SUSTAINABILITY
STATEMENT

Message from Chairman / Chief Executive Officer

Dear Stakeholders,

Sustainability is a way of life at Kelington. Through our products, technologies and services, we aim to deliver high quality solutions to our customers sustainably and cost effectively. Our corporate Vision, Mission and Core Values demonstrates clearly our Intents on this aspect.

It is my great pleasure to present you here with our Sustainability Statement for the financial year ended 31 December 2021 (FY2021). This Statement communicates what Sustainability means to us at Kelington; what our goals and targets are; and what strategy and management approaches we adopt in order to achieve them. In the preparation of this Statement, we are guided by the Global Reporting Initiatives (GRI) standards as well as the Sustainability Reporting Guide issued by Bursa Malaysia.

2021 had been a remarkable year for Kelington. Despite the disruptions and repercussions resulted by the COVID-19 virus, we managed to achieve a record-breaking year in both economic and sustainability performance in 2021. Financial performance wise, Kelington has achieved a record high sales turnover of RM514.6 million and Profit After Tax of RM29.7 million respectively since its start up in year 2000. In 2021, we had also embarked on a total review and redesign of our Sustainability strategy and roadmap.

During the review, we revisited our Materiality Matrix together with our key stakeholders and identified new Sustainability Matter (while combining or retaining some old ones) that are important to the Company as well as the stakeholders. A new set of 14 Sustainability Matters had been identified (as compared to the previous 19 Sustainability Matters as disclosed in 2020), out of which 8 of them had been classified as Key Sustainability Matters.

We then set the targets and key performance indications for these Sustainability Matters with a four-year time frame to reach them. Various strategies and management approaches have also been drafted and put into action to ensure that we walk the talk and deliver the expected outcome. Details of the actions and activities carried out in 2021 are discussed and elaborated on the subsequent sections of this Statement.

Having achieved a Four-Star grading band in the Environmental, Social, and Governance ("ESG") rating and being admitted into the FTSE4Good Bursa Malaysia (F4GBM) Index in December 2021 was a pinnacle moment and good recognition of our performance in the Sustainability efforts all these years. The recognition has further endorsed our efforts in Sustainability and ESG areas and motivated us to continue to strengthen our position in them. I would like to record a special appreciation here for the hard work and great efforts put in by the Sustainability Working Group for such a great achievement. I am sure the team will continue the great work in the years ahead to ensure that Kelington contributes making our world a sustainable and happy place to live in.

Thank you.

IR. GAN HUNG KENG
Chairman and CEO of Kelington

What Sustainability Means to Us

Environmental, Social, and Governance ("ESG") sustainability at Kelington Group ("Kelington" or "the Group") means being cognisant of the effects that we have on the environment and natural resources in pursuit of our organisational goals while upholding the quality of products and services to our valued customers, and delivering sustainable values to our stakeholders.

We believe that a well-established framework of policies, dedicated committees, and management systems, as well as regular process reviews, ensure our management's practices are performed at the highest level of integrity and transparency. Regular employee training and engagement are undertaken to ensure Kelington's sustainability approach is well communicated and implemented across the Group.
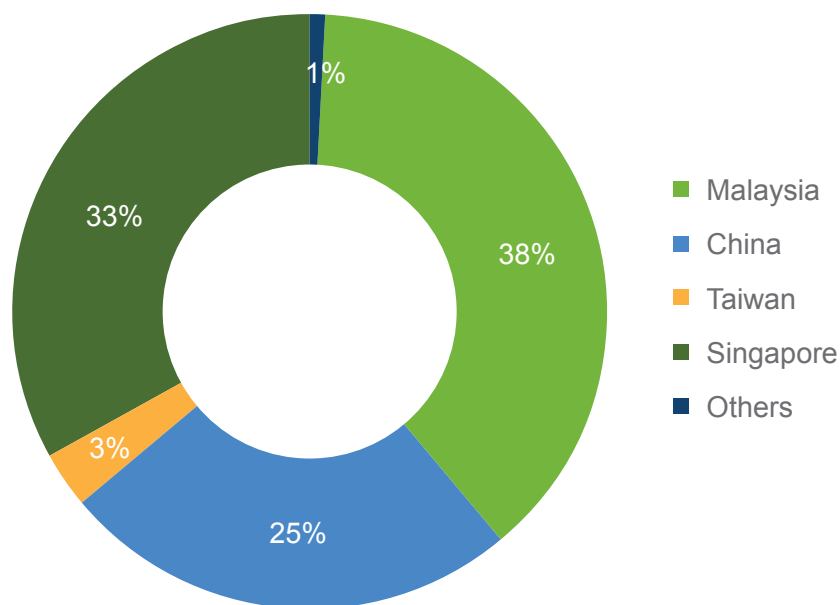
Reporting Framework & Guidelines

This Sustainability Statement ("Statement") has been prepared in accordance with the guidelines set out in the Main Market Listing Requirements ("MMLR") of Bursa Securities Malaysia Berhad and the Sustainability Reporting Guide (2nd Edition) issued by Bursa Malaysia Securities Berhad. To ensure comparability, this Sustainability Statement was prepared with reference to the Global Reporting Initiative ("GRI") Standards as we seek to report the impacts of our activities in a structured manner that is transparent to stakeholders and other interested parties.

Reporting Period & Scope

This Statement covers Kelington's sustainability performance of our business operations in Malaysia, Singapore, China and Taiwan for the financial year ended 31 December 2021. All the data presented in this Statement, including the comparative data from the previous two years, has not been verified by any independent third party.

2021 Group Operating Revenue (%)

- Malaysia: 38%
- China: 25%
- Taiwan: 3%
- Singapore: 33%
- Others: 1%

Sustainability Statement
(cont'd)

Social We are committed to work closely with all our stakeholders, both internal and external to achieve shared business goals that also align with our core values.

Managing Impacts

Sustainable Value Creation

Governance

Investing in strong financial performance and sustainable growth that is grounded in our commitments to integrity, governance and responsible business practices.

Environment

We focus on environmentally conscious manufacturing and production processes. Finding innovative ways to use fewer natural resources, produce less waste and contribute to the transition to a low-carbon economy, while also managing the environmental risks associated with our activities and minimizing potential disruptions to local ecosystems and surrounding communities.

Feedback

We welcome and value feedback on our sustainability disclosures and consider it as an opportunity to identify areas for improvement for future reports. Please direct any questions or comments to ccid@kelington-group.com.

Information at a Glance

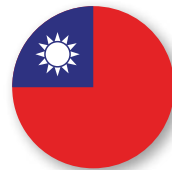|	Revenue (RM'000)	Profit Before Tax (RM'000)	Headcount
2021	514,554	35,694	492
2020	394,599	20,945	411

2021 Revenue : **RM199.1 Million**
We have **225** Employees
We served **144** Customers
We work with **586** Approved Vendors

2021 Revenue : **RM169.5 Million**
We have **136** Employees
We served **15** Customers
We work with **358** Approved Vendors

2021 Revenue : **RM129.2 Million**
We have **123** Employees
We served **66** Customers
We work with **140** Approved Vendors

2021 Revenue : **RM13.4 million**
We have **8** Employees
We served **10** Customers
We work with **37** Approved Vendors

Contents

VALUE

Please refer Pg 9 of Annual Report 2021 for Kelington Group's Business & Operation

INPUT

Value

Finance Capital	• Shareholders' Equity • Retained Earnings • Banking Facilities • Revenue
Intellectual Capital	• Technology • Work Protocols • Data, Process, Systems
Human Capital	• Employees and Skilled Workers • Subcontractors • OSH measures & Training Programme
Manufactured Capital	• Manufacturing Facilities • Construction tools and equipment
Nature Capital	• Energy • Water • Materials
Social Capital	• Shared values, norms, outlook in life • Government agencies & NGOs

Managing Impact

Care for Environment

Good Corporate Governance

Responsible Supply Chain

Support Activities

Finance / Legal / Management /
Human Resource Manag
Technology & Development / Infor
Procurement

| Sales & Marketing / Order taking | System Design / Proposal to Customers / Contract Admin | Project Execution / Construction / Manufacturing |

Primary Activities

Vision
Mission
Strategic

Materiality As
Governa
Risk Manag
KPIs and T

WE CREATE

Creation Process

OUTPUT

Care for Our People

Create Economic Values

Delivering Values

Nature & Social Wellbeing

Profit Margin

Quality Control / Delivery / Warranty / Maintenance

Project Close-out / Handover / After sales service

/ Others Support
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Focus

Shareholders — Capital Gain on Share Price / Dividend / Other rewards

Employee — Conductive Work Environment / Career Advancement / Personal Development

Customers — Value Engineering / Good Products and Services

Vendors — Collaboration & Synergy; Sustain & Grow Partnership

Gov / Regulators — Tax Income / Governance & Compliance / Fulfilling the ESG and SDG requirements

Communities — Community Investment / Transition to a low-carbon economy

1.0 Our Approach to Sustainability

"Planning a Journey on the road to Sustainability"

1.1 Our Vision for engineering a sustainable society

Various issues exist in the society surrounding Kelington, including environmental challenges such as climate change, energy, and resources depletion; as well as social matters including unequal opportunities and digital divide. Keeping that in mind, Kelington strives to contribute and become part of the solution as we build a sustainable society for future generations.

We engineer a sustainable society and promote well-being for all people

Supporting Sustainable Development Goals — **Set Strategic Goals**

Materiality Assessments are a critical part of sustainability reporting — **Identify and prioritise the issues**

Enables the measurement and management of ESG factors — **Set KPIs & Targets**

Develop & implement initiatives

1.2 The elements of Kelington's sustainability management system

Area	Elements of Sustainability Management		Reference
Policies & Rules	➢ Code of Ethics & Conduct ➢ Anti-Bribery and Corruption Policy ➢ Whistleblowing Policy ➢ Conflict of Interest Policy ➢ Sustainable Development Position Statement	➢ Safety & Health Policy ➢ Quality Policy ➢ Environmental Policy ➢ Community Investment Policy ➢ Gender Diversity Policy ➢ Human Rights Policy ➢ Responsible Supply Chain Policy ➢ Drug Free Environment Policy ➢ Sexual Harassment Policy	Corporate Website
Organisational Structure	• Responsibilities of executive board • Responsibilities of senior management • Sustainability Officer • Sustainability Working Group • Other working committees		Page 43

Sustainability Statement
(cont'd)

1.2 The elements of Kelington's sustainability management system (Cont'd)

Area	Elements of Sustainability Management	Reference
Processes	• Integration in business processes	Page 34
	• System to ensure compliance	Page 45
Continuous Improvements	• Goals and measures for progress tracking	Page 40
	• Monitoring, performance evaluation with sustainability indicators	
	• Management of ESG risks	Page 49
	• Grievance mechanisms	Page 85
	• Training	Page 81
Communications	• Sustainability reporting	
	• Leadership & commitment	
	• Internal communication	
	• Stakeholder dialogue	
	• Stakeholder engagement	Page 46
Preparatory tasks	• Understanding the organisation and its context	
	• Understanding the needs of interested parties	
	• Determining the relevant aspects	
	• Determining the scope of the management system	

1.3 Supporting Sustainable Development Goals

SDGs		Our Targets	FY2021 Progress indicator	Year-on-Year	
				2020	**2021**
People	**8** DECENT WORK AND ECONOMIC GROWTH Protect labour rights and promote safe and secure working environments for all workers	Zero work-related fatalities		**0** Workplace fatalities	**0** Workplace fatalities
		Year-on-year improvement of total recordable injury frequency rate (TRIFR)		TFIFR **0.3**	TFIFR **1.1**
		Fair remuneration and 100% compliance with labour rights		**100%** compliance with labour rights	**100%** compliance with labour rights
	4 QUALITY EDUCATION Improve access to education and ensure life-long learning for disadvantaged youth.	Implement programme to improve access to education for underprivileged		Participate in Project Sambung Sekolah and support **1** underprivileged student	Participate in Project Sambung Sekolah and support **5** underprivileged students
	5 GENDER EQUALITY Ensure women's full and effective participation and equal opportunities for leadership	30% female representation in total workforce (Executive level & above)		**22%** female representation in total workforce (Executive level & above)	**25%** female representation in total workforce (Executive level & above)

Sustainability Statement
(cont'd)

1.3 Supporting Sustainable Development Goals (Cont'd)

SDGs		Our Targets	FY2021 Progress indicator	Year-on-Year	
				2020	**2021**
Planet	13 CLIMATE ACTION Take urgent action to combat climate change and its impacts	To reduce our own CO2 emissions by at least 5% by FY2024	▢▢▢▢▢	**2,345** CO2e tonnes/RM million Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	**1,252** CO2e tonnes/RM million EBITDA
Governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS Develop effective, accountable and transparent institutions	Promote a culture of integrity through awareness compaigns and regular communications.	▢▢▢▢▢	Half day Group-wide awareness training for all employees No cases of non-compliance of laws and regulations against acts of corruption	Half day Group-wide awareness training for all employees No cases of non-compliance of laws and regulations against acts of corruption

1.4 Our Strategic Goals, Sustainability Targets and Performance

Strategic Reinvention

> Translates ESG aspirations — What must we do? What should we do? What could we do? — into a blueprint for where and how to compete.

Kelington seeks to improve our sustainability performance, transparency and accountability as we embed sustainability measures in our business operations to manage ESG factors.

1.4 Our Strategic Goals, Sustainability Targets and Performance (Cont'd)

The following sustainability targets are structured around two pillars: sustainable values creation and managing impacts:
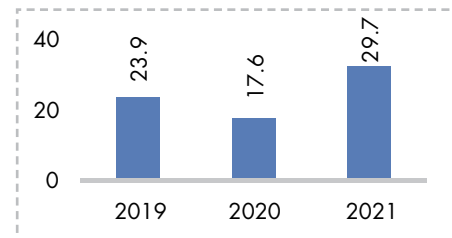
Key Sustainability Matters	Performance Target FY2024	Base Year Data	Progress FY2021
Sustainable Values Creation			
Economic Growth and Profitability	To continue generating and distributing economic value to stakeholders by sustaining a resilient financial performance	RM23.9 million	KGB saw an increase of **68.7%** in Group Level – Profit After Tax

Please refer to page 86 for more details.

Talent Development	To achieve average 12 training hours per employee per year	10.36 hours per employee	Training hours per employee increased by **23.7%**
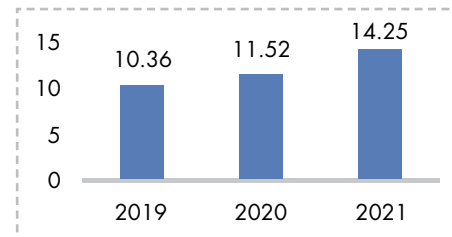
Please refer to page 74 for more details.

High Quality Products and Services	To achieve average Customer Satisfaction Rate of 90%	Engineering business division:86% Industrial Gases division : 100%	Maintain average Customer Satisfaction Rate above **85%**

Please refer to page 87 for more details.

Sustainability Statement
(cont'd)

1.4 Our Strategic Goals, Sustainability Targets and Performance (cont'd)

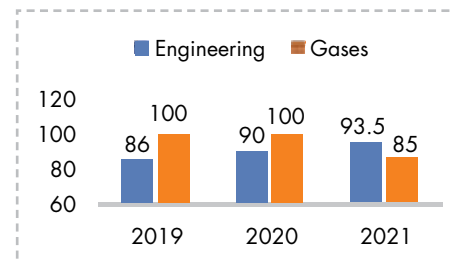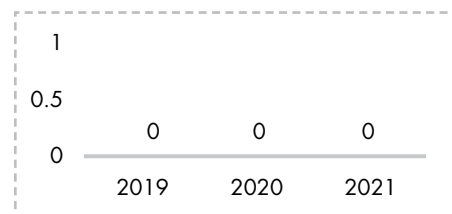| Key Sustainability Matters	Performance Target FY2024	Base Year Data	Progress FY2021
		Managing Impacts	
Occupational Safety and Health	To maintain zero work-related fatalities	Zero work-related fatalities	Maintained **zero** fatalities as a result of work-related injuries

Please refer to page 64 for more details.

| Preventing Climate Change | To reduce our own CO2 emissions (Industrial Gases division) by at least 5% | 2,345 tonnes CO2e/ RM'mil EBITDA | Reduced Co2 emissions intensity by **46%** in Y2021 |

Industrial Gas Division	2019	2020	2021
CO2e (tonnes)	1,778	11,630	12,958
EBITDA (RM'mil)	-0.97	4.96	10.35
CO$_2$ Intensity Ratio (tonnes/ RM'mil)	-1,833	2,345	1,252

Please refer to page 50 for more details.

| Resources Management | To reduce water intensity (Industrial Gases division) by 5% | 2,732 m³/ RM'mil EBITDA | Reduced Water Intensity by **12%** in Y2021 |

Industrial Gases Division	2019	2020	2021
Water Consumption (m³)	1,516	13,552	24,791
EBITDA (RM'mil)	-0.97	4.96	10.35
Water Intensity (m³/ RM'mil EBITDA)	-1,563	2,732	2,395

Please refer to page 59 for more details.

1.4 Our Strategic Goals, Sustainability Targets and Performance (cont'd)

Key Sustainability Matters	Performance Target FY2024	Base Year Data	Progress FY2021
Managing Impacts			
Resources Management	To reduce electricity intensity (Industrial Gas division) by 5%. In view that our Industrial Gases manufacturing business consumes substantial amount of electricity, improving the power efficiency of our manufacturing facilities would be instrumental for KGB to manage electricity intensity.	1,180 MWh/ RM'mil EBITDA	**Total Electricity Consumption of the Group** **23%** reduction in electricity intensity-Industrial Gases Division
Pollution and Waste Management	To reduce non recycled waste intensity (engineering division) by 5%	14.4 tonnes/ RM'mil EBITDA	**68%** reduction in Non-Recycled Waste Intensity
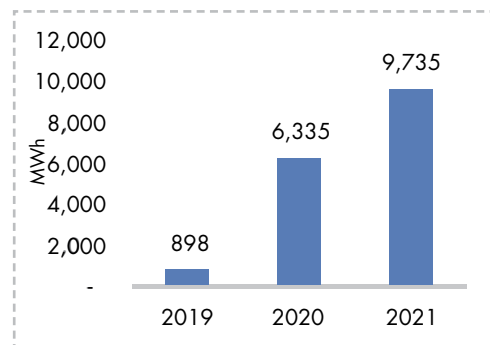
Industrial Gas Division	2019	2020	2021
Electricity Consumption (MWh)	605	5853	9377
EBITDA (RM'mil)	-0.97	4.96	10.35
Electricity Intensity (MWh/ RM'mil EBITDA)	-624	1,180	906

Please refer to page 57 for more details.

Engineering Division	2019	2020	2021
Construction Waste (tonnes)	130	329	200
EBITDA (RM'mil)	35.5	22.9	43.1
Non-Recycled Waste Intensity (tonnes/ RM'mil EBITDA)	3.7	14.4	4.6

Please refer to page 53 for more details.

Sustainability Statement
(cont'd)

1.5 Sustainability Governance Structure & Compliance Framework

Board of Directors	Executive Management Committee	Group Chief Operating Officer	Sustainability Working Group ("SWG")	Business Functions/ Working Committee
✓ Ensure Kelington's Business Strategy considers sustainability. ✓ Approve sustainability strategy.	✓ Evaluate overall Sustainability risks and opportunities. ✓ Oversee implementation of Sustainability Strategy. ✓ Assists in sustainability oversight by reviewing the Sustainability Statement	✓ Provide leadership over implementation of sustainability strategy. ✓ Oversee departments in ensuring robustness of sustainability management system.	✓ Report to Group COO and responsible to develop Sustainability Statement ✓ Oversees operations in respect to safety and health, social as well as environmental aspects.	✓ Support Strategy Implementation. ✓ Ensure Processes and Controls are in place within its departments. ✓ Report Management Targets. ✓ Reports on performance of processes and controls.

The Board of Directors ("Board") develops strategies to promote and strengthen health, safety and environmental ("HSE") culture across the Group in pursuit of long-term sustainability. The Board carries the ultimate responsibility over the effectiveness of our HSE risk management practices and ensures that our sustainability principles are in line with the Group's long-term business objectives.

The Board has entrusted the Risk Management Committee ("RMC") with the responsibility of risk management oversight. An Enterprise Risk Management Framework has been adopted to identify, evaluate and manage principal risks for the Company.

The RMC is supported by the Executive Management Committee ("EMC"). The EMC reviews the Group's quarterly sustainability progress to ensure best practices are upheld across the Group and is responsible for approving major sustainability initiatives. Meanwhile, the Sustainability Working Group ("SWG") oversees the operational aspects in relation to the safety and health, social as well as environmental matters. The SWG is also tasked with developing the Sustainability Statement and reporting directly to the Group Chief Operating Officer ("COO") on a quarterly basis.

1.5 Sustainability Governance Structure & Compliance Framework (Cont'd)

Our groupwide sustainability governance framework defines and guides the Company towards impact-focused targets. The table below further illustrates on the responsibilities of existing working committees: -

Working Committee	Responsibilities
Health & Safety Working Committee	Overseeing the health and safety of the working environment: • Hazard Identification, Risk Assessment and Risk Control • Emergency response testing • Incident and accident investigation • Workplace inspection/audit • Safe Work Instructions • Assist in development of safety and health rules and safe systems of work
Environmental Working Committee	Monitoring and ensuring the following aspects of environment management are upheld: • Management of scheduled waste • Emergency response drills and procedures • Legal requirements, measurement and monitoring of waste • Promotion, Training and Consultation • Environmental Management System, to ensure it is in accordance with ISO14001:2015 Standard
Management Systems Working Committee	Overseeing the systems and controls in place that support the tasks of the other committees: • Monitor updates in applicable laws, regulations and customer requirements, including requirements of the Responsible Business Alliance (RBA) Code of Conduct • Establish and periodically assess objectives, targets and improvement programmes for social and environmental performance • Communicate policies and practices at Kelington • Conduct self-assessments and internal audits
Human Rights Working Committee	Monitoring and ensuring the following aspects of human rights are upheld: • Child labour & forced labour avoidance • Working hours • Wages and benefits • Humane treatment • Non-discrimination • Diversity & Inclusion • Communication and Managing Grievances • Community right

Sustainability Statement
(cont'd)

1.5 Sustainability Governance Structure & Compliance Framework (Cont'd)

Working Committee	Responsibilities
Sustainable Supply Chain Working Group	Prepare, update and maintain a series of vendor briefing materials in local languages to promote sustainability management covering ethics, labor, environment, safety and health.
Corporate Compliance and Integrity Department ("CCID")	• To ensure adequate policies and procedures are in place to prevent corruption and bribery. • To make sure business processes follow all relevant legal and internal guidelines. • To review internal process, develop company policies, and respond to policy violations.

Compliance Framework

The Group's CCID leads compliance-related initiatives under the direction and supervision of the Group COO, in collaboration with the SWG and Working Commitee across the Group. The objectives of these efforts implemented groupwide are to manage ESG-related topics by thoroughly raising compliance awareness, including on corporate governance topics such as bribery and corruption, harassment and discrimination, whilst improving and strengthening compliance programs, and responding to specific compliance-related matters as they arise.

The CCID reports the Group's integrity and compliance performance assessments to the RMC at least once a year.

Compliance Framework	Checklist
Internal Environment	Code of Ethics and Conducts; Policies Management & Management Procedures; Incentive & Penalty System.
Objective Settings	Identify intended or expected results.
Events Identifications	Nature of risk: Compliance (Violation of External/ Internal rules/ regulations, non compliance)
Risk Assessments	To consider factors that would affect P/L; customer relationships, market or perceived value by stakeholders; impact on business interruption; Penalties etc.
Risk Response	Conduct cost-benefit analysis to determine the best strategy to respond to compliance risk.
Control Activities	Mitigating risk through appropriate controls, formulation of procedures, staff training.
Information and Communication	Internal information system that enables prompt intercept of non-compliant behavior and report them to the relevant parties.
Monitoring	CCID to oversee compliance risk proactively; Internal Audit.

1.6 Stakeholders Engagement

The Group recognises that our business operations are intertwined with various stakeholders as their valuable contribution has a significant impact on the Group's market value. A robust stakeholder engagement approach enables Kelington to communicate openly as we work towards building trust between the Group and our stakeholders.

This dialogue with relevant stakeholders is a critical process to promote learning and the sharing of ideas in order to improve the Group's understanding of the business environment.

Key Stakeholders	Engagement Approach	Sustainability Concerns	2021 Highlights
Customer	• Customer satisfaction surveys • Customer visit • Strategic alliance and regular meetings • Qualification/ vendor due diligence process	• Quality assurance and reliable products and services • Competitive pricing and on-time delivery • Safe, humane working environment, respect human rights • Continuous improvement	• Customer service and experience. • Customer's expectation on Supplier's Risk & Control Programme. • Customer's sharing of Environmental and Social Expectations. • Commitments on environment, social and governance practices . • Health, safety and environment ("HSE") practices. • Product/service quality and support.
Contractors, Industry Partners, and Suppliers	• Supplier briefings. • Conduct of Self-Assessment Questionnaires • Annual Performance Evaluation • Ad-hoc tender exercises and meetings • Email communications • Ethics queries/ Whistle Blower	• Fair tender practices • Competitive prices • Business continuity • Quality of materials and services • Forced Labour avoidance • Fair wages • Timeliness of payments • Zero tolerance policy to bribery and corruption	• HSE practices. • Legal compliance and contractual commitments. • New equipment/technology reliability and performance. • Product/service quality and delivery. Workers' welfare and well-being. • Introduction of Ethics and Sustainability • Supplier's Integrity Pledge
Shareholders / Investors	• General meetings • Annual reports • Analyst briefings • Company's website • Investor conferences • Scheduled site visits • Press releases	• Continuous business growth • Recognized Corporate Responsibility Practice • Timely and transparent disclosure	• Business outlook and strategy. • Covid-19 impact on business. • Environment, social and governance practices and commitments. • Financial and operational performance. • Impact of new government policies and regulations. • Risk management.

Sustainability Statement
(cont'd)

1.6 Stakeholders Engagement (Cont'd)

Key Stakeholders	Engagement Approach	Sustainability Concerns	2021 Highlights
Employee	• Annual Staff Meeting • Annual Dinner and Festive Celebrations • Annual Performance Evaluation • Open Communication • Informal communication • Safety Briefing & Toolbox Meeting • Training Workshops and Seminars	• Create a diverse and inclusive workplace • Safe and humane working environment • Provide learning and development opportunities along career path • Competitive compensation and benefit packages for employee	• Changes in operations arising from Covid-19 pandemic which include employee welfare and health concerns, as well as new working arrangements due to government-imposed movement restrictions • Regular health and safety Tool-box meeting • Anti-Bribery and Corruptions
Regulators and Government Authorities	• Annual reports • Bursa Announcements • Compliance and certification exercises • Consultations, briefings and trainings • Periodic site visits and Audits	• Adherence to relevant laws and regulations • Benchmarks of the FTSE Bursa Malaysia Index Series • Corporate governance and compliances	• Certifications and awards • Compliance with laws and regulations • Corporate governance • HSE practices • Industry updates and best practices • Anti-Bribery and Corruptions
Local Community, Industry Associations, Non-Governmental Organisations	• Annual reports • Community Investment Programme • Company's website • Educational briefings and site visits	• Provide hope to the underprivileged and build a fairer society • Leave a lasting and positive impact on our communities and environment • Attract and retain like-minded employees who want to make a difference in the community	• 2021 Community investment Programmes • Industry related knowledge sharing

1.7 Materiality Matrix

Our ESG measurement categories have been selected using a rigorous process referred to as the materiality assessment.

To ascertain which sustainability matters are material to our business from both company and stakeholder perspectives, we have carried out a materiality assessment in accordance with the methodology described in the Sustainability Reporting Guideline published by Bursa Malaysia. This process allows us to align both internal and external perspectives, with the aim of identifying areas of potential optimisation and to further developing sustainability-related management approaches and reporting.

Based on the assessment, the materiality matrix generated in 2020 was revised to encompass a total of 14 material issues. The annual process for determining material sustainability topics involves three steps: identification, prioritisation and validation. Kelington's SWG identifies and prioritises sustainability matters on the matrix along these two axes: importance to stakeholders and importance to Kelington Group. The respective matrices are reviewed and validated by the management of each division before being consolidated into the Group's matrix and reviewed by the Group's management.

Materiality Matrix

Legend:
- ★ Key sustainability matter
- Moderate Importance
- High Importance
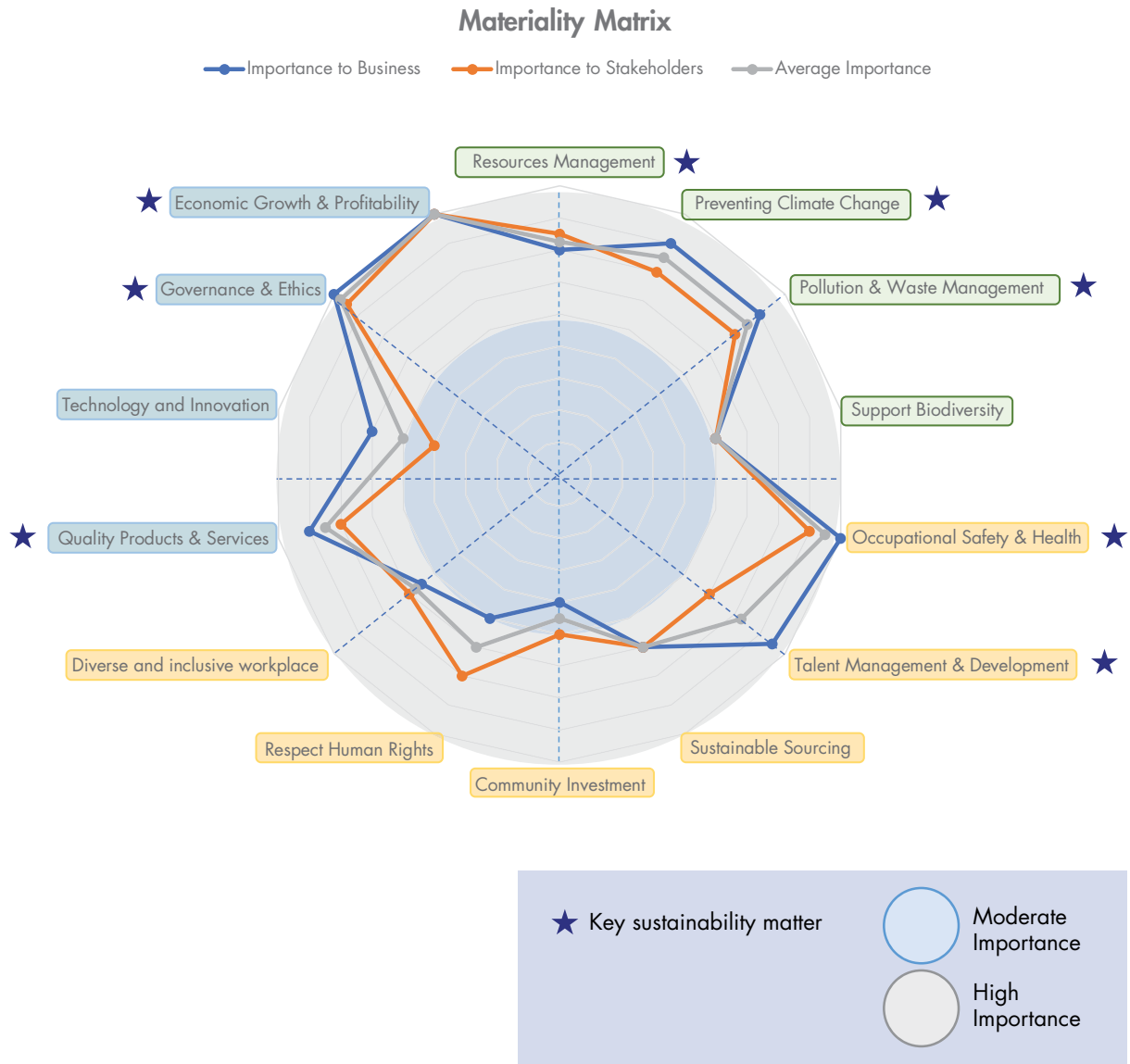
Sustainability Statement
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2.0 How we manage our sustainability matters

Employees	Environmental	Social	Responsible Business Fundamentals
Occupational safety & health *(Page 64)*	Precenting Climate Change *(Page 50)*	Respect Human Rights *(Page 79)*	Governance and Ethics *(Page 85)*
Talent Management & Development *(Page 74)*	Resources Management *(Page 57)*	Community Investment *(Page 82)*	Economic growth & profitability *(Page 86)*
Diverse & Inclusive Workplace *(Page 77)*	Pollution and Waste Management *(Page 53)*	Sustainable Sourcing *(Page 80)*	High Quality Products & Services *(Page 87)*
	Support Biodiversity *(Page 61)*		Technologies & Operational Innovation *(Page 89)*

Policies and Standards available online

• Safety & Health Policy • Gender Diversity Policy	• Sustainable development and climate change position statement • Environmental Policy	• Human Rights Policy • Community Investment Policy • Responsible Supply Chain Policy	• Code of Ethics & Conduct • Corporate Disclosure Policy • Conflict of Interest Policy • Anti-Bribery and Corruption Policy • Risk Management Policy • Shareholder's Right • Quality Policy

Principal risks that have key links to the matters mentioned above

• Dependence on the availability of technical professional • Industrial Accident / Workplace Injuries	• Significant environmental impact	• Significant Social impact • Suppply chain failure	• Ethical misconduct • Compliance Risk • Investment Risks • Operational Risks • External Risks

Non-Financial KPIs

Safety & Health Performance Data *(Page 72)*	Environmental monitoring data *(Page 50 - 63)*	Community Investment Data *(Page 83)*	Ethics and Business Conduct *(Page 85)*
Value-added per employee index *(Page 76)*		Sustainable Supply Chain Data *(Page 80)*	Risk Management & Internal Control *(Page 113)*
30% woman senior management *(Page 77)*			Customer satisfaction rate *(Page 88)*

ENVIRONMENTAL RESPONSIBILITIES

2.1	Topic	Environment
	Topic Specific	Preventing Climate Change

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
2,345 CO2e tonnes/RM million EBITDA	To reduce GHG (CO_2) Emission Intensity by **5%** as compared to base year. Intensity Measurement Tonnes of carbon dioxide equivalent ("CO2e") per RM million EBITDA	**1,252** CO2e tonnes/RM million EBITDA

One of the significant contributors to climate change is the emission of greenhouse gases ("GHG"). In line with global efforts to reduce GHG releases, Kelington is committed to respond and act accordingly whilst improving our operational efficiency. In return, Kelington enjoys cost savings by spending less on raw materials, energy, water and resource recovery.

We strive to protect our environment and planet via mitigation of carbon dioxide emissions, waste reduction and the preservation of natural resources. In FY2020, Kelington initiated the monitoring and reporting of GHG emissions. To coincide with the forecasted revenue growth, we have adjusted our long-term target in February 2021 and aim to reduce our total carbon footprint by at least 5% by FY2024.

In FY2021, we reviewed and managed our environmental risks according to the ISO 14001:2015 Environmental Management System ("EMS").

Our EMS includes:-

Board commitment

- Kelington's Sustainable Development & Climate Change Position Statement.
- Environmental Policy.

Environmental working group

- Maintain details of environmental regulations and legislation that apply to our businesses.
- Review and update written procedures to control and document activities that could have a significant environmental impact.
- Establish environmental improvement programme, including policies and procedures to manage waste and resources.
- Defined environmental roles and responsibilities for employees.

Risk Management

- We assess our business activities, products, processes and services that might affect the environment.
- We establish emergency procedures to follow in the event of an environmental incident.

Compliance

- System to identify and correct problems and prevent their recurrence.
- A formal and recorded staff training and environmental awareness programme.
- System for internal and external communications on environmental management issues.
- A record of environmental performance against set targets.
- Periodic audit to verify that the EMS is operating as intended.

Sustainability Statement
(cont'd)

2.1 Preventing Climate Change (Cont'd)

Our Carbon Footprint

To determine the carbon footprint of Kelington, we categorise our GHG emissions in Scope 1, Scope 2 and Scope 3 in accordance with the Greenhouse Gas Protocol. Our calculation of Scope 1, Scope 2 and Scope 3 emissions are based on the guideline on how to measure and report GHG emissions published by the Department for Environment, Food and Rural Affairs, UK (www.defra.gov.uk).

In addition, we also refer to the UK Government's GHG Conversion Factors for Company Reporting Rev 1.0 for the CO2e data computation.

We have mapped out the Group's processes and operations that emit GHG emissions (Carbon Dioxide) and the boundaries of direct carbon footprint in Figure 1 below. Carbon Dioxide is emitted whenever coal, oil, natural gas and other carbon-rich fossil fuels are burned.
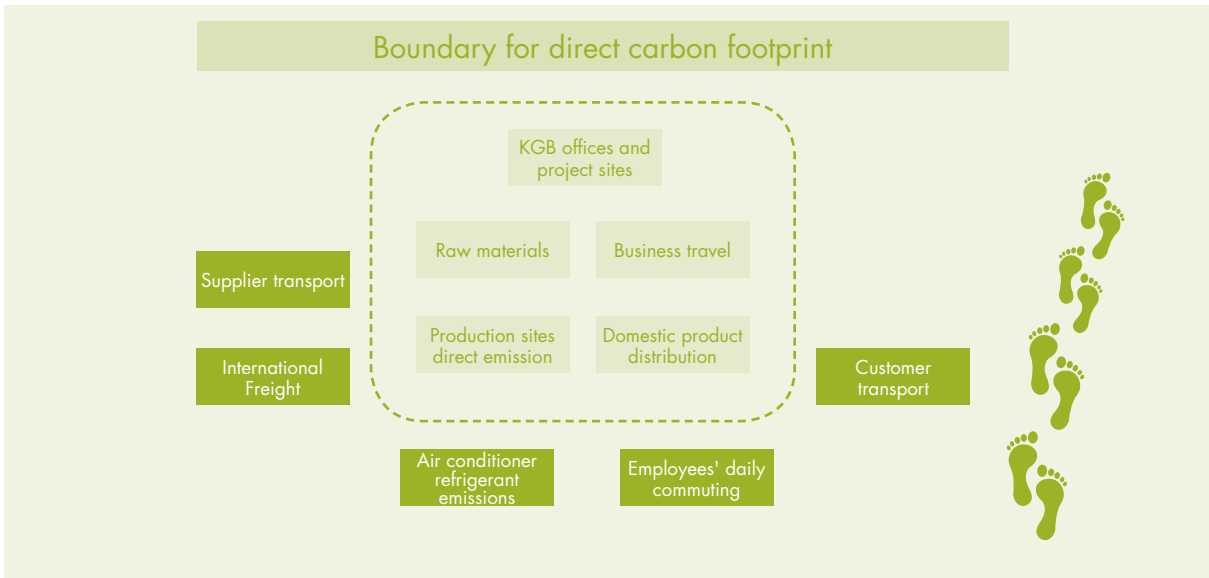
Figure 1

Sources of Kelington's activities release GHG emissions under	Source of Kelington's activities release GHG emissions under	Sources of Kelington's activities release GHG emissions under
Scope 1 Carbon Dioxide Production and Distribution	Scope 2	Scope 3
• Direct Gas Emissions from Production Sites • Fuel used by owned transport • Fuel used in construction projects	• Consumption of purchased electricity	• Purchased Construction Materials • Business Travels (Land and Air) • Waste Disposal • Water Consumption

Except for Carbon Dioxide (CO_2), the current operations of Kelington do not emit other Scope 1 GHG emissions i.e Methane (CH_4); Nitrous Oxide (N_2O); Chlorofluorocarbons (CFCs); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulfur hexafluoride (SF_6); and Nitrogen Trifluoride (NF_3) in FY 2021.

Furthermore, the operations of Kelington Group (included manufacturing and construction processes) are not likely to cause Nitrogen Oxide (NO_x), Sulphur Oxides (SO_x), Particular Matter (PM) and Volatile Organic Compounds (VOC) Emissions or air pollution.

2.1 Preventing Climate Change (Cont'd)

GHG (CO_2) Emission of Kelington Group
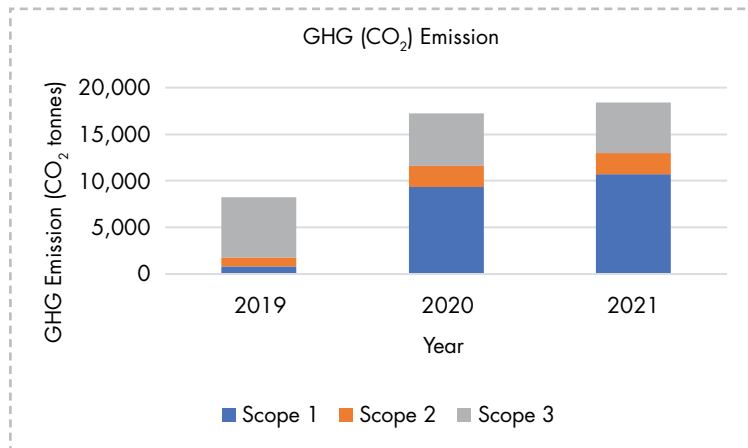
The diagram above depicts the Carbon Dioxide emissions of Kelington from FY2019-FY2021. The uptrend in GHG (CO_2) emission under Scope 1 in Y2020 was mainly due to the commissioning of a major gas plant in late 2019. As such, the data for FY2020 was adopted as our base year data for target monitoring purpose. In FY2021, total GHG (CO_2) emission of the Group was recorded at 18,428 tonnes, representing a 7% increase as compared to FY2020.

We monitor GHG (CO_2) Emissions with Carbon Dioxide Equivalent ($CO2_e$) Intensity Ratio

	FY2019	FY2020	FY2021
	CO_2 equivalent	CO_2 equivalent	CO_2 equivalent
	(Tonnes)	(Tonnes)	(Tonnes)
Scope 1	801	9,349	10,688
Scope 2	977	2,281	2,270
Total CO2e	1,778	11,630	12,958
EBITDA – Industrial Gases Division (RM million)	-0.97	4.96	10.35
$CO2_e$ Intensity Ratio	-1,833	2,345	1,252

Despite the 11.4% increase of GHG (CO_2) equivalent in FY2021 from 11,630 tonnes to 12,958 tonnes, Kelington's CO_2 intensity ratio decreased by 46.6% to 1,252 CO2e tonnes/RM million EBITDA due to the rise in overall production of liquid CO_2 plant at Kerteh.

Sustainability Statement
(cont'd)

2.2	Topic	Environment
	Topic Specific	Pollution & Waste Management

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
14.4 tonnes/RM million EBITDA	To reduce non-recycled Waste Intensity by **5%** as compared to base year. **Note:** Intensity Measurement Tonnes of non-recycled Waste per RM million EBITDA	**4.6** tonnes/RM million EBITDA

Prevent Pollution

Manufacturing industries have the highest potential for pollution risks. At Kelington, we are mindful of this and views the prevention of pollution seriously when carrying out our business activities. To this end, we have implemented rigorous monitoring activities to ensure compliance with all local and international environmental standards. We seek to minimise the Group's pollution risk for our manufacturing activities at Kerteh and have engaged an independent company to monitor the key parameters of the surrounding environment (water quality of the nearby rivers, air quality and noise level of the amenity as detailed below) on a monthly basis to ensure strict compliance with the standards set by the Department of Environment ("DOE") Malaysia.

The sampling locations are listed as below and the details of the data collected are available for inspection upon request.

	Sampling Locations	Reference Standards
Water Quality	1. Sungai Labohan (Upstream) 2. Sungai Labohan (Midstream) 3. Sungai Labohan (Downstream) 4. Sungai Kerteh (Point 1) 5. Sungai Kerteh (Point 2)	Class IIB of the National Water Quality Standards of Malaysia
Air Quality	1. Boundary of Factory 2. Masjid Kampung Labohan	Malaysian Recommended Ambient Air Quality Guidelines, 1989
Noise	1. Boundary of Factory 2. Masjid Kampung Labohan	Guidelines for Environmental Noise Limits and Control by DOE Malaysia 2007

All data collected would be reviewed by our management on a monthly basis and immediate actions will be taken should the sampling test results approach the alert points. Apart from that, an Environmental Monitoring and Auditing Report is prepared and submitted to the local DOE office every quarter.

In FY2021, there was no reported case of non-compliance against the local government rules and standards, and no penalty imposed in relation to environmental pollution.

2.2 Pollution and Waste Management (Cont'd)

Waste Management and Reduction

As part of our sustainability efforts, Kelington aims to minimise the amount of waste we generate. Our Environmental Working Committee monitors the Group's waste management processes as we aim to mitigate the impact of waste on the environment through the reduction, reuse, recycle and disposal hierarchy of waste management.

In FY2021, we implemented a Resource Efficiency Program as an effort to reduce waste via the identification and implementation of waste minimisation at detailed design, as well as maximising strategies waste prevention on-site. According to our recyclable waste collection record, we recycled a total of 39 tonnes of industrial waste in Y2021. Recyclable steel and metal contributed 100% of the capture rate.

Industrial Waste Recycled

2019 (Tonnes)	2020 (Tonnes)	2021 (Tonnes)
Not recorded	Not recorded	39

Our waste recycling strategies consist of:-
✓ Reduce, Reuse and Recycle stationery
✓ Reduce paper printing under digitalisation program
✓ Printer default settings set to double-sided printing
✓ Recycle bin allocation at main office building

The waste generated by Kelington can be segregated into three main categories: Construction Waste, Scheduled Waste and E-waste.

Construction waste

Construction waste usually comprises metal/steel, wood, concrete/cement and other paper/cardboard. In FY2021, the total construction waste generated by Kelington was recorded at 200 tonnes, mainly generated by our general contracting division in Malaysia. All construction wastes are separated at the designated waste collection areas at the work sites. We engage licensed waste collectors to collect and dispose the wastes to the approved dumpsite and landfill areas.

The total construction waste generated in FY2021 reduced by 40.4% as compared to FY2020.

	Construction Waste Generated in			How we manage construction waste
	FY2020 (Tonnes)	FY2020 (Tonnes)	FY2021 (Tonnes)	
KE Malaysia - General Contracting Division	96	302.9	193	Manage waste in accordance to The Solid Waste and Public Cleansing Management Act 2007 as well as the local government rules and regulations.
KE Singapore	0	0	0	Refer to Note 1 at page 55
KE China	32	26	6	Refer to Note 1 at page 55
KE Taiwan	1.6	0.5	1	Refer to Note 1 at page 55
Ace Gases - Malaysia	0	0	0	The amount of solid waste generated by Industrial Gases division is insignificant.
Total Construction Waste generated	129.6	329.4	200	

Sustainability Statement
(cont'd)

2.2 Pollution and Waste Management (Cont'd)

Construction Waste (Cont'd)

Note 1:
Kelington's operations in Singapore, China, and Taiwan focus on mechanical engineering works and as a contractor, we may only be on-site for a period to fulfil a specific role and will use the wider sites waste management facilities in compliance with the sites' rules. In this case, Kelington produces waste but do not track and account for it.

Our Continuous Improvement Programme Towards Waste Reduction

"Waste reduction and recycling is the environmental and social responsibility of the Customer and the Contractor"

Our LCO2 manufacturing process is designed to capture the waste CO_2 released by our raw gas supplier, which we then liquify into LCO2. This will reduce overall CO_2 emission, which was previously vented to the atmosphere.

Our approach to sustainable waste management/ reduction			

Industrial Gases Division

- Capture waste gas emitted by a petrochemical complex, to be re-used as a key raw material in our LCO2 production.

	2019	2020	2021
Waste Gas Reuse - carbon dioxide (tonnes)	6,277	30,368	47,596

- Improve LCO2 production yield and minimize ready stocks wastages.

- Continuous improvement in dry ice manufacturing efficiency by minimising production waste/ maximising gas recovery.

- Prevention of waste: careful coordination between all parties involved in the design and construction process, in order to avoid miscommunication.

UHP/Process Engineering/ General Contracting Divisions

- Value Engineering: Maximize value and minimize waste.

- Encourage employees' participation in recycling program.

- Practice segregation of solid waste and recycling during or after completion of general construction project.

- Ensure the site induction to staff and sub-contractors includes awareness of good waste management and the specific measures used at the site.

- We monitor non-recycled waste intensity and achieved 61% reduction in non-recycled waste intensity in FY2021:

Engineering Division	2019	2020	2021
Construction Waste (tonnes)	130	329	200
EBITDA (RM' mil)	35.5	22.9	43.1
Non-Recycled Waste Intensity (tonnes/ RM' mil EBITDA)	3.7	14.4	4.6

2.2 Pollution and Waste Management (Cont'd)

Scheduled Waste

A small percentage of hazardous waste has been regarded as intractable, or difficult to safely dispose of without special technologies and facilities. These wastes are known as scheduled wastes. To ensure adequate protection of human health and the environment, Kelington is committed to handling our scheduled waste strictly according to specific guidelines and regulations.

To strengthen our processes, Kelington is adopting and implementing the ISO14001:2015 Environmental Management System to serve as a guideline in managing the scheduled / hazardous waste that is being generated.

UHP/ Process Engineering/ General Contracting Divisions	We disposed scheduled waste in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005. Only licensed contractors are allowed to transport these scheduled wastes offsite to a suitable treatment facility.
Industrial Gases Division	We endeavour to reduce the generation of the scheduled wastes in order to minimise the handling process. Regular monitoring and maintenance work are carried out at our plant site to reduce the chance of leakage. Emergency response plan is in place to handle the unlikely event of a spillage of hazardous materials. 27.4 tonnes of scheduled waste was generated when we carried major plant maintenance in FY2021.

Electronic Waste

E-waste is electronic appliances that are broken, obsolete or reaching the end of their useful life. E-waste has been categorised as Scheduled Waste SW110 First Schedule according to the Environmental Quality (Scheduled Wastes) Regulations 2005 as it contains chemicals like mercury, lead, beryllium, and cadmium. Improper disposal or mishandling during disposal can cause the release of hazardous and toxic chemicals into the soil, water, and air. This would induce adverse health effects and cause a deterioration of environmental quality. With this in mind, Kelington is committed to recycling this e-waste and creating awareness among employees on proper disposal of e-waste.

In FY2021, we organised an E-waste Collection Week at Kelington HQ, aimed to educate and raise awareness among employees on the appropriate disposal process of e-waste. All the collected e-waste during this programme was sent to licensed and DOE-registered e-waste recyclers for proper discard.

Sustainability Statement
(cont'd)

2.2 Pollution and Waste Management (Cont'd)

Safely Dispose Your Electronic Waste

The breakdown of e-waste recycled for the past 3 years are as below:-

E-Waste Type	2019	2020	2021
Monitors (unit)	1	-	5
Notebook Computer (unit)	5	5	7
Printers (unit)	-	-	1
Servers (unit)	-	1	-
Others i.e. typewriter, desk phone, wireless mouse, laptop battery, laptop adapters & cables (kg)	3	11	30

Note: Data covers Kelington's operation in Malaysia only.

2.3	Topic	Environment
	Topic Specific	Resources Management

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
2,732 m³/RM million EBITDA	To reduce Water Intensity by **5%** as compared to base year. **Note:** Intensity Measurement Cubic metre of water consumed per RM million EBITDA	**2,395** m³/RM million EBITDA

As stated in our Sustainable Development and Climate Change Position Statement, Kelington is channelling efforts to maintain sustainable development and reduce climate change impacts by optimising our own environmental resource usage, including energy, water and other utilities.

Energy Management

At Kelington, a majority of our business activities are carried out at customers' sites and fabrication facilities. Due to the nature of our manufacturing business, we consume a substantial amount of electricity. Kelington's Industrial Gases manufacturing activities, production and machinery operations run for 24 hours daily. Hence, it is imperative that we undertake energy management initiatives to enhance our production efficiencies as an effort to manage our GHG emissions.

One of our measures is to monitor and analyse the Group's energy usage, allowing us to pinpoint areas of improvements in relation to costs, performance, and quality. With this, Kelington strives to enhance energy efficiency by increasing efforts to identify energy reduction opportunities and exploring cost-effective practices and technologies.

Our production teams assess internal and external consequences from our processes and deliberate on the energy utilised during production. Energy reduction targets are set to match the Group's key financial indicators such as cost of goods sold. Meanwhile, the local committee conducts a monthly assessment on the plant's energy consumption and identify performance opportunities and gaps. As part of our energy saving strategies, we ensure smooth and effective operations, as well as adhering to scheduled maintenance of equipment to prevent downtime. Apart from that, the management also compares energy usage at similar plants to uncover efficiency opportunities. We track and benchmark energy usage with our industry peers and communicate with our employees regarding our long-term goals and commitments. As compared to other industrial manufacturing facilities in Malaysia, our trackable electricity consumption is relatively lower.

2.3 Resources Management (Cont'd)

The trackable electricity consumption of Kelington Group in Y2021 are as follows:
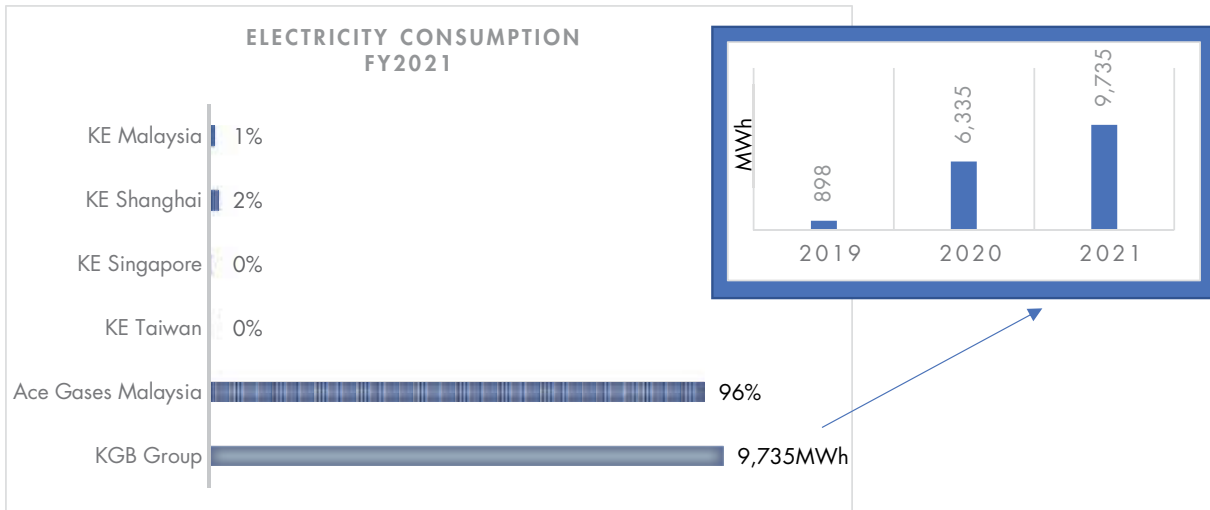
Electricity Intensity - Industrial Gases Division

The chart above demonstrates that the major portion of the Group's electricity consumption was derived from our Industrial Gases division, representing 96% of the total electricity consumption in FY2021. As such, we measure the energy performance of our Industrial Gases division with energy intensity by determining how much energy is required to generate RM1 million in EBITDA.

Industrial Gases Division	2019	2020	2021
Electricity Consumption (MWh)	605	5,853	9,377
EBITDA (RM'Mil)	-0.97	4.96	10.35
Electricity Intensity (MWh/ RM'Mil EBITDA)	-624	1,180	906

In FY2021, while EBITDA grew 108.7%, energy intensity was reduced by 23.2% as a result of our energy efficiency initiatives, including effective production planning, improved gas loading and unloading processes, and major equipment maintenance, to name a few.

Renewable Energy Generation

The Group's commitment to mitigating our climate change impact involves looking at our working environment. It is our objective to minimise the environmental effects of our operations and buildings.

Sustainability Statement
(cont'd)

2.3 Resources Management (Cont'd)

As part of our endeavours, we aim to increase the usage of clean energy. Renewable energy ("RE") is increasingly playing an important role in decarbonising the power generation sector, and solar has been one of the top RE sources for electricity generation. Since FY2011, Kelington has installed and maintained solar photovoltaic ("PV") panels on the rooftops of our office building in Shah Alam for a more sustainable energy source. Although the power generation from solar PV tends to be deficient due to environmental impacts i.e dust accumulation, water droplets and bird droppings, we managed to maintain the standard performance of our solar PV systems and generated 18,557 KWh solar power in FY2021.

Renewable Energy / Year	2018	2019	2020	2021
Solar Power Generated (kwh)	13,622	12,455	20,538	18,557

Water Management

Clean freshwater is a scarce resource, and it is crucial that we manage its distribution and use. In fact, the significance of clean water and sanitation has been highlighted as one of the United Nations' Sustainable Development Goals ("SDG"). As such, Kelington endeavours to aid millions of people to gain two of life's most fundamental necessities: clean water to drink as well as safe and private restroom to use via strict implementation of our water management plan.

Our water management plan consists of the following actions:

1) Monthly monitoring of water consumption to understand our water usage patterns and identify potential inadequacies. Our local team shall react promptly should there be an uptrend in water consumption.

2) Close monitoring of our plant's process parameters to ensure all water discharges meet the local government regulations. At our main operating site in Kerteh, Terengganu, we perform a monthly checking on water quality, ensuring the test results are within the limits set by the Malaysian government authorities.

3) Our cooling tower water treatment system prevents the growth of Legionella bacteria, which may affect workers' health.

We do not have any businessed operating in a water-stressed or scarce region. Nevertheless, we still view water as a valuable resource and have developed a water management plan at our manufacturing plant to optimise water usage and continuously monitor the quality of water discharged.

Water Consumption

The Group primarily consumes municipal water supply, which is mainly derived from the water reservoir (surface water). We do not utilise any other water sources such as underground water, sea water or external wastewater. The total surface water withdrawal within our organisation amounted to 25,730 m^3 in FY2021.

Our LCO2 manufacturing plant at Kerteh uses a substantial amount of water in its manufacturing process i.e wash water and cooling tower make-up water.

2.3 Resources Management (Cont'd)

FY2021 Water Consumption (m³)

KE Malaysia	2%
KE Shanghai	1%
KE Singapore	1%
KE Taiwan	0%
Ace Gases Malaysia	96%
KGB Group	25,730 m³

(KE Group Water Consumption)
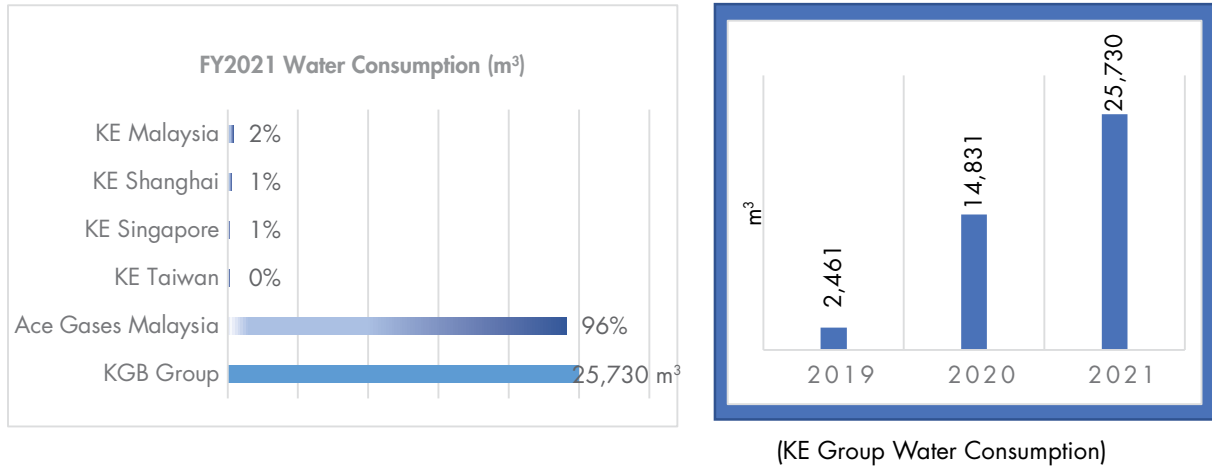
The chart above depicts that the Group's water consumption was largely contributed by Ace Gases – the LCO2 manufacturing plant located at Kerteh – representing 96% of the total water consumption in Y2021.

For our Industrial Gases division, we apply water intensity parameters to measure the water consumed to generate an EBITDA of RM1 million.

In FY2021, as EBITDA grew by 108.7%, water consumption increased by 82.9%. This resulted in an improvement of 12.4% in water intensity.

Industrial Gases Division	2019	2020	2021
Water Consumption (m3)	1,516	13,552	24,791
EBITDA (RM' mil)	-0.97	4.96	10.35
Water Intensity (m³/ RM' mil EBITDA)	-1,563	2,732	2,395

Water Discharge

The relationship between water discharge and adverse environmental effects is not linear as an increase in water discharge volume does not necessarily correspond to a greater impact. With this in mind, the environmental impacts shall depend on the quality of the water discharged and the sensitivity of the receiving waterbody.

Our LCO2 manufacturing facilities at Kerteh generates an intensive volume of water discharge. Nonetheless, this discharge does not require treatment and is mainly emitted to the drains and subsequently flows to the rivers and sea. We undertake quarterly monitoring of the water discharge according to the DOE's Environmental Management Plan.

In FY2021, there were no reported incidents of non-compliance with the local government rules and standards, with no penalty imposed in relation to water supply and discharge.

Sustainability Statement
(cont'd)

2.4	Topic	Environment
	Topic Specific	Support Biodiversity

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
A number of trees and various plants were planted at the surrounding environment of the gas plant located at Kerteh as part of landscaping requirement.	Generate positive biodiversity impacts by ensuring we continuously meet regulatory requirements on water and waste emissions. Ensure responsible sourcing of raw materials and eliminating deforestation from our supply chain.	• Improved CO2 emissions and water Intensity. • On-going responsible sourcing of raw materials. • A total of 20 trees such as water balau sengkawang, sea balau, merbau, chengal, pelong and giam has been planted at the Forest Research Institute Malaysia ("FRIM").

Biodiversity refers to the biological variety and variability of life on earth at all levels, and encompasses the evolutionary, ecological, and cultural processes that sustain life. It provides functioning ecosystems that supply oxygen, clean air and water, pollination of plants, pest control and wastewater treatment, among others. With this in mind, supporting biodiversity is therefore an integral part of Kelington's efforts to protect and preserve the environment.

Kelington acknowledges that economic activities and population growth may result in pollution and climate change, which may threat biodiversity. As such, we are committed to reducing the impact of our operations on biodiversity through systematic management approaches.

2.4 Support Biodiversity (Cont'd)

Kelington's Sustainable Development Position Statement clearly lays out our policies and commitment on environmental protection and the preservation of biodiversity. We adopt a systematic approach to ensure our business activities have the minimum effect on the surrounding environment of where we operate. We also support governmental agencies as well as NGOs in generating positive impacts on biodiversity. Our goal is to achieve a net positive biodiversity impact as we contribute to a more flourishing biodiversity as a whole.
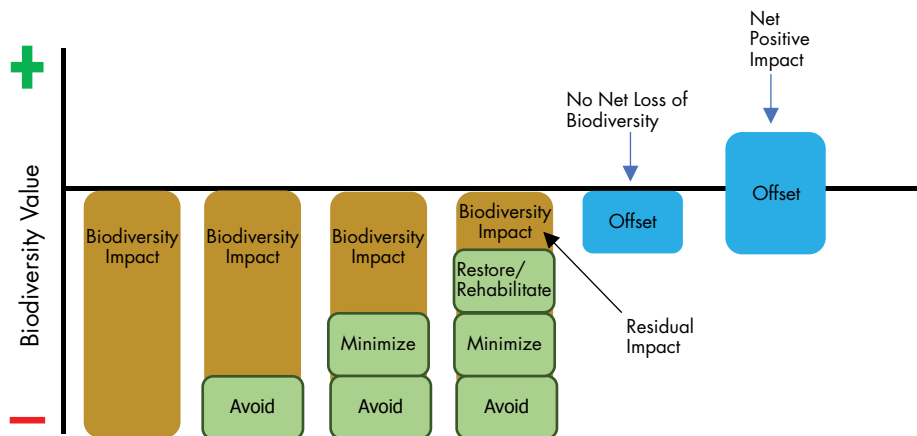
Minimising Biodiversity Impacts

None of our operational sites, either owned or leased, are located in or adjacent to protected areas or areas of rich biodiversity value. Nonetheless, Kelington strives to preserve the biodiversity of the locations and their surrounding environment. Except for the Group's major gas plant located in Kerteh, Kelington carries out its business activities at our customers' premises or within developed industrial areas.

Continuous auditing and monitoring

At Kerteh, local employees are assigned responsibilities to manage our biodiversity impacts through regular monitoring programme, risk assessments and audits covering water quality, air quality and noise.

Guided by the relevant regulatory environmental standards and guidelines (refer to Section 2.2 above), we conduct regular air and water quality test, as well as a noise level survey at Kerteh to ensure the effective implementation of pollution prevention and mitigation measures to minimise negative biodiversity impacts on the surrounding environment.

An Environmental Impact Assessment is conducted for any new proposed projects that we intend to develop and subsequently carry out business activities.

In FY2021, our operations at Kerteh conducted monthly monitoring of the air and water quality (rivers nearby), in addition to the noise level survey. All the test results are within the limits set by the Malaysian government authorities. Additionally, we also submit the Environmental Monitoring and Auditing Report ("EMAR") to the DOE on a quarterly basis to report on our compliance with the relevant standards and guidelines. During the year, we did not encounter any negative comments or fine penalties from the local authorities in the locations where we operate.

Continuous participation in programmes that contribute towards positive biodiversity impacts

In January 2021, Forest Research Institute Malaysia ("FRIM") launched a "Malaysia Greening Programme – 100 Million Tree-Planting Campaign", which aims to plant 100,000 trees in support of the "100 Million Tree-Planting Campaign" organised by the Ministry of Energy and Natural Resources.

We believe tree planting is beneficial in improving wildlife habitats, in addition to building resiliency to support the various benefits that nature provides. In FY2021, Kelington participated in FRIM's "Forester for a Day" programme, offering our employees a unique opportunity to assist FRIM in maintaining our forests. As at 22 December 2021, a total of 20 trees including water balau sengkawang, sea balau, merbau, chengal, pelong and giam have been planted.

Sustainability Statement
(cont'd)

2.4 Support Biodiversity (Cont'd)

As we move forward, the Group shall constantly explore our day-to-day practices in order to protect biodiversity and raise awareness within the organisation. In June 2021, we organised an engagement session with World Wildlife Fund ("WWF") Malaysia, allowing us to study their efforts on endangered species conservation. With that, our SWG will explore various avenues and develop a plan to protect the biodiversity of the area where we are operating.

5 Tips for Biodiversity

- Use computer and gadget for as long as possible.

- Do not throw rubbish on the ground.

- Do not disturb animals while on nature walk.

- Reduce GHG emissions by consuming regional and eco-labelled products to the greatest extent possible or by limiting waste; and compensate for some of the GHG for which you are responsible by supporting the biodiversity around you i.e flowering field and by supporting nature-protection associations and reforestation projects.

- Promote Biodiversity.

| 2.5 | Topic | Social |
| --- | Topic Specific | Occupational Safety and Health |

Base Year	Target	Progress
(FY2019)	(FY2024)	(FY2021)
Maintain **zero** fatalities as a result of work-related injuries	Maintain **zero** work-related fatalities	Maintain **zero** fatalities as a result of work-related injuries

Kelington recognises the paramount importance of occupational safety and health ("OSH") in the workplace. With regards to construction activities, the risk of injury becomes even greater than in ordinary working conditions, making it even more crucial to ensure a safe working environment. Not only does a single work site needs to be safe, but so do operations across the whole organization. To foster a healthy and safe working environment, preventative measures against accidents are crucial.

We are committed to providing a safe and healthy working environment so that our people can come to work and go home safely too. Significant resources are expended to ensure our employees and workers are protected at all times, especially during the Covid-19 pandemic. It is our responsibility to enforce safety measures that prevent work-related illnesses and injuries as we strive to nurture a productive and healthy workforce. With the implementation of globally recognised standards, ISO 45001:2018 Occupational Health & Safety Management System ("OHSMS"), we seek to proactively improve our occupational health and safety performance. With this, we remain confident in contributing to the UN SDG No. 3 of ensuring health and well-being for all.

Our approach to workplace safety and employee well-being

As our operations span various locations, it is vital for us to adopt a systematic approach towards creating a safe working environment at all our project sites. In order to facilitate the consistent management of OSH, safety considerations and practices have been incorporated into our Group's Standard Operating Procedures ("SOP") as a guideline for all employees and workers when performing work involving hazardous materials, hazardous equipment or hazardous operations.

To enhance safety efforts, we ensure all employees and workers at the site have proper training, experience and know-how to conduct tasks in a proper manner. Furthermore, we make sure our staff are well equipped with ergonomic tools, protective equipment and first aid kits. All relevant requirements, measures, work rules, procedures and protocols set out in safety manuals, handbooks and documents are reviewed and updated regularly to ensure the continual improvement of our safeguards. All employees and workers may access the safety manual and safety information via:-

- emails and newsletters
- safety info and signage posted throughout the workplace
- daily tool box meeting
- appropriate training and education
- communication during routine safety inspection
- case studies or incident reports sharing

Our Safety and Health Policy, SOP and protocols outline our principles and commitment to providing a safe and healthy working environment for our employees and stakeholders. We extend the same policy to our approved suppliers, appointed subcontractors and service providers, driven by our belief in the culture of caring about the well-being of our people. Please refer to page 80 for our sustainable supply chain.

To build a healthy workforce at Kelington, we have crafted employment packages with various ranges of entitlements and benefits, as part of our human capital strategy to improve the well-being of our employees and assist them in achieving work life balance. Besides that, we offer healthcare insurance and medical coverage for accidents and hospitalisation to all our employees and direct family members who qualify for a health insurance subsidy.

Sustainability Statement
(cont'd)

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety

A) Management System

The Company adopts comprehensive and documented OSH policies and procedures with the objective of providing a conducive and safe workplace for all employees and all workers at our workplace.

Kelington's OHSMS covers all employees of Kelington Group and all workers who are not employees, but whose work or workplace is controlled by Kelington. As at 31 December 2021, Kelington's OHSMS is 95% certified to ISO 45001:2018.

Activities	Workplaces	Group Operating Revenue (%)	Occupational Health & Safety Management System
Construct specialized facilities, Construct mechanical and electrical systems, Installation of gas and chemical distribution system, fabrications.	Customers' site-Singapore	31%	• ISO 45001:2018 certified since December 2020*
	Customers' site-China; UHP Fabrication Facilities - China	25%	• Certified to OHSAS 18001:2007 from June 2019 to June 2020 • ISO 45001:2018 certified since August 2020*
	Customers' site-Malaysia	35%	• Certified to OHSAS 18001:2007 from July 2014 to Sept 2019 • ISO 45001:2018 certified since July 2020*
	Customers' site-Taiwan	3%	• Adapting safety & health standards to ensure workplace safely and target to obtain ISO 45001:2018 certification by Y2023.
Manufacturing and trading of industrial and specialty gases	Manufacturing Facilities - Malaysia	5%	• Adapting safety & health standards to ensure workplace safely and target to obtain ISO 45001:2018 certification by Y2024.

*Note: Regular audit was performed by the certification institution to verify Kelington's conformity to the certification criteria of ISO 45001:2018. Continual improvement is an on-going process via internal audits and regular reviews of safety & health performance.

B) Safety Governance – leading safety and health at work

"Safety First, Quality Always" is a fundamental element in the way we conduct our business. We are committed to protect the safety and health of our employees, workers, and members of the public who may be affected by our activities. This makes up an essential part of risk management, led by the Board. In FY2021, Kelington adopted the following safety governance structure to lead and promote health and safety across the Group, and therefore meet our legal obligations.

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

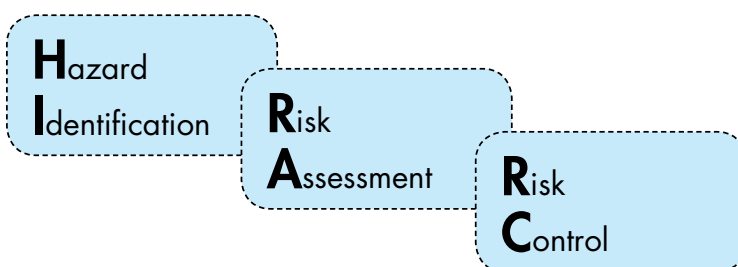|	Duties/ Responsibilities
The Board	The Board is responsible for monitoring strategies relating to the health, safety and environment, as well as to ensure compliance with the relevant laws, rules and regulations. The Board sets the direction for effective health and safety management and oversees OSH integration into the main governance structure. Agendas for Board or RMC meetings include health, safety and environment topics.
Executive Management Committee	The Executive Management Committee is primarily responsible for safety and health management in the Group. They shall ensure all their decisions reflect Kelington's safety and health intentions.
Safety and Health Working Group (Group-wide)	Led by the Group Safety & Health Officer, a certified Greenbook holder and registered as certified safety and health officer with the Director General of the Department of Occupational Safety and Health in Malaysia. Kelington's groupwide Health and Safety Working Group is composed of all regional safety & health leads who work to ensure all work sites comply with the local occupational safety laws and regulations. All working group members must demonstrate a strong commitment to safety and health. They are tasked to oversee the health and safety of the working environment and examine workplace conditions: - • Hazard Identification, Risk Assessment and Risk Control ("HIRARC") • Emergency response testing • Incident and accident investigation • Workplace inspection/ audit • Safe Work Instructions • Assist in development of safety and health rules and safe systems of work • Review effectiveness of safety and health programmes • Carry out studies on the trends of accidents and incidents • Review the safety and health policies at workplace The Working Group reports to the Executive Management regularly on the effectiveness of the OHSMS and to update the implementation status of continuous improvements.

Sustainability Statement
(cont'd)

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

	Duties/ Responsibilities
Safety & Health Committee (Sites)	• Our Safety & Health Committees ("SHC") at project sites primarily oversee and control the safety functions at the respective facilities. They ensure all workers are well-equipped with safety tools and equipment, and are responsible for scheduled maintenance of equipment. • Use color codes, posters, labels or signs to warn employees of potential hazards. • Conduct daily toolbox meeting and provide safety training. • Establish and update health and safety standards, rules and procedures, that are communicated to all workers to ensure adherence to OSH requirements. • Keep records of work-related injuries and illnesses. • Convene meetings on a quarterly basis while providing a communication and participation a channel that can be utilised to discuss safety matters of our employees, appointed contractors and visitors at our premises and workplaces. • The Chairman of SHC reports directly to the Executive Management to ensure that the Board is kept abreast of Kelington's overall health and safety performance and matters. • The structure of the SHC is illustrated in the figure below.
All Employees and Workers	All Kelington's employees, approved vendors and appointed subcontractors are obligated to work in a safe manner, to co-operate and to act responsibly with the aim of preventing injury to themselves and others as well as to the environment. Promptly report all accidents or incidents, as well as near miss cases to line management, according to the Incident Reporting Guidelines.

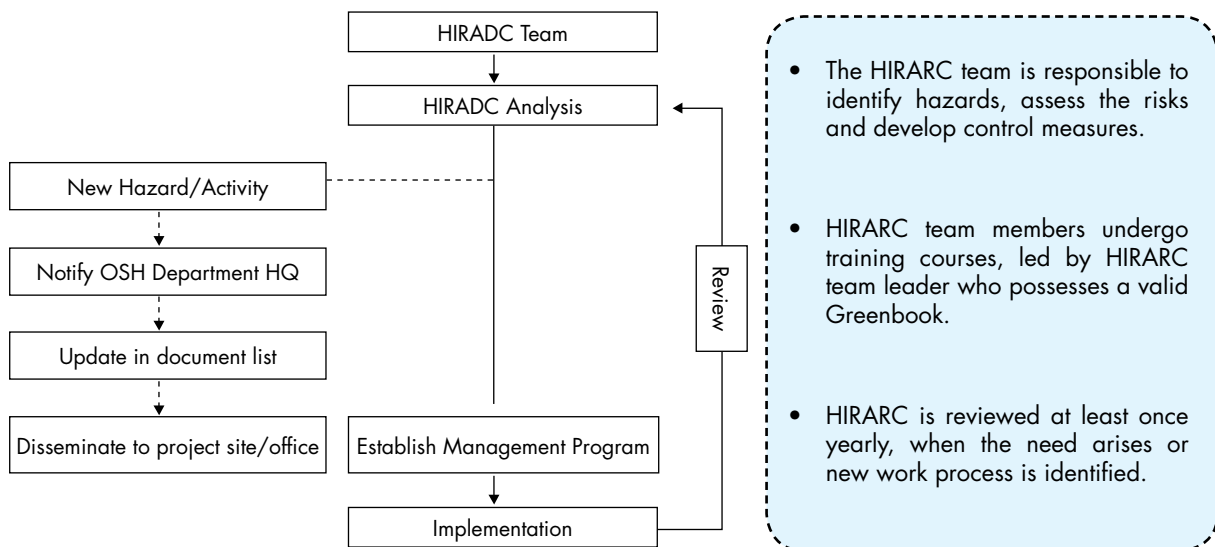**C) HIRARC and Incident Investigation**

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

Our Hazard Identification, Risk Assessment and Risk Control ("HIRARC") procedure requires the implementation of controls to manage identified risks/hazards using the hierarchy of control (elimination, substitution, separation, engineering, administrative and personal protective equipment) when executing work at the customers' site and during the handling and distribution of industrial gases.

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        ┌──────────────────┐
        │   HIRADC Team    │
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        │  HIRADC Analysis │ ←──────────────┐
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│ New Hazard/Activity│- - - - - - - - - -    │ Review
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│Notify OSH Dept HQ│                         │
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│Update in document│                         │
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│Disseminate to project│  │Establish Management Program  │
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                          │  Implementation  │──┘
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- The HIRARC team is responsible to identify hazards, assess the risks and develop control measures.

- HIRARC team members undergo training courses, led by HIRARC team leader who possesses a valid Greenbook.

- HIRARC is reviewed at least once yearly, when the need arises or new work process is identified.

HIRARC process flow chart

In our industry, the following work-related hazards pose a risk of high-consequence injury or that can possibly cause or contribute to high-consequence injuries:-

	Falling from Height	Electrocution	Exposure to flammable material	Machinery Topple
Reported near miss / incident FY2021	0	0	0	0

No near miss cases were reported in Y2021.

Sustainability Statement
(cont'd)

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

Risk Assessment

Every work activity undergoes a formal risk assessment in accordance with the HIRARC procedure before it can commence. High risk activities are identified and mitigated using the Permit-to-Work System. Using the hierarchy of controls, we determine the best methods to protect our workers and manage the risk to a level deemed tolerable.

At Kelington, we implement and enforce a "Stop Work Policy" to ensure any person, including non-employees has the right and responsibility to refuse or stop work activities that are considered unsafe without fear of reprisal. At the same time, we are aware that extreme weather conditions could pose a myriad of safety hazards to our employees and therefore, we have established a "Bad Weather Policy" to stop any outdoor work activities during adverse weather conditions.

To strengthen the Group's safety culture, our project sites conduct daily toolbox meetings, where workers can utilise to voice out concerns on safety issues such as hazards or controls, incidents or accidents, and work procedures. We also enforced a "Whistleblowing Policy and Procedure" as an independent channel for reporting retaliation, as to encourage workers to report unsafe acts or work hazards while protecting them against reprisal.

D) Communication makes workplace safer

An "Occupational Health and Safety Communication, Participation, and Consultation Management Procedure Manual" is available as a guideline to implement and maintain a procedure for communication, participation, and consultation in relation to OSH and environmental ("OSHE") aspects/hazards as well as management systems.

Our employees and workers are involved in aspect and impact analysis, hazard risk identification and risk assessment, along with the identification of necessary control measures. Apart from that, our workers also participate in incident investigations with details of the investigations recorded in the incident register.

Our Safety and Health Working Group ensures Kelington's Safety and Health Policy is circulated to all suppliers to generate awareness of OSHE. Kelington's key suppliers are also invited to attend OSHE Awareness training to raise their awareness on significant impacts / risks from their operations and the appropriate control measures.

Employee observes unsafe acts and conditions at workplace → Employee reports to S&H Committee → S&H Committee investigates and implement corrective action

Kelington's Safaty Recognition Programme encourages all employees and workers to identify hazards, intervene and report any unsafe act or unsafe conditions.

As stated in the Manual and communicated via the daily toolbox meeting, all workers and employees are made aware of their responsibility to promptly report of all accidents or incidents, as well as near miss cases to the line management. The line management shall report to the Site Safety and Health Committee within 24 hours. Once submissions have been made, the respective OSHE function will conduct a review and investigation and thereafter, implement the appropriate corrective action. In Y2021, a total of three OSHE related reports were submitted and resolved within the Group.

Throughout the year, there were no serious incidents reported, where the root cause investigations are required to be carried out by independent investigators.

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

The aim of incident management is to identify and implement remedial actions to prevent the incident from recurring. As workplace safety is a shared responsibility, Kelington's Safety and Health Committee at sites would communicate all lessons learned from recordable injuries and relevant corrective action shall be taken on-site via tool-box meetings.

In addition, all work-related incidents are formally reviewed at the quarterly SHC meeting and annual management review meeting. The agenda for the quarterly Safety and Health Committee meetings includes:-

• Development and review of systems to manage OSH risks.

• Any changes that affect workplace safety and health.

• Any other health and safety matters.

E) Safety and Health Awareness and Competencies

We believe that training plays a vital role in reducing the risk of a workplace accident. In addition to on-the-job training during daily toolbox meetings, regular safety training is provided to our workers enabling them to work safely. Additionally, we ensure our workers fully understand the company's health and safety policies, risk assessments, safety systems of work, the requirement for specific work-related training, as well as how the policies are to be managed and their role within these policies.

The total training hours clocked in FY2021 in all four regions we operate in are illustrated in the table below:

Safety, Health & Environmental Related Training			
Country	Total Training Hours	Total No. of Employee Trained	Training Hours / Employee
Malaysia	214	225	0.95
Singapore	2821	136	20.74
China	513	123	4.17
Taiwan	21	8	2.63

Topics covered in Y2021 included:

a) Working at Height Training

b) Forklift Safety Training

c) Fire Fighting Training

d) Portable Ladder Safety Training

e) Lifting and Rigger Training

f) COVID-19 Training

2.5 Occupational Safety and Health (Cont'd)

How Kelington manage occupational health and safety (Cont'd)

F) Safety Recognition Program

At Kelington, we strive to build a strong and positive safety culture through smart communication, extensive training and continuous improvement. We recognise that our employees are the most important asset in facilitating a safe working environment. Thus, we have developed a Safety Recognition Program to express our appreciation and reward employees with both tangible and intangible prizes as they meet specified safety targets.

Our Commitment to Global Health

"We seek to improve health equity worldwide through enhanced public health awareness of non-communicable and infectious diseases such as HIV/AIDS, malaria and tuberculosis."

Prevention is better than cure. We believe that community awareness is the best way to fight against infectious diseases such as malaria, tuberculosis and HIV/AIDS. To heighten our employees' awareness, we regularly publish posters and newsletters to disclose the latest information and preventive measures against these illnesses. In December 2021, the latest Global Health newsletter was shared among employees by email correspondence.

COVID-19 handling

In response to the COVID-19 pandemic, hygiene requirements were enhanced at all offices, including manufacturing facilities and fieldwork locations. All offices were provided with hand sanitisers at main entrances and other welfare areas.

We had embarked on split operations for our office-bound team and reduced on-site workforce to ensure a safe working environment. Effective social distancing pathways were implemented when employees gradually began to return to the office. Our cleaning teams were provided with effective cleaning supplies and suitable PPE and are required to adhere to strict safety protocols.

Since the start of the pandemic in 2020, we have established a COVID-19 committee led by the Group's COVID-19 Lead and Advisor. This is to make sure adequate support is provided to the management, while assessing the risk exposures of various operational activities. The committee is also accountable for developing SOPs in consultation with relevant authorities. For on-site operations, at least one COVID-19 coordinator is deployed to each project site to ensure full compliance with SOPs.

In order to closely manage and monitor workplace safety and health amid the pandemic, our COVID-19 committee has developed the OHSE-W14 Operating Guideline, which describes the process and procedures to be followed to safely resume work at all offices and project sites. The COVID-19 reporting procedure was established to support the internal contact tracing procedure for early identification and separation of suspected COVID-19 employees and close contact personnel. Apart from that, we have also leveraged our intranet along with notice boards to keep our workforce informed of the latest information about COVID-19.

2.5 Occupational Safety and Health (Cont'd)

Covid-19 Handling

As one of the proactive measures to curb the spread of COVID-19 among our employees, COVID-19 self-testing kits were distributed to employees. Prior to entering our office and project sites, all employees are required to conduct self-tests at least twice a month.

Thanks to our focused efforts, we are proud to state that we have received recognition from our valued customer, which is a testament to our project team's active participation in complying with COVID-19 SOPs.

Safety and Health Performance

We have reached a major safety milestone in our Group by achieving more than 20 million man-hours without lost time injury ("LTI") and work-related ill health injuries since 2010. In 2021, our group total recordable injury frequency rate ("TRIFR") stood at 1.1 per one million hours worked. Since 2010, we have successfully maintained our target of zero fatalities and zero lost workday case.

Figure 1 and 2 below show Kelington's work-related injuries and TRIFR for employees and non-employees. Despite our achievement of zero fatalities, zero LTI and zero work-related ill heath injury, there were one employee and two non-employee recordable work-related injuries reported for the Malaysian operations in FY2021.

Meanwhile, no work-related injury was reported in Singapore, China and Taiwan operations. The TRIFR is calculated based on the number of recordable work-related injuries divided by the number of hours worked and multiplied by 1 million hours worked.

All the data below is compiled and reported by regional offices on a monthly basis, covering all employees and contractors of Kelington. No workers have been excluded from this disclosure:

| Work-related injuries	All Employees			All workers who are not Employees		
	FY21	FY20	FY19	FY21	FY20	FY19
Number of fatalities[1] as a result of work-related injuries	0	0	0	0	0	0
Number of high-consequence work-related injuries	0	0	0	0	0	0
Number of recordable work-related injuries	1	0	0	2	1	1
Number of lost time[2] injuries	0	0	0	0	0	0
Number of hours worked	941,462	869,926	635,572	1,779,738	1,775,599	1,491,894

(1) An injury leading to immediate death or death within one year from the date of the accident.

(2) Lost days (consecutive or not), counted from and including the day following the day of accident, includes injury, diagnosis of occupational poisoning and occupational disease measured in calendar days, the employee was away from work.

(Figure 1)

Sustainability Statement
(cont'd)

2.5 Occupational Safety and Health (Cont'd)

Safety and Health Performance (Cont'd)

Total Recordable Injury Frequency Rate (TRIFR)
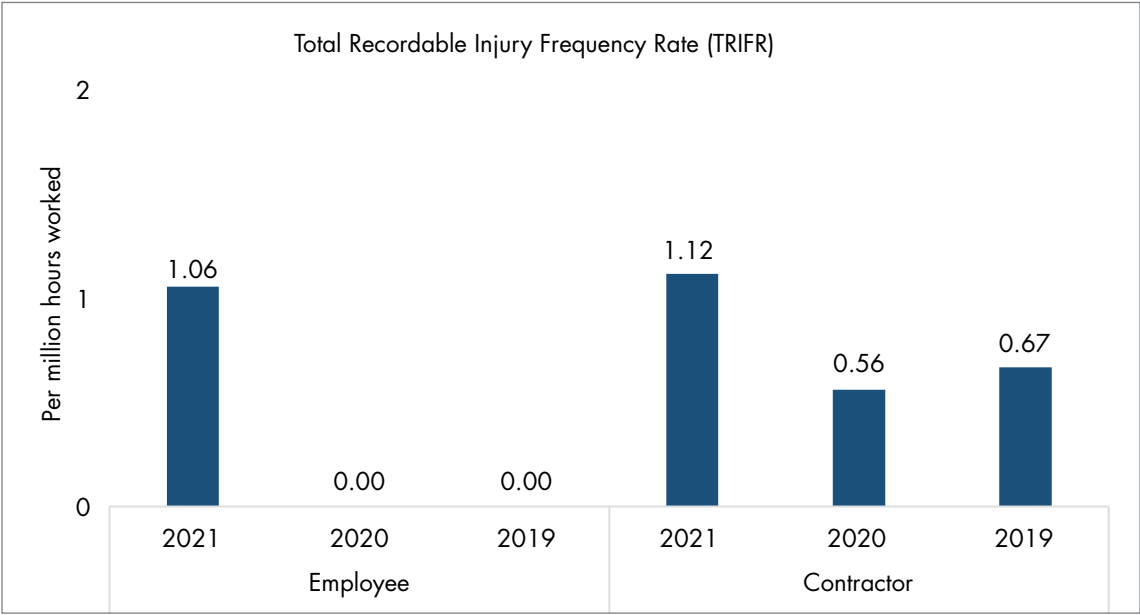
(Figure 2)

Figure 3 below shows the total man-hours without LTI clocked for the four regions where we operate in; while Figure 4 indicates the accumulated man-hours without LTI. The man-hour is calculated based on the total number of workers (employee and non-employee) working multiplied with the total number of hours worked:
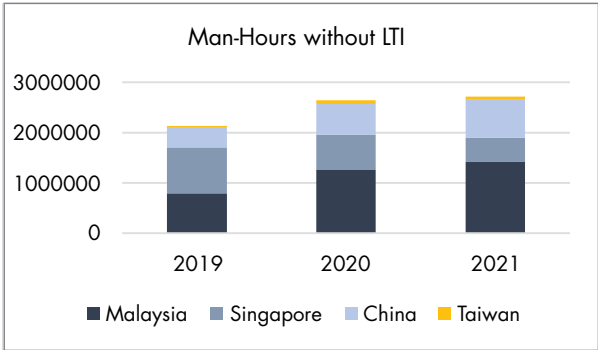
Man-Hours without LTI

(Figure 3)

Accummulated Zero LTI Man-Hours

(Figure 4)

| 2.6 | Topic | Social |
| | Topic Specific | Talent Management & Development |

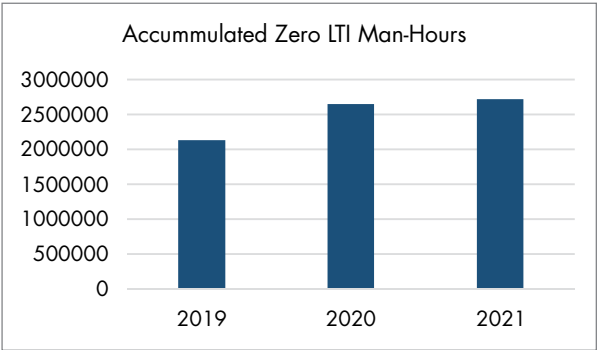| Base Year	Target	Progress
(FY2019)	(FY2024)	(FY2021)
Average of **10.36** training hours per employee	To achieve average **12** training hours per employee per year	Average of **14.25** training hours per employee
8.9% staff turnover rate	Maintain annual staff turnover rate **below 15%**	**13%** staff turnover rate

Kelington is only as strong as our collective talent. In this respect, we seek to maintain a conducive working environment that encourages growth and productivity. Employees who feel connected to the organisation work harder, stay longer, and motivate others to do the same. We believe engaged and well-trained employees create and deliver better products and services, and thus, contribute to the improvement of the Group's business performance and results.

Employee engagement is critical in driving every important aspect of our organization, including profitability, revenue, customer experience, employee turnover, and more. Our Group Human Resources ("HR") function takes ownership of employee engagement initiatives and holds teams accountable.

Moreover, employee training programmes are provided to support our employees' growth. These sessions are aimed at improving the knowledge and skills of our employees, as we endeavour to stay relevant to the dynamic changes in the industry. These initiatives will support the productivity growth of our workers, and in turn increase the efficiency and financial performance of the organisation.

Strategic Talent Management

Our success is reliant on our ability to attract, nurture and retain skilled individuals. In line with Kelington's consistent performance growth, continuous evaluation of our strategic talent management process enables Kelington to attract suitable candidates available in the market. Furthermore, it allows us to tap into the continuous inflow of talents to fill critical roles and advance our operations. This also ensures the mitigation of extra workload for employees, which could lead to exhaustion.

Kelington's Executive Management Committee is responsible of our strategic talent management process which focuses on:

a) identifying vacant positions via periodic review of current demand and future demands of critical skilled workers, highly specialised roles and key management positions;

b) hiring suitable candidates according to workforce planning via online job portals, employee referral channel etc;

c) developing knowledge and skills to match the vacant positions or for career advancement;

d) implementing strategic employee engagement activities;

e) continuing performance management; and

f) retaining and rewarding high performers.

Sustainability Statement
(cont'd)

**2.6 Talent Management & Development (Cont'd)**

Enabling Personal Growth & Recognition

More than 60 Online Learning & Training Sessions completed in FY2021

The Group's continued advancement is dependent on the upskilling and growth of our competent employees. At Kelington, our people are encouraged to enhance their skillsets for their professional development. Whenever possible, we prefer to promote internal talents to fill vacancies. All open positions are advertised in the job market and we enable internal mobility including international assignments.

Training is typically delivered through online, classroom, on-the-job or external assignments. Kelington's learning and development programs are developed on the pillars of leadership, functional skills and essential skills. Our training programs also cover other important matters, such as ethics and compliance, employee onboarding, environmental, as well as health and safety.

In FY2021, our Group's training expenses totalled at RM161,000.00 despite the lingering Covid-19 pandemic. All employees received at least one training in FY2021. In total, our employees completed more than 60 training sessions via online and offline channels. During the year, the Group clocked in a total of 7,009 hours training hours, translating to an average of 14.25 training hours for each employee.
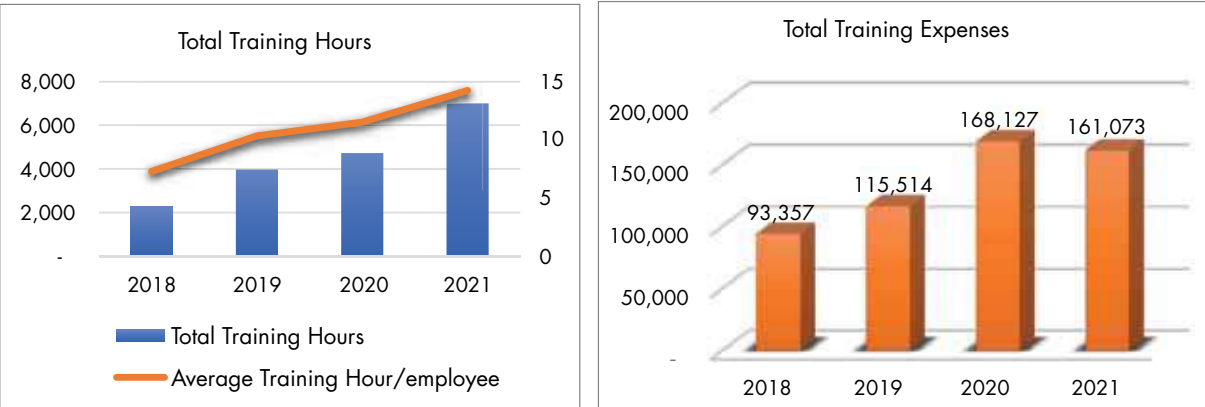
Recognition is a key part of our approach to retain talent. At Kelington, we have incorporated recognition into our culture, making peer-to-peer, team, manager, and leadership recognition a regular occurrence. Important milestones and personal achievements on and off-the-job are celebrated and appreciated on a frequent basis. These include reaching a goal, completing a project, learning a new skill, collaborating well with a teammate and hitting a quota, to name a few.
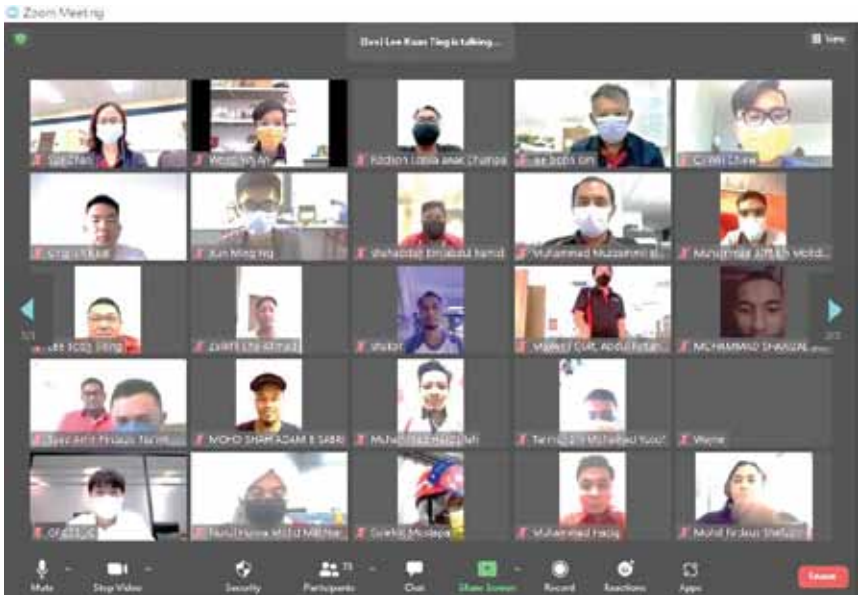
**2.6 Talent Management & Development (Cont'd)**

Employee Performance and Feedback

Remuneration packages are devised based on the performance of employees, which is measured against mutually agreed quantitative and qualitative objectives. A formal appraisal takes place annually between employees and managers to assess outcomes.

At Kelington, we value employees' feedback and encourage them to provide honest, candid, and actionable insights about what is and isn't working. Our managers serve as a sounding board for employees' feedback and suggestions. This two-way communication helps to develop trust within the workforce, boost work performance, and aid our managers in becoming better coaches for their subordinates.

Employee Productivity

With the implementation of our talent development programs, we strive to bolster our employees' efficiencies to create a high performing workplace. To measure employee productivity, we use the value-added per employee as a performance indicator. The data mainly serves for inter-firm evaluation and for comparison against a benchmark for the industry as a whole.
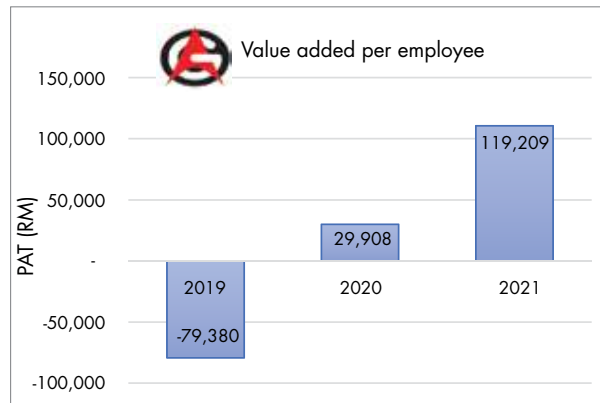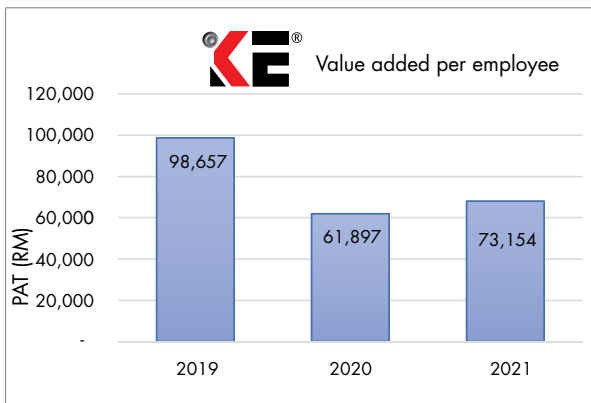
The continuous spread of Covid-19 in Y2021 had affected Kelington's overall operational efficiency and thus employee's productivity during the year. Despite the setbacks, the value added per employee for the Engineering division in Y2021 had rebounded to RM73,154 per employee. This is derived by dividing the Engineering business' PAT by its number of employees. As for the Industrial Gases division, management will consider the capital intensity ratio as a critical element.

Employee Loyalty
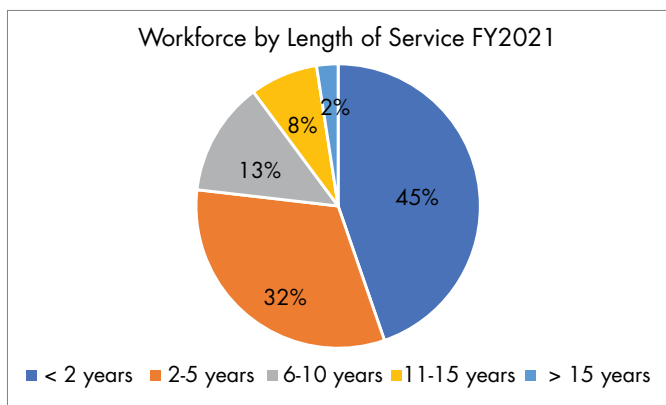
Sustainability Statement
(cont'd)

2.6 Talent Management & Development (Cont'd)

Employee Loyalty (Cont'd)

We are proud and honoured to be entrusted by our employees who have a true sense of loyalty and commitment to the Group. Their unwavering resilience and dedication have driven the Group to where it is at today. In this regard, they have been instrumental in propelling Kelington to navigate and prosper beyond setbacks, enabling us to grow from strength to strength from each of these challenges.

As at 31 December 2021, 45% of our employees have been with Kelington for more than 2 years while 10% of the workforce have been with the Company for more than 10 years. During the year, we honoured 3 employees with 10-year Long Service Award, 4 employees with 15-year Long Service Award and 2 employees with 20-year Long Service Award.

2.7	Topic	Social
	Topic Specific	Diverse and Inclusive Workplace

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
22% female representation in total workforce (Executive level & above)	**30%** female representation in total workforce (Executive level & above)	**25%** female representation in total workforce (Executive level & above)
10% female director on Board	**30%** female director on Board	**10%** female director on Board

Kelington holds tightly the belief that employees are our most valuable asset and the key to growing a sustainable business is via employee empowerment. Therefore, we continue to promote and espouse diversity, non-discrimination, fair treatment and equal opportunity among our people to create a healthy, secured and motivated workforce by cultivating an inclusive organisational culture.

As at 31 December 2021, Kelington has a total workforce of 492 employees across the 4 regions we operate, representing an increase of 19.7% as compared to Y2020. In terms of geographical breakdown, Malaysia contributed the biggest employee portion accounting for 45% of the total workforce. Permanent full-time employees make up 85% of the total workforce, while the remaining 15% are contracted full-time employees. Meanwhile, the permanent employee turnover rate for FY2021 sits at 13%.

In recent years, we have made progress towards gender equality in our total workforce. Out of the 68 executive employees in Kelington, 29% represent female employees. In FY2021, 1 out of 10 Directors on the Board is female. Overall, we achieved 25% female representation in the Executive categories and above.A workforce encompassing different age demographics creates an environment where each generation brings varying skills and talents to the table. In FY2021, 50% of our total workforce are in the age group of 26–35 year-old, while 21% are in the age group of 36-45 year-old. In this mixed-age workforce, employees of all ages have the equal opportunity to teach, share and learn from one another.

In FY2021, 79% of our total workforce was employed locally by Kelington Group of Companies.

2.7 Diverse and Inclusive Workplace (Cont'd)

The detail analysis of KGB's workforce is tabulated as below:

	No. of Employee		Percentage (%)	
	2020	2021	2021	
No. of Employee by Employment Type				
Permanent	358	417	⬆	85%
Contract	53	75	⬆	15%
Total	411	492	⬆	100%
Permanent employee turnover rate	32	56	⬆	13%
Employee Turnover Rate by Geography				
Malaysia	4	17	⬆	10%
Singapore	9	28	⬆	21%
China	19	10	⬇	9%
Taiwan	0	1	⬆	13%
No. of Employee by Gender				
Male	321	380	⬆	77%
Female	90	112	⬆	23%
No. of women employees by category				
Board of Directors	1	1	⬌	10%
Management	12	12	⬌	15%
Executive	36	68	⬆	29%
Non-Executive	42	32	⬇	18%
No. of Employees by Age Group				
< 18 years old	0	0	⬌	0%
18-25 years old	68	77	⬆	16%
26-35 years old	200	246	⬆	50%
36-45 years old	92	104	⬆	21%
46-55 years old	40	51	⬆	10%
> 56 years old	11	14	⬆	3%
No. of Employees in Length of Service				
< 2 years	171	220	⬆	45%
2-5 years	133	158	⬆	32%
6-10 years	61	64	⬆	13%
11-15 years	35	38	⬆	8%
> 16 years	11	12	⬆	2%
Local Employment Rate				
Local Employment	336	390	⬆	79%
Foreigners	75	102	⬆	21%

Sustainability Statement
(cont'd)

| 2.8 | Topic | Social |
| | Topic Specific | Respect Human Rights |

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
100% Compliance of local laws and regulations	**100%** Compliance of local laws and regulations	**100%** Compliance of local laws and regulations

Human rights are the fundamental rights and freedoms of every individual. These basic rights are based on the principles of dignity, fairness, respect and equality.

In recent years, human rights initiatives in the corporate sector have become increasingly important. We recognize the need for human rights initiatives not only within Kelington, but also across the entire supply chain. In FY2021, we formulated a Human Rights Policy to clarify our approach to human rights matters as the basis for initiatives in this area.

In accordance with our Human Rights Policy, Kelington will respect human rights in our activities as an organization. We also aim to promote respect for the human rights of all stakeholders connected to our activities in collaboration with our business partners. As such, we are committed to treating people with dignity and respect in our workplace, to provide equal opportunity to all and have zero tolerance on child & forced labour.

In FY2021, Kelington did not have any reported incident of human rights violation, with no fine pertaining to human rights violation from the local authorities of where we operate.

Human Rights Management

The Board of Kelington is responsible for overseeing the adherence to the Human Rights Policy, while the Management Systems Working Committee makes material decisions regarding the execution of the policy. The Human Rights Working Committee is in collaboration with the Sustainable Supply Chain Working Group to deliberate on detailed plans and measures for the policy's implementation.

In our daily dealings, we are guided by the core principles as expressed in the Universal Declaration for Human Rights and the United Nations Guiding Principles on Business and Human Rights. The Group's Respect Human Rights Framework includes three focus areas to implement our strategy in protecting human rights.

Policies	Kelington emphasises respect for human rights in our Code of Ethics and Conduct. Our Human Rights Policy, Gender Diversity Policy and Responsible Supply Chain Policy lay out clearly the approaches we adopt to respect and protect the human rights of our employees and stakeholders, covering areas from diversity and inclusion, child labour, forced labour, health, sexual harassment and community rights at the locations where we conduct our business activities. Our policies are reviewed regularly to ensure they remain effective at all times.
Audits	Our Human Rights Working Committee conduct assessments and audits at our operating sites, as well as our business activities to identify important and salient human rights impacts. Our Sustainable Supply Chain Working Group engages with our suppliers and subcontractors to create awareness on Kelington's expectations. We evaluate and prioritize the findings from the audits, understand their challenges in complying to our guiding principles and form action plans to manage the compliance risk.
Actions	When human rights impacts are identified, Human Rights Working Committee would draft out the relevant action plan for Executive Management's approval. Resources would then be allocated for remedial actions. The execution of remedial action plan shall be carried out by respective Business Units. Kelington's Executive Directors report to the Board/Risk Management Committee on ESG risks management, at least once a year.

2.8 Respect Human Rights (Cont'd)

Contact Points for the general public and other stakeholders

Kelington had established Grievance Procedures in FY2021 for employees and workers to raise their grievance in matters involving work relations and conditions directly via email / grievance procedure hotline / submission of letter to Kelington's Headquarter or the Group's subsidiaries. In addition, the Grievance Procedures can also be utilised as a mechanism for the member of the public to raise any concern or complaint in their dealing with or in relation to Kelington.

2.9	Topic	Social
	Topic Specific	Sustainable Sourcing

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
-	Communication of Kelington's Expectation to **100%** of selected Key Vendors	Communicated Kelington's Expectation to **2%** of selected Key Vendors
93% procurement in significant locations of operation was from local suppliers.	**90%** procurement in significant locations of operation was from local suppliers.	**93%** procurement in significant locations of operation was from local suppliers.

Due to our business nature, Kelington has a vast customer base across different geographies with a majority being multinational corporations that are committed to high standards for social, safety, health and environmental practices. We are expected to comply with those requirements and apply similar parameters to our next tiers of suppliers and subcontractors.

Kelington recognizes the importance of embedding sustainability into our operations and incorporating sustainability goals in our long-term strategy. We also require our external providers to adhere to the high standards to create a cascade of sustainable practices that flow smoothly throughout our supply chain. However, there are practical challenges to impose these practices to the external providers, especially to those smaller and less established companies.

Apart from that, we maintain tracking and monitoring on local procurement, and consider local sourcing as much as possible, directly benefiting the local economy of where we operate at.

Management Approach

Having operations spanning across four geographies, namely Malaysia, Singapore, China and Taiwan, Kelington engaged with over 1120 global and local external providers in our supply chain in FY2021. These include material suppliers, subcontractors, transporters and professional service providers.

In FY2021, we continued to emphasise on sustainable supply chain management. To this end, we have established a group-wide sustainable supply chain working group to create a series of vendor briefing materials in local languages to promote sustainability management covering ethics, labor, environment, safety and health.

Supplier Development

The working group was assigned to promote sustainability and communicate with our selected key external providers, both material suppliers and sub-contractors via formal and informal channels, to better understand:

a) level of our key vendors' understanding about sustainability and their ethical commitment;

b) any challenges they encounter when providing supply or services to our valued customers; and

c) any assistance needed from Kelington in their sustainability journey.

2.9 Sustainable Sourcing

Create awareness on Kelington's Expectation

Kelington's first set of vendor briefing materials in local languages was created in December 2021. Since March 2022, our SSC working group has arranged vendor briefing sessions on Kelington's expectations to promote the benefit of sustainability management. Our SSC working group is responsible for briefing the selected key vendors about Kelington's sustainability policies. Additionally, key vendors are encouraged to manage their performance through a sustainable development management program, with set KPIs and targets that refer to the local government rules & regulations as well as international standards.

According to the Sustainable Sourcing Plan approved by the Executive Management Committee in February 2022, we target to complete briefings on Kelington's expectations to all our key external providers by December 2024.

In order to monitor our key vendors' sustainability commitment and ensure the delivery of a mutually-beneficial solutions in a sustainable manner, our SSC working group will collect relevant data via the annual vendors' due diligence questionnaire after communicating Kelington's expectation.

Screening of selected key sub-contractors

In March 2022, we enhanced our external providers screening process by incorporating additional evaluation sections into our sub-contractor qualification process. The additional qualification criteria coincides with our Responsible Supply Chain Policy, Environmental Policy, and Safety and Health Policy.

Local Sourcing

We strive to support local vendors where feasible, as to attract additional investment into homegrown businesses and thus contribute to the growth the nation's economy. At the same time, local sourcing can be a strategy to maintain community relations. In our procurement process, Kelington constantly looks for opportunities to purchase materials and services from local suppliers, if available.
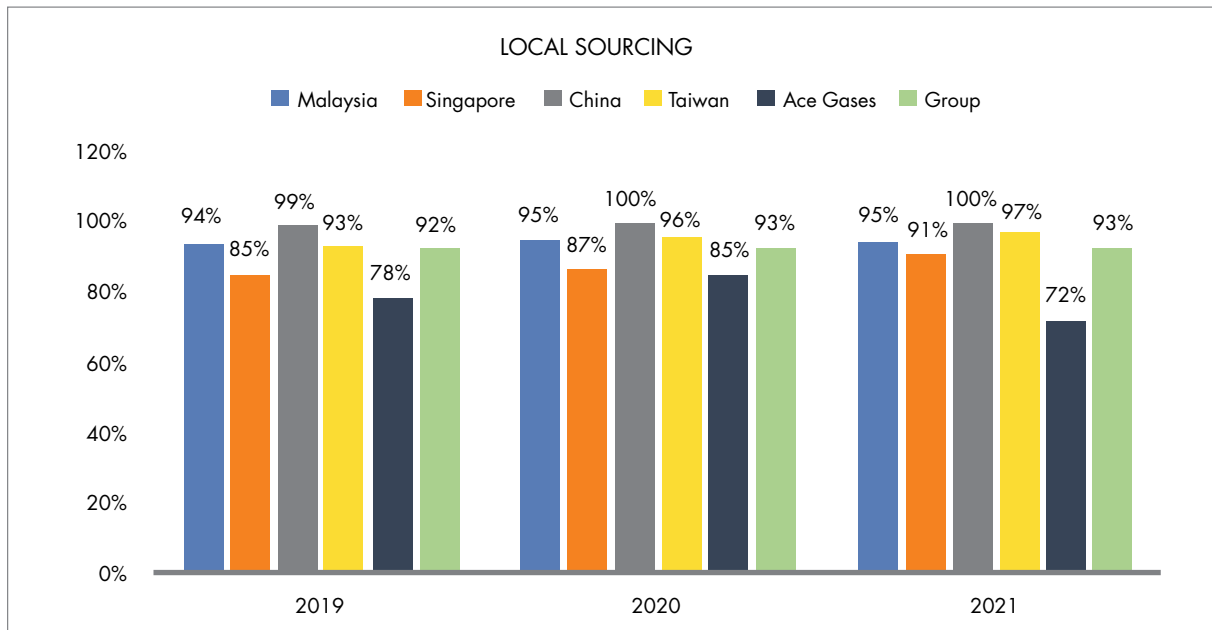
Guided by our core value to build partnership, we play a part in developing the smaller local companies by offering favourable supply conditions to them such as more favourable payment terms, technical assistance and guidance, to name a few.

2.9 Sustainable Sourcing (Cont'd)

Since our inception, we have endeavoured to foster the local economy of where we operate and have been cultivating good relationships with various parties in the respective markets. With our established innovation network, Kelington and our local partners are reaping the benefits from these long-term relationships.

In FY2021, we managed to source more than 90% of our total purchases groupwide from local external providers. Geographically, China had achieved the highest percentage at 100%, followed by Taiwan at 97%, Malaysia at 95% and Singapore at 91%. We will continue prioritising local external providers in terms of our purchases in the future.

LOCAL SOURCING

Legend: Malaysia, Singapore, China, Taiwan, Ace Gases, Group

Year	Malaysia	Singapore	China	Taiwan	Ace Gases	Group
2019	94%	85%	99%	93%	78%	92%
2020	95%	87%	100%	96%	85%	93%
2021	95%	91%	100%	97%	72%	93%

2.10	Topic	Social
	Topic Specific	Community Investment

Base Year	Target	Progress
(FY2020)	(FY2024)	(FY2021)
-	Expanding the reach of CSR initiatives guided by our Community Investment Policy. **> 90%** of operational locations engage in local community activities.	**50%**

As part of the Company's Corporate Commitment, Kelington supports local community growth and serve the needs of the community through various corporate social responsibility ("CSR") initiatives. We are committed to working with NGOs and the local communities in devising programmes that contribute both directly and indirectly to create a positive business environment whilst improving the quality of life among local communities.

On top of supporting local suppliers and hiring of local employees, Kelington also allocates corporate contributions for local communities, focusing on the underprivileged, education and environment. Due to the ongoing Covid-19 pandemic, a few of our planned programmes were put on hold. However, we continued to perform several core programmes involving education and providing financial assistance to underprivileged children.

Sustainability Statement
(cont'd)

2.10 Community Investment (Cont'd)

Project Sambung Sekolah

We believe adequate education is an important element in maximizing the potential of an individual. However, a major illness like cancer can lead to setbacks, affecting the family's financial status. Due to these financial constraints, the children of cancer patients have difficulties in continuing their education. In FY2021, we participated in Project Sambung Sekolah, initiated by the Haematology Department of Hospital Ampang in partnership with The Max Foundation and Max Family Society Malaysia. This project enables the children of cancer patients to continue their education while the patient (parent) continue undergoing the necessary treatment. Throughout this project, we supported 5 children from 2 families to remain in school.

Core Liver Baby Program

Despite the challenges brought upon by the pandemic, Kelington continued exploring ways to give back to local communities. During the year, Kelington Shanghai donated RMB50,000 to support "Core Liver Baby Program", initiated by China Soong Ching Ling Foundation. This project aims to provide financial support for underprivileged children who are diagnosed with the end-stage of liver disease to undergo liver transplantation in Renji Hospital. This provides them the opportunity to regain a healthy and happy second life, and grow up like other ordinary children.

2.10 Community Investment (Cont'd)

<u>Internship Placement</u>

Acknowledging the importance of practical and hands-on experience for undergraduates to gain knowledge and obtain valuable real-life experience related to field of study or career interest, Kelington provides paid internship placement mainly in related technical and engineering field. With this, undergraduates will obtain a greater understanding on the theories they have learnt and subsequently gain deeper insights on their career options.

The internship placement in Kelington from year 2018 – 2021 is tabulated as below:

	Malaysia	Singapore	China	Taiwan	Total
2018	2	1	4	0	7
2019	2	2	1	0	5
2020	2	0	3	0	5
2021	4	0	9	0	13
Total	10	3	17	0	30

<u>Covid-19 Care Incentive</u>

In FY2021, we contributed RM50,000 worth of Covid-19 care incentive for our staff to purchase Covid-19 protection & preventive products such as hand sanitiser, face mask, face shield, and hand soap, among others.

<u>Food Assistance Project</u>

Since the onset of the Covid-19 pandemic and the implementation of total lockdown in FY2021 in Malaysia, there have been families struggling with food security due to unemployment or loss of income. With this in mind, Kelington took on the food aid mission to deliver food assistance to the affected communities including staff and subcontractors. Each food box consists of necessity food items and other non-perishable food supplies.

Sustainability Statement
(cont'd)

Economic Performance

2.11	Topic	Responsible Business Practice
	Topic Specific	Governance and Ethics

Sound corporate governance is a material topic to Kelington and forms the basis for us to ensure long-term viability and business growth. Kelington is committed to deliver sustainable value to our stakeholders, guided by the Malaysian Code on Corporate Governance in ensuring the principles and best practices of good corporate governance are applied throughout the Group. The corporate governance framework and practices, as in the Corporate Governance Overview Statement on pages 91 to 112 of the Annual Report, demonstrate the robust board and management accountability to our stakeholders.

Business Ethics and Policies

In adherence to the principles of sound corporate governance, the Board endeavours to promote a culture of integrity and ethical values. Kelington has put in place its set of Code of Ethics and Conduct, which includes the Whistleblowing Policy and No Gift Policy. The Code of Ethics and Conduct is applicable to all directors and employees within the Group as well as third parties performing works or services for and on behalf of the Company. It governs the desired standard of behaviour and ethical conduct expected from each individual to whom the Code of Ethics and Conduct applies. Apart from that, Kelington has enforced a number of Company codes and policies that establish the rules of conduct within the organisation; representing the main points of reference for all who work for and with us. These codes and policies can be found on the Company's website.

Board Policy	Corporate Code and Policies	Sustainability Policies
• Board Diversity Policy • Remuneration Policy	• Risk Management Policy • Anti-Bribery and Corruption Policy • Code of Ethics and Conduct for Employees and Third Parties • Corporate Disclosure Policy • Whistleblowing Policy • External Auditors Policy • Conflict of Interest Policy	• Sustainable Development Position Statement • Environmental Policy • Community Investment Policy • Diversity and Inclusion Policy • Human Rights Policy • Responsible Supply Chain Policy • Safety and Health Policy • Quality Policy • Drug Free Environment Policy • Sexual Harassment Policy

Risk Management: our approach to a better business

Kelington integrates material sustainability topics into our overall Risk Management framework by identifying specific risks, opportunities, and key priorities to drive our strategic decisions.

Sustainability risks are considered from three perspectives: review of risks from external sources, such as environmental trends, expectations from stakeholders, and legal and regulatory developments; review of potential impact on the environment; and review of new and emerging risks from external sources as well as within the organisation.

Examples of ESG-related risks considered in our risk profile include workplace injuries, waste & hazardous material disposal, collusion frauds and supply disruption, among others. Read more about the risk management process in our Annual Report on page 116.

Violations of any codes and policies can be reported through any of these mechanisms:

Application	Mechanisms
▪ Employee to raise their grievance in matters involving work relations and conditions.	Grievance Procedures email: grievance@kelington-group.com
▪ Member of the Public to raise any concern or complaint in their dealing with or in relation to Kelington Group.	Grievance Procedures Hotline: +603 7845 8751
▪ Stakeholder / Public to report wrongdoings by any employees in the conduct of Kelington's business or affairs.	Whistleblowing Email: ccid@kelington-group.com

2.12	Topic	Responsible Business Practice
	Topic Specific	Economic Growth and Profitability

Our Journey Towards Sustainability for a Greener Growth		Revenue (RM'000)
2012	The global wafer and semiconductor industries cut back on capital expenditure in view of the weaker consumer sentiment globally. We realised our revenue was heavily reliant on semiconductor industry.	116,168
2013	The high technology industry in which we served was subject to cyclical fluctuations. We adapted to the change and successfully captured new opportunities across the market. We embarked on our sustainability commitment and published our 1st Sustainability Statement which was incorporated in our 2012 Annual Report.	117,416
2014	Leveraging on our core skill in engineering, we expanded to healthcare and process engineering industries.	189,102
2015	Gained traction in Singapore and continued expanding our presence in the market.	206,356
2016	We continued to remain true to our core expertise in engineering and have accumulated a strong portfolio of civil, mechanical and electrical projects. We commenced new business activity involving supply of industrial gases.	343,344
2017	Succesfully clinched several contracts for UHP works from global semiconductor giants in China, adding significant credence to our global customer profile with high-tech clients in China.	313,333
2018	Along with our delivered continuous improvement in the operational performance as well as constant growth in orderbook, our market capitalisation has doubled in Y2017 with increasing interest in the Group's shares amongst institutional investors.	350,023
2019	Slow down of semiconductor industries were largely affected by the trade war between the largest chip producers, US and its largest chip consumer, China. Key development of the year was the opening of an in-house fabrication facility in China and commencement of operation of our new Carbon Dioxide Recovery Plant.	379,768
	Identified the top 4 most material sustainable matters which are risk management; workers' safety & health; business growth; and quality products and services. Discussed sustainability topics on managing our business; our people; focus of customers; and environmetal care and protection.	
2020	The prospects of strong and promising global growth were muted by the rapid spread of Covid-19 pandemic that has severely impacted several key industries around the world. On the other hand, the demand for integrated circuits continued to be at an all-time high due to global chip shortages. Notwithstanding, Kelington continued to thrive with record-breaking revenue.	394,599
	We initiated quarterly environmental monitoring process to monitor water quality, air quality and noise to minimise pollution risk for our manufacturing activities at Kerteh. Our operations in Singapore obtained Singapore Green and Gracious Builder ("SMC") certification. Kelington Group was added into the FTSE Bursa Malaysia EMAS Index.	
2021	2021 has been eventful for us at Kelington as we maneuvered through the fluid operating conditions due to the heightening Covid-19 cases around the globe. Notwithstanding, the Group remained steadfast and focused on fulfilling the surging orders from our customers, which bolstered our financial performance for financial year ended 31 December 2021 ("FY2021") to a historic high.	517,825
	We established Sustainability Policies and Guidelines, groupwide sustainability governance framework; and a base line for sustainability management.	
	During the latest review period of December 2021, Kelington met FTSE4GOOD criteria and was added into:	
	✓ FTSE4Good Bursa Malaysia Index	
	✓ FTSE4Good Bursa Malaysia Shariah Index	

Sustainability Statement
(cont'd)

2.12 Economic Growth and Profitability (Cont'd)

Kelington's business success is based upon the long-term value creation for our stakeholders. This is achieved by maintaining leadership in our core markets, by leveraging innovative technologies, engaging our employees' expertise to meet consumers' evolving demands, and entering new markets. Our economic performance provides us with a firm foundation to continue delivering excellence to our customers. Our business model is explained in detail on page 34 of this Report.

Kelington's economic performance depends upon six capitals – Financial, Manufactured, Intellectual, Human, Social and Natural. Our sustainability initiatives support Kelington's abilities to create financial value.

Our full economic performance can be found in our audited financial statements, as part of our FY2021 Annual Report:

Group Financial Highlights, pages 7 to 8

Group Financial Statements, pages 130 to 249

| 2.13 | Topic | Responsible Business Practice |
| | Topic Specific | High Quality Products and Services |

Base Year	Target	Progress
(FY2019)	(FY2024)	(FY2021)
Engineering Division: **86%**	To achieve average customer satisfaction rate of **90%**	Engineering Division: **93.5%**
Industrial Gases Division: **100%**		Industrial Gases Division: **85%**

Kelington serves a wide range of customers from various industries with different requirements but they have one thing in common: they require high quality products and services from us. We are expected to be meticulous and careful in the work that we perform from UHP systems, construction management to industrial gases supply. Each project we undertake must comply with the pre-defined objectives of our clients and we have tight control over project costs, delivery time, accurate specifications and prioritizing safety. Some of our gases products from our Ace Gases group goes to the Food & Beverage industry, which requires us to maintain the highest quality to guarantee food safety to the public. Our working philosophy of "Safety First, Quality Always" underlines the superior working standards we place through implemented policies and is reflected in our zero lost time records.
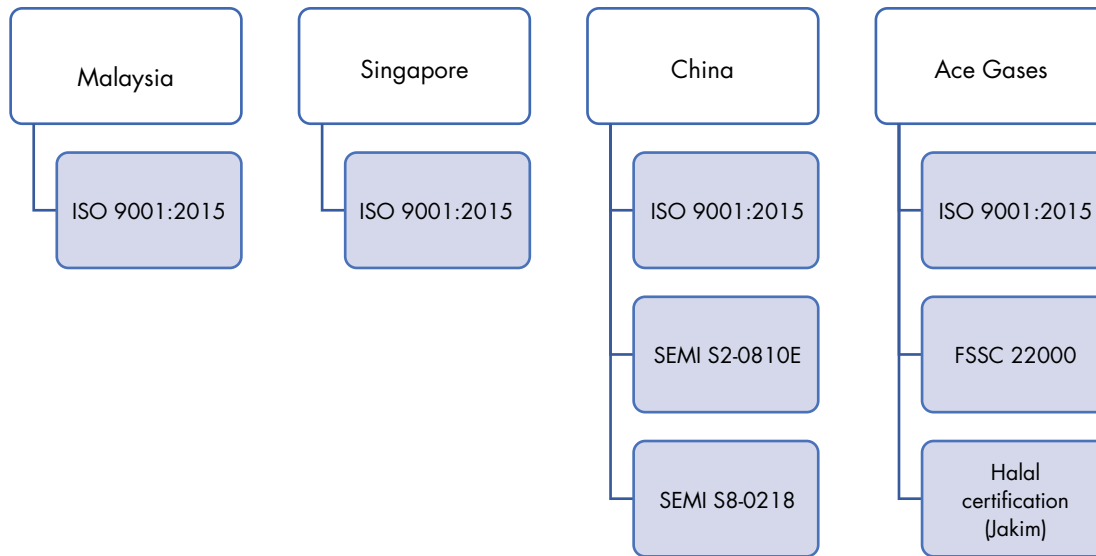
Management Approach

To maintain high quality standards throughout our operations, the Group adopts the approach of conducting our business activities based on international quality and food safety standards. Our Engineering business, which undertakes project management and construction activities, is certified with ISO 9001 quality system. Meanwhile, our gas manufacturing business which supplies products to Food & Beverage industry is certified with ISO 9001, FSSC 22000 and Halal certification. We monitor and record our product quality via supplicated analyzers on a regular basis. SOPs are established based on the guidelines set by the above quality certification system and track the feedback from the customers in the form of Non-Conformity Reports ("NCR") and Corrective Actions Request ("CAR") to monitor our performance in ensuring the production of high-quality products and services.

2.13 High Quality Products and Services (Cont'd)

Below is the certification summary for different geographies and business units:

Malaysia	Singapore	China	Ace Gases
ISO 9001:2015	ISO 9001:2015	ISO 9001:2015	ISO 9001:2015
		SEMI S2-0810E	FSSC 22000
		SEMI S8-0218	Halal certification (Jakim)

Note: Our Taiwan branch is in the process of getting ISO 9001 certification expected completion in 2022.

Ensuring Customer Satisfaction

The satisfaction of our customers is paramount to the continuity of our business. Customer satisfaction determines our ability to secure new and repeated business as well as fortify our ongoing relationships to achieve economic success. With this in mind, we strive to fulfil our customer needs and exceed their expectations. The annual customer survey is designed to measure the critical factors that influence customers in their choice of a business partner or long-term supplier. Kelington's annual customer survey measure a number of performance benchmark skills including:

(1) Timeliness & Reliability of Product / Services Delivery

(2) Quality of Product & Services

(3) Responsive to Customer Needs

(4) Communication with Customer

(5) Safety & Environment Compliance

Customer Satisfaction Survey ("CSS")

	2019		2020		2021	
	No. of CSS conducted	Average Rating (overall performance)	No. of CSS conducted	Average Rating (overall performance)	No. of CSS conducted	Average Rating (overall performance)
Engineering Division	17	86%	12	90%	33	93.5%
Industrial Gases Division	3	100%	5	100%	16	85%

Sustainability Statement
(cont'd)

2.14	Topic	Responsible Business Practice
	Topic Specific	Technology and Operational Innovation

Since 2000, Kelington has been engineering and installing highly specialised Ultra High Purity ("UHP") systems for semi-conductor and biotechnology manufacturing industries, including for wafer fabrication, LCD TFT, Biotechnology, Pharmaceutical, Solar Cell, and Industrial Gases companies amongst others. Throughout the production line in various parts of the manufacturing facility, chip-making requires gas and chemicals which are as pure as the source of supply.
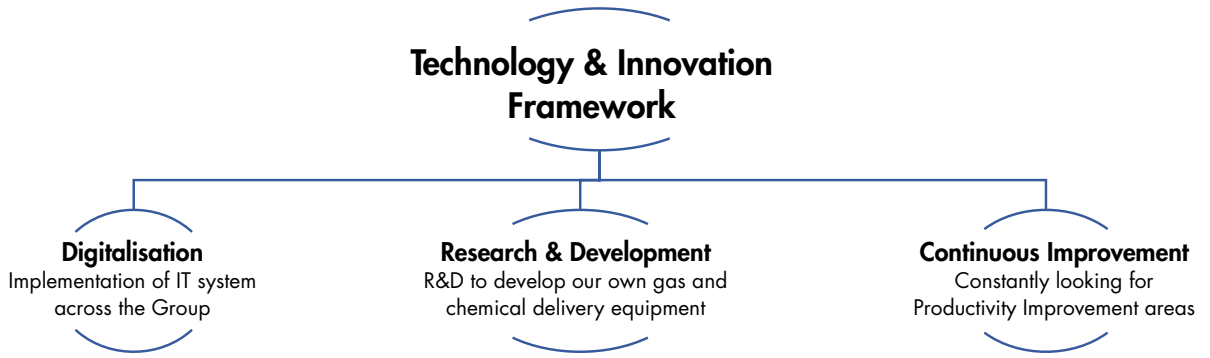
We are constantly striving to raise our capacity for knowledge, creativity and innovation, and fulfil the high expectations in the value chain of various semi-conductor and biotechnology industries. In this aspect, Kelington prides ourselves as more than just an engineering company, as we bring together specialised engineering skills and in-depth knowledge of gas and chemicals.

Operating in a dynamic industry with endless possibilities and constantly evolving cutting-edge technology, Kelington's commitment to safety and quality has been proven and is well-recognised by our clients worldwide.

It is our belief that long-term competitive advantages and value creation can only be achieved via technology investment and operational innovation. As such, we constantly review and evaluate our operations to look for areas where we can improve with the latest technology available. Through innovations, we also find ways to improve our operational efficiency, reduce costs as well as minimize our environmental impacts. Over the years, we had cultivated a Technology and Innovation mindset among our employees and embed it as part of our DNA to achieve excellence.

Management Approach

Kelington adopts a Technology and Innovation framework to prioritize our efforts and drive innovative initiatives to our focus areas. This framework focuses on three key areas which are demonstrated as below:

Technology & Innovation Framework

Digitalisation	**Research & Development**	**Continuous Improvement**
Implementation of IT system across the Group	R&D to develop our own gas and chemical delivery equipment	Constantly looking for Productivity Improvement areas

Digitalisation

With the advancement of Information Technology ("IT") in recent years, it is no longer a choice for companies not to embrace digitalisation. Digitalisation is not merely a buzz word for us, but an overall driver of organisational transformation that impacts every part of the business. Successful adoption therefore requires the involvement of the entire workforce. Kelington advocates that the smart application of business digitalisation will lead to significant increase in business productivity and cost reduction, thus resulting in enhanced business performance. With this concept in mind, Kelington endeavours to look for ways to digitalise our operations and processes, from corporate activities right down to the project and manufacturing activities.

In FY2021, our operations in Malaysia commenced the migration to Enterprise Resource Planning ("ERP") system and completed the implementation and fine-tuning of the system, as well. Through the new ERP system, our management is able to obtain reports generated based on real-time data, leading to faster sharing of information and decision-making across the organization.

2.14 Technology and Operational Innovation (Cont'd)

Research and Development

KGB's Engineering business, especially the UHP division which operates in a high-tech environment sees constant advancement in new technology. To stay competitive in the market, we endeavour to roll out new products designs to offer to customers. In this respect, we had set up a Research and Development ("R&D") center in China to focus on developing new UHP equipment to support our other subsidiaries in bidding for new UHP contracts. The R&D center, which is located at Chuzhou, China had so far submitted two applications for patents of our new innovations of high-low temperature-controlled exchanger and specialty gas cabinet together with its exhaust system.

In FY2021, we had spent a total amount of RM4.1 million for R&D and this marks the fourth consecutive year we invest in R&D since we set up our Chuzhou center. The R&D activities have so far yielded encouraging results where our newly developed Gas Cabinet designs had managed to obtain the SEMI S2 and SEMI S8 certification and accepted as qualified vendors by major Wafer Fabs customers.

Research & Development Spending
R&D amount spent (RM'mil)
2018: 2.8 | 2019: 3.3 | 2020: 5.3 | 2021: 4.1
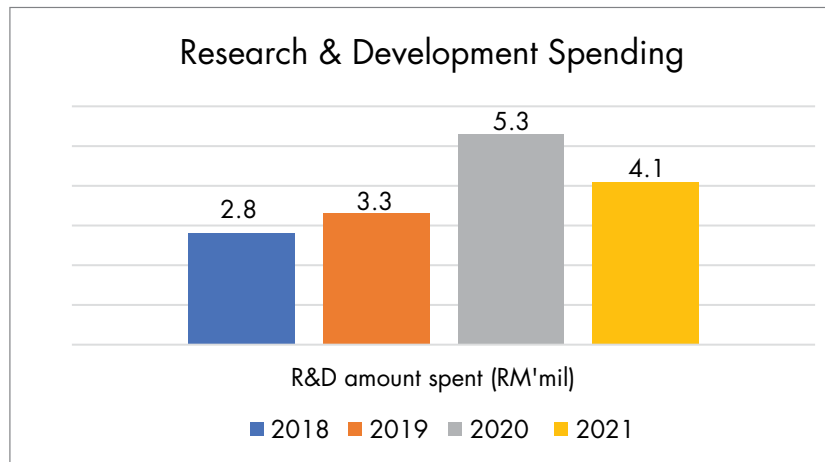
Continuous Improvement

Kelington promotes continuous improvement in our day-to-day activities in relation to productivity, safety, quality, logistics, environment and ethics. We conduct training sessions for our employees to cultivate the mindset of seeking constant growth and embed such practices as part of our corporate culture. Our operational data is regularly reviewed to evaluate our performance against design data and conduct brainstorming sessions to explore ideas on enhancing the performance of different parts of the business. Continuous Improvement is listed as one of our Core Values alongside with Encouraging Innovation, Build Partnership and Work Safely & Sustainabl