition, the Group, which adopts the CoC, has policies and procedures in place to ensure that in the procurement of goods and services, what is being paid represents good value and the terms are fair and competitive. Employees are treated fairly, impartially and with respect, and compliance is ensured with applicable tax laws and regulations. The CoC also sets out policies which prevent illicit payments and governs matters such as gifts, favours and entertainment aimed at upholding honesty, integrity and fair dealing. Further, the Group also believes in making a positive socio-economic contribution by giving back to fundraising and awareness programmes to meet societal needs. In 2017, the Group supported three programmes. See page 31 for details.

A full breakdown of the economic performance in 2017 is given in the Financial Highlights presented on page 2 and the Statutory Financial Statements given in pages 32 to 86 of the Annual Report.

Material sustainability matters: Environment

Environmental factors such as resource usage and waste management are key indicators of efficiency, as well as being indispensable in safeguarding the quality and health of the natural environment. Given the nature of the Group's business, managing environmental factors is material for operations in reducing our environment footprint.

Managing energy

The Group sources electricity from the national grid, and therefore usage figures are based on the utilities bills issued by the national power supplier, Tenaga Nasional Berhad. In 2017, the electricity consumption across the Group was 5,986,484 kWh, equivalent to a total energy consumption of 21,551 GJ.

Managing water

Water is a precious resource in Malaysia and is important to our operations. We seek to ensure the sustainability of our business through careful management of water consumption. In addition, it also reduces costs. Water is supplied to the Group's operations by the national water agencies. Consumption figures are derived from the utilities bills, and show a total water consumption of 84,985m³ across the Group in 2017.

Managing waste and hazardous materials

The Group ensures continued compliance with the respective national legislation on waste disposal, and engages licenced waste disposal contractors to collect and dispose non-hazardous waste. An estimated 1,440kg general waste was generated in 2017. All general waste was disposed to landfill.

The Group's service centres generate certain materials, such as used engine oil, that could have an environmental impact if disposed irresponsibly or discharged accidentally. The Group's after-sales service managers are responsible for engaging waste disposal contractors licensed by the Department of Environment, Ministry of Natural Resources & Environment to remove, transport and dispose such waste from the service centre workshops. Procedures in the handling and transportation of hazardous materials to the contractors' premises are established and agreed with the waste disposal contractors to ensure that the hazardous waste materials are properly managed. The Group's Occupational Health and Safety Manual further dictates additional requirements and procedures for the waste disposal contractors.

In 2017, contracted vendors collected and disposed 190,180L of used engine oil, with the waste then routed through a recovery process, and the derivatives routed to further treatment systems and disposal.

Material sustainability matters: Social

Health & Safety

The health and safety of the Group's employees is paramount in safeguarding the welfare of our people as well as ensuring that businesses operate with minimal interference.

Health and safety obligations are set out in the Collective Agreement with the trade union. They include personal protective equipment, training or educating employees on health and safety topics such as work injury compensation, providing a feedback mechanism for employees and ensuring compliance with Malaysia's Occupational Safety & Health Act.

The Occupational Safety and Health Manual, which includes the Health and Safety Policy, guides the way in managing operations and sets out procedures for a safe working environment.

Sustainability Statement

Health & Safety figures 2017	Male	Female	Total
Fatalities	–	–	–
Major injuries	2	–	2
Major injury rate*	–	–	1.19
Lost days	55	–	55
Lost day rate*	–	–	32.8
Absentee days	3,061.5	1,475.5	
Absentee days rate	–	–	2,705.5
Occupational disease incidents	–	–	–

* Rates are calculated based on per million working hours adopted from the International Labour Organisation (ILO). Figures are based on number of permanent staff working 8-hours day.

Health & Safety Definitions

Major injuries	Injuries that require beyond first aid treatment
Lost days	Days that could not be counted as work as a consequence of workers being unable to perform their usual work due to an occupational accident or disease
Absentee days	Lost days and absence leave, excluding permitted leave absence such as parental leave and study leave
Occupational disease	Disease arising from a work situation or activity, or from a work-related injury

Employee welfare

The welfare of employees is fundamental for the long-term success of the business. The Group's HR Policy guides practices and procedures for hiring, employment, compensation and benefits as well as training and development of our employees. An employee handbook is also in place covering employment, learning and development aspects. These are reviewed frequently by the respective HR divisions considering feedback from new hire/exit interviews, performance reviews, and stakeholder comments.

In 2017, the Group employed a total of 794 staff in Malaysia, with a good mix of gender diversity (as set out below), especially considering the nature of the Group's business. The workforce is not influenced by seasonal variations, with hiring based on long-term planning and demand.

Employee figures 2017

Numbers by employment contract		Numbers by employment type	
Permanent (Male)	550	Full-time (Male)	552
Permanent (Female)	240	Full-time (Female)	242
Temporary (Male)	2	Part-time (Male)	–
Temporary (Female)	2	Part-time (Female)	–
Proportion of total employees covered by collective bargaining agreements			28%

The Group believes that the welfare of its people is integral to the success of the company. Apart from complying with the statutory requirements in Malaysia including retirement provision (Employee Provident Fund) and social security protection, benefits such as Group life insurance, accident insurance and medical insurance are also provided to all full-time employees.

The Group is also active in supporting mothers-to-be and existing parents by providing them equal opportunity. The Group provides employees with the statutory maternity leave allowance in Malaysia of 60 consecutive days, and also provides a paternity leave entitlement of four consecutive days. All employees are eligible for this parental leave. In 2017, the Group's efforts were rewarded as it recorded a parental leave return to work rate of 100% for male and 90% for female staff. Retention rate following parental leave was 100% across the Group.

Group employees receive an annual performance and career development review. The review also serves to align the learning needs of employees with business objectives. In 2017, all eligible employees (89% of total employees) received a review. Developing employees' capabilities for their current and future roles, as well as giving employees a voice, is essential to employee engagement and retention as well as key to the long-term sustainability of the business.

Staff performance & development reviews in 2017	Employees*		Total reviews		Review rate		Overall rates**
	Male	Female	Male	Female	Male	Female	
Senior management	16	11	15	10	94%	91%	93%
Middle management	31	13	24	10	77%	77%	77%
Function employees (e.g. technical, admin)	505	218	455	196	90%	90%	90%
Total	552	242	494	216	89%	89%	89%

* As at 31 December 2017

** The remaining 11% of total employees did not receive a review, as they were undergoing their probation periods at the time of data collection. They will receive a review at the point of their confirmation of their employment with the company.

CCB believes in treating staff well and aims for them to stay and grow with the Group for many years. The average length of stay of employees with the Group is 8.2 years.

		Age group			Gender		Total
		Under 30	30-50	Over 50	Male	Female	
New employee hired in 2017	Number of joiners	81	60	2	103	40	143
	New hire rate	0.28	0.15	0.02	0.19	0.17	0.18
Employee turnover in 2017	Number of leavers	36	49	7	60	32	92
	Turnover rate	0.12	0.12	0.07	0.11	0.13	0.12

Preventing data fraud and theft

Given the Group's customer-based operations, preventing data fraud and theft is of vital importance in safeguarding customer information and blocking unauthorised use of information.

CCB adopts the CoC, where employees must comply with all information laws and regulations, including data privacy, data retention and computer security laws. Availability, integrity and confidentiality of information must be safeguarded by following information security policies and procedures applicable to their business.

In 2017, the Group experienced zero digital attack incident or digital security breach incident.

Engaging our communities

Part of being a responsible business is supporting the local community and playing a part in meeting societal needs. The Group's initiatives in the community seek to make a positive social contribution by providing financial assistance and participating in fundraising and awareness programmes.

In 2017, the Group supported three programmes:

National Cancer Society Malaysia ("NCSM")

NCSM aims to raise awareness of early detection and prevention of cancer. A cash donation was made to the charity.

The Otomotif College ("TOC")

Recognised as a leading approved higher education institution, TOC aims to push the boundaries and shape the future of talents in the automotive industry in Malaysia. A cash donation was made to TOC's graduation sponsorship programme.

Kechara Soup Kitchen ("KSK")

KSK is a non-religious community action group that distributes food, basic medical aid and counselling to the homeless and urban poor of Malaysia. A cash donation was made to KSK. In addition, CCB's employees contributed dry provisions as well as their time to pack and deliver household items to low income families Klang Valley, Johor Bahru and Penang.