

# SUSTAINABILITY STATEMENT

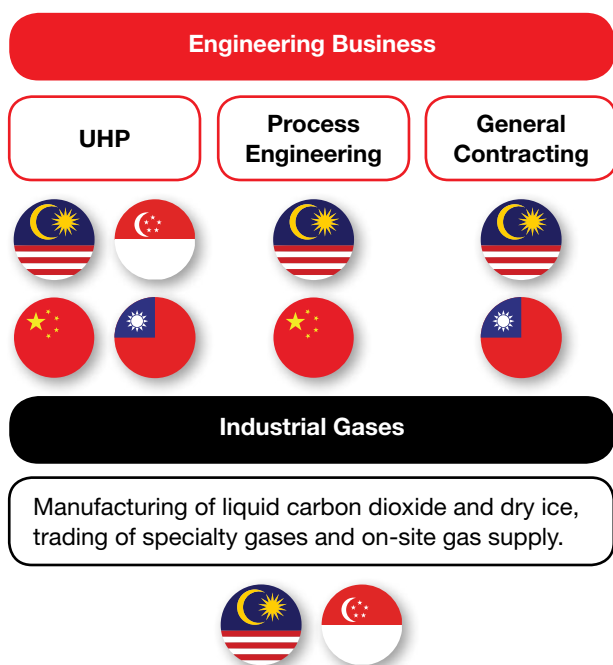
## WHAT SUSTAINABILITY MEANS TO US

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 PERIOD AND SCOPE

This Sustainability Report covers the non-financial performance of the Group’s operating units during the period from 1 January 2022 to 31 December 2022:



## REPORTING FRAMEWORK

The disclosure of our sustainability performance is guided by the following Malaysia and global reporting frameworks and benchmarks:-

### Principal Guidelines

- Bursa Malaysia Sustainability Reporting Guidelines 3rd Edition
- Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations

### Supplementary Guidelines

- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiative (“GRI”) Standards

### Commitment

- Sustainability Development Goals (“SDGs”)
- United Nations Global Compact (“UNGC”) Principles

## ACCESSIBILITY & FEEDBACK

This report, which is available in HTML & PDF format is available at our corporate website at <https://kelington-group.com/sustainability-2/>

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 the Sustainability Working Group at [ccid@kelington-group.com](mailto:ccid@kelington-group.com)

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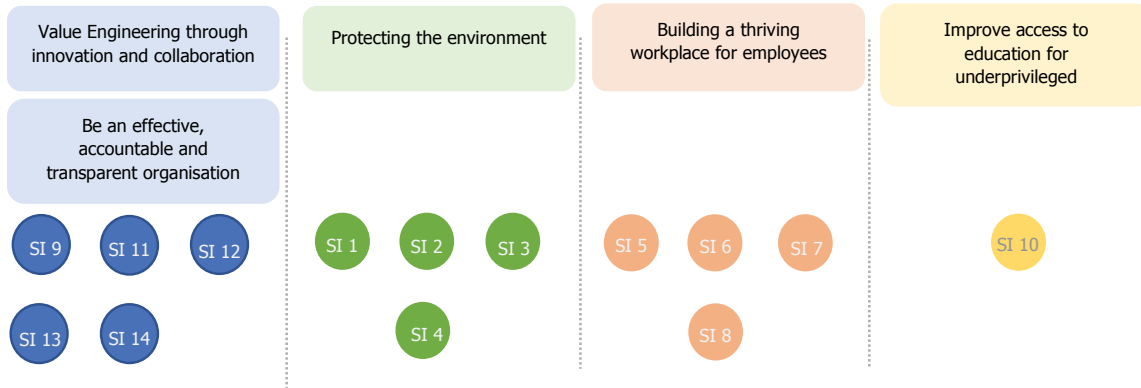
## 1.0 SUSTAINABILITY FRAMEWORK



### Our Commitment

Strive to contribute and become part of the solution as we build a sustainable society for future generations.

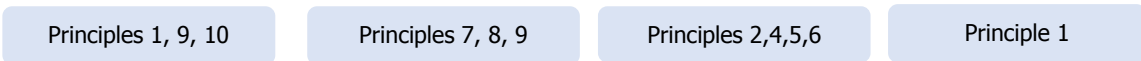
### Value We Created



### Supporting Sustainable Development Goals



### Alignment with United Nations Global Compact



#### The 10 Principles of UNGC

##### Human Rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and  
**Principle 2:** make sure that they are not complicit in human rights abuses.

##### Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;  
**Principle 8:** undertake initiatives to promote greater environmental responsibility; and  
**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

##### Labour

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;  
**Principle 4:** the elimination of all forms of forced and compulsory labour;  
**Principle 5:** the effective abolition of child labour; and  
**Principle 6:** the elimination of discrimination in respect of employment and occupation.

##### Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

### We Manage Sustainability Issues

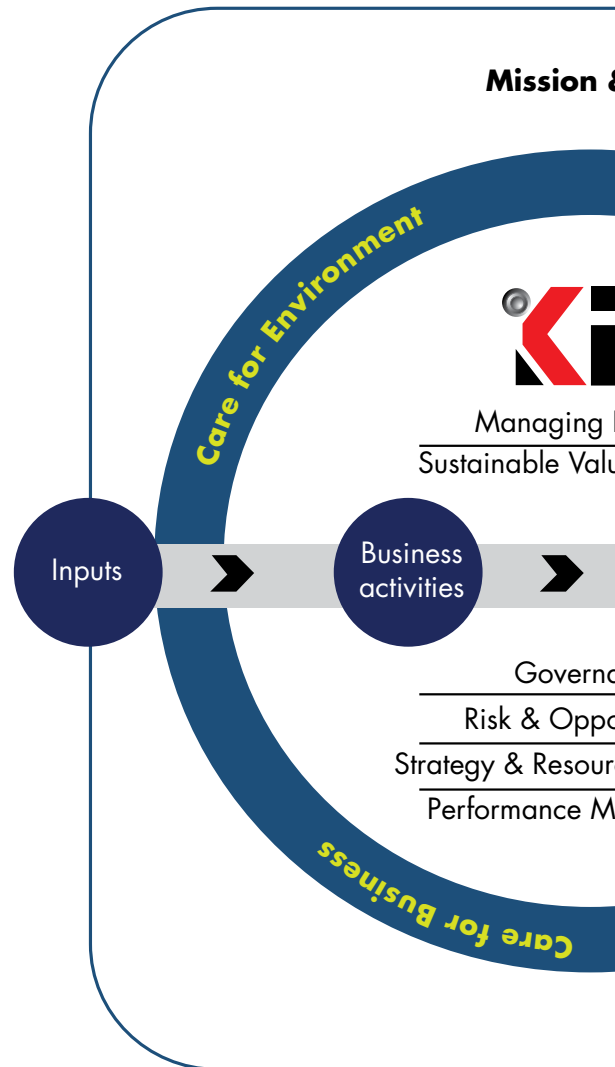
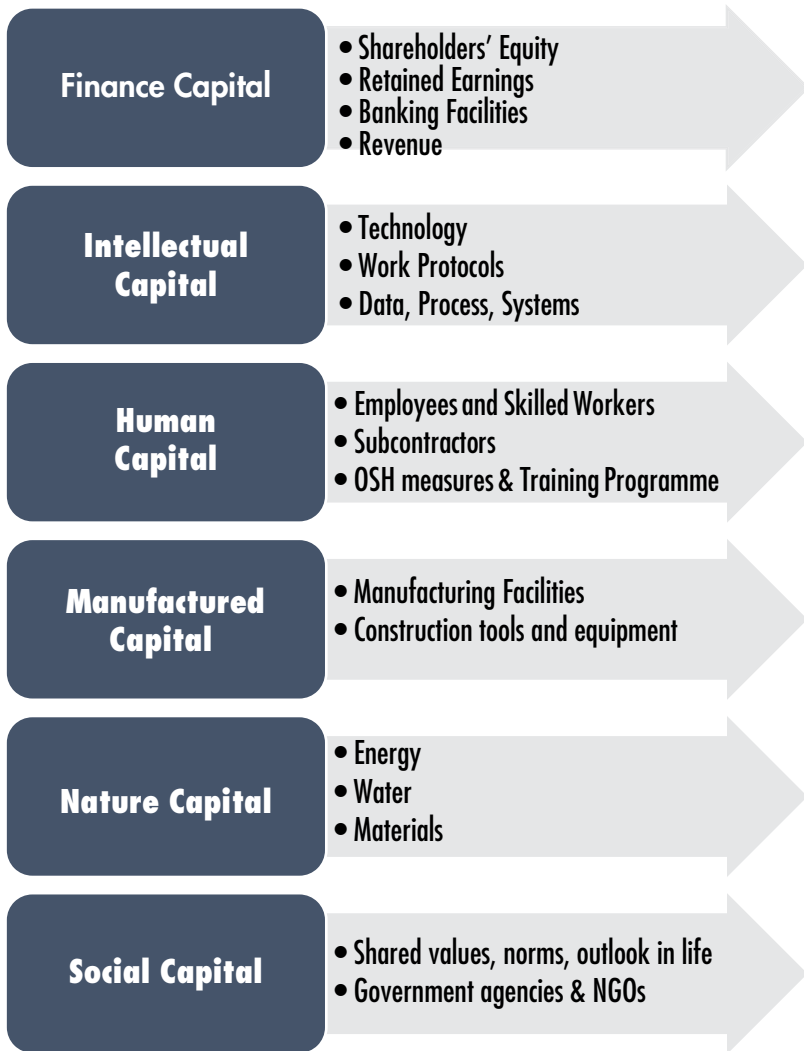
- |                                       |  |
|---------------------------------------|--|
| SI 1: Preventing Climate Change       | SI 8: Respect Human Rights                 |
| SI 2: Pollution and Waste Management  | SI 9: Sustainable Supply Chain             |
| SI 3: Resources Management            | SI 10: Community Investment                |
| SI 4: Support Biodiversity            | SI 11: Governance & Ethics                 |
| SI 5: Occupational Safety & Health    | SI 12: Economic Growth & Profitability     |
| SI 6: Talent Management & Development | SI 13: Quality Products & Services         |
| SI 7: Diverse and Inclusive Workplace | SI 14: Technology & Operational Innovation |

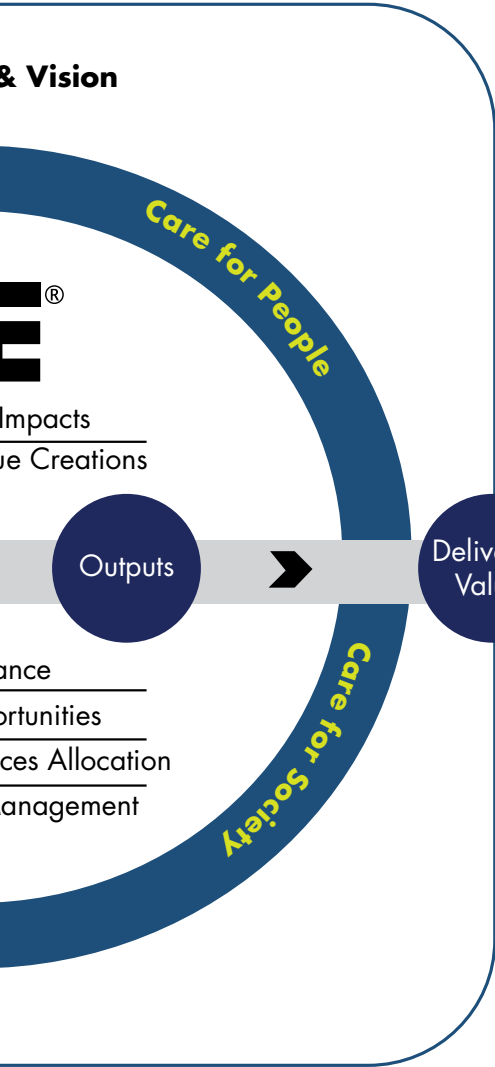
#### RECOGNITIONS



FTSE4Good  
Inclusion in FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Shariah Index since December 2021.

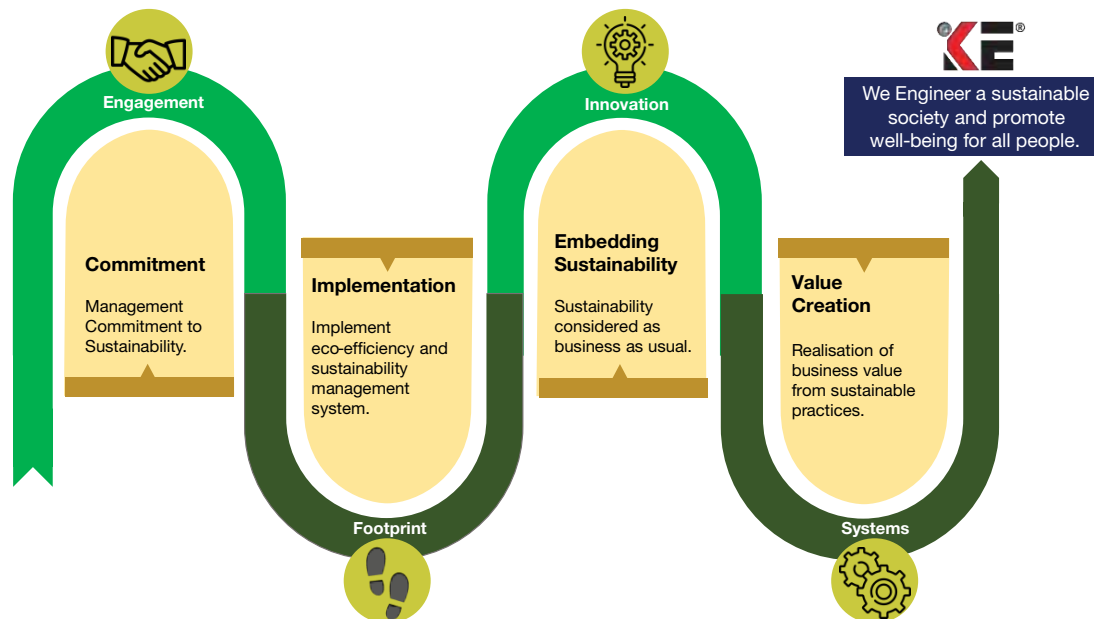
## SUSTAINABILITY STATEMENT





## SUSTAINABILITY STATEMENT

### 2.0 OUR APPROACH TO SUSTAINABILITY



### 2.1 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.

### 2.2 THE ELEMENTS OF KELINGTON'S SUSTAINABILITY MANAGEMENT SYSTEM

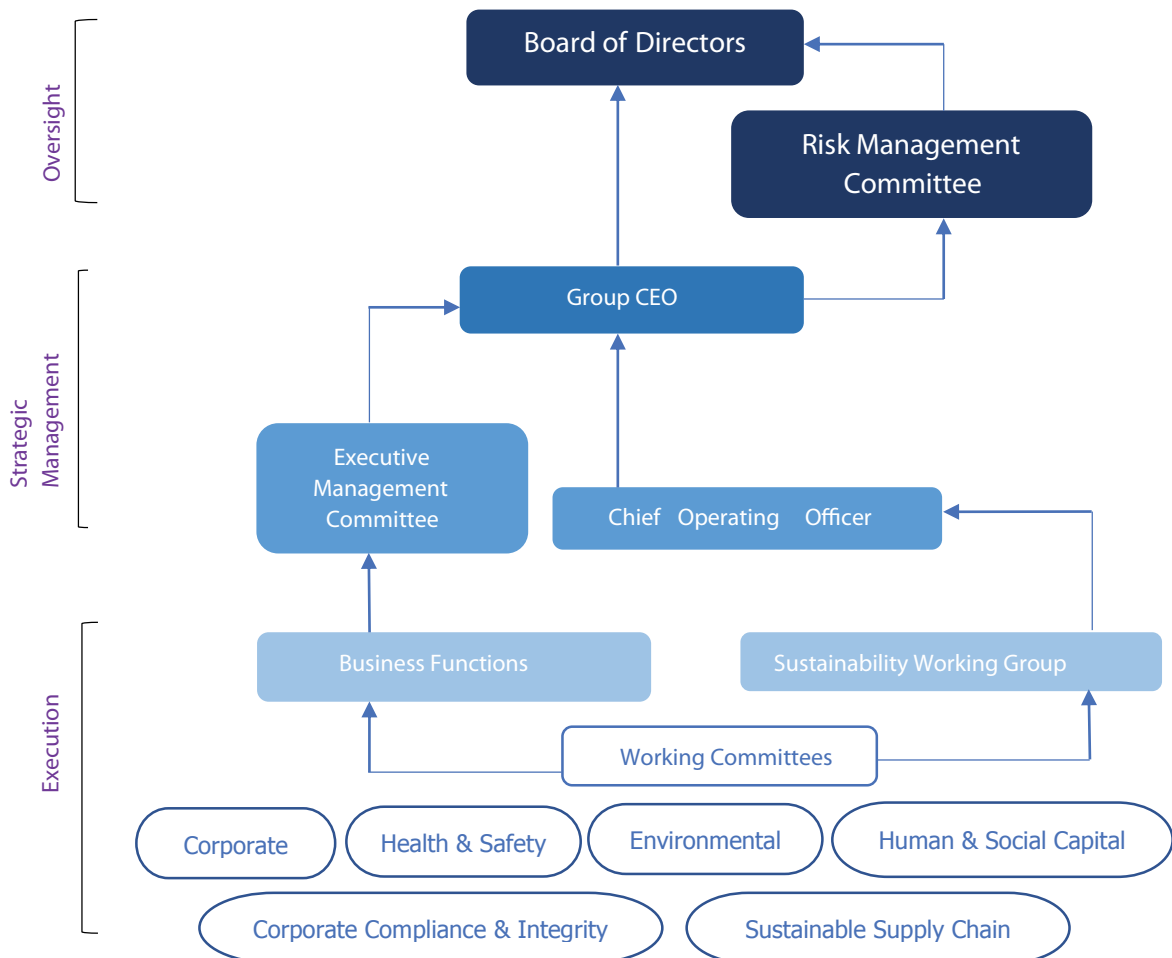
Area	Elements of Sustainability Management	Reference
Policies & Rules	<ul style="list-style-type: none"> <li>Policy</li> <li>Code of Conduct</li> </ul>	Website
Organisational Structure	<ul style="list-style-type: none"> <li>Board of director responsibilities</li> <li>Senior Management responsibilities</li> <li>Sustainability Working Group</li> <li>Other working committees</li> </ul>	Pages 35-36 , 97-98, 114-116,123
Processes	<ul style="list-style-type: none"> <li>Integration in business processes</li> <li>System to ensure compliance</li> </ul>	Pages 32, 36,50-51,137
Continuous Improvements	<ul style="list-style-type: none"> <li>Goals and measures for progress tracking</li> <li>Monitoring indicators and performance evaluation</li> <li>Management of ESG risks</li> <li>Grievance mechanisms</li> <li>Training</li> </ul>	Pages 43-48, 58-59, 75-76, 79
Communication	<ul style="list-style-type: none"> <li>Leadership &amp; Commitment</li> <li>Stakeholders dialogue</li> <li>Sustainability Reporting</li> <li>Internal Communication</li> <li>Stakeholder engagement</li> </ul>	Pages 37-39, 53, 79

# SUSTAINABILITY STATEMENT

## 2.2 THE ELEMENTS OF KELINGTON'S SUSTAINABILITY MANAGEMENT SYSTEM (CONT'D)

Area	Elements of Sustainability Management	Reference
Preparatory tasks	<ul style="list-style-type: none"> <li>Understanding the organisation and its context</li> <li>Understanding the needs of interested parties</li> <li>Determining the relevant aspects</li> <li>Determining the scope of management systems</li> </ul>	Page 41

## 2.3 SUSTAINABILITY GOVERNANCE STRUCTURE



### 2.3.1 Oversight

Sustainability strategies and performance are governed by the Group's Board of Directors ("BOD") and supported by the Risk Management Committee ("RMC") to ensure we achieve profitability and sustainable returns whilst ensuring the Group's ESG targets are reached in the long term. The Board has entrusted the 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.

## SUSTAINABILITY STATEMENT

### 2.3.2 Strategic Management

The Group CEO is supported by the Executive Management Committee (“EMC”) and the Chief Operating Officer (“COO”).

The EMC oversee sustainability risk and opportunities and reviews the Group’s sustainability roadmap and ensure best practices are upheld across the Group.

The COO drive integration of sustainability strategy into the Group’s business plans and ensure implementation of appropriate policies, procedures and controls. The COO is responsible for approving major sustainability initiatives.

### 2.3.3 Execution

The Sustainability Working Group (“SWG”) identifies key improvement areas of ESG, oversees the execution of improvements, and advises the Board on the matters related to enabling Kelington to operate sustainably for the benefit of current and future generations as well as effectively managing sustainability risks. The SWG is also tasked with developing the Sustainability Statement and reporting directly to the COO on a quarterly basis.

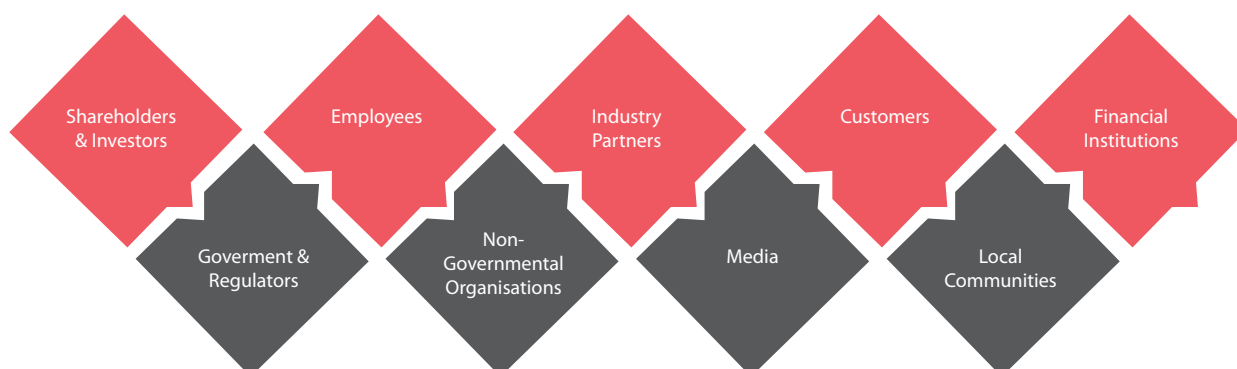
On the other hand, all head business functions shall support strategy implementation, ensure processes and controls are in place within its department and report management targets on a timely basis.

## 2.4 COMPLIANCE FRAMEWORK

The Group’s Corporate Compliance and Integrity Department (“CCID”) leads compliance-related initiatives under the direction and supervision of the Group COO, in collaboration with the SWG and Working Committee 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

## 2.5 ENGAGING OUR STAKEHOLDERS

Kelington regularly engages with its stakeholders in soliciting a wide range of inputs, perspectives and other types of feedback towards guiding its sustainability journey. Key stakeholders were identified by mapping their level of influence on and level of interest in the Company to ensure that the Group is inclusive in its approach and remains on track towards ensuring value creation for both the Group and its stakeholders.



## SUSTAINABILITY STATEMENT

The table below illustrates our method of engagement with each stakeholder groups, their expectations and the manner in which we address their expectations.

Stakeholder Group	Expectations Raised	Material Issues	Engagement Channels	How we respond
<b>Shareholders / Investors</b>	<ul style="list-style-type: none"> <li>Economic and financial performance.</li> <li>Dividend and growth prospect.</li> <li>Sustainability Performance.</li> <li>Timely and transparent disclosure.</li> </ul>	<p>SI 11</p> <p>SI 12</p>	<ul style="list-style-type: none"> <li>General Meetings.</li> <li>Annual Report.</li> <li>Company Announcements and Press Releases.</li> <li>Analysts/ bankers / fund managers meeting.</li> <li>Kelington Investor Relations Webpage.</li> </ul>	<ul style="list-style-type: none"> <li>Sharing the company's economic performance, business direction and strategies with our shareholders.</li> <li>Respect Shareholders' Right.</li> <li>Rewarding our shareholders through dividend payment.</li> <li>Building strong network connection with analysts/ fund managers and keeping them up-to-date with the Group's performance.</li> <li>Providing latest financial information and corporate initiatives.</li> </ul>
<b>Financial Institutions</b>	<ul style="list-style-type: none"> <li>Financial Stability.</li> <li>Creditworthiness.</li> <li>Strong corporate governance practices in place.</li> </ul>	<p>SI 11</p> <p>SI 12</p>	<ul style="list-style-type: none"> <li>Disclosures of quarterly results and audited financial statements</li> <li>In-person meetings to build relationships and discuss complex financial matters.</li> <li>Conferences and events.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance to bank covenants.</li> <li>Providing latest financial information and update on financial requirements.</li> <li>Building strong network connection.</li> </ul>













## SUSTAINABILITY STATEMENT

## 2.5 ENGAGING OUR STAKEHOLDERS

Stakeholder Group	Expectations Raised	Material Issues	Engagement Channels	How we respond
<b>Employees</b>	<ul style="list-style-type: none"> <li>Salaries &amp; benefits/ well- being</li> <li>Career enhancement</li> <li>Occupational health &amp; safety</li> <li>Safe and humane working environment</li> <li>Employee activities/ events</li> <li>Group's latest strategic initiatives and business development</li> </ul>	<p>SI 6</p> <p>SI 5</p> <p>SI 7</p> <p>SI 2</p>	<ul style="list-style-type: none"> <li>On-job training &amp; workshops opportunities</li> <li>Annual Dinner and Festive Celebrations</li> <li>Annual Staff Meeting</li> <li>Internal Newsletter</li> <li>Work-life balance activities</li> <li>Employee performance review &amp; rewards</li> <li>Always welcome employees' feedback</li> <li>Employee entitlements &amp; benefits</li> <li>Safety &amp; Health Committee Meeting at sites</li> <li>Toolbox Training</li> <li>Safety &amp; Health Campaign</li> <li>Communicate goals and measure progress.</li> <li>Meet and shared experiences.</li> <li>Involve employees in company decisions.</li> <li>E-waste collection month</li> </ul>	<ul style="list-style-type: none"> <li>Leadership trainings and personal development workshops to enable personal growth</li> <li>Actively engage employee to promote a deep commitment to Kelington and dedication to performing well.</li> <li>Recognizing and rewarding employees' contribution.</li> <li>Competitive compensation and benefit packages for employees.</li> <li>Regular meetings, trainings and campaigns to raise awareness on potential safety and health risks for all employees.</li> <li>Maintain an inclusive workplace culture that leads to more creativity and innovation.</li> <li>Educate and raise awareness of the urgent need to address climate change</li> </ul>
<b>Contractors, Industry Partners and Suppliers</b>	<ul style="list-style-type: none"> <li>Fair tender practices</li> <li>Pricing and good payment practices</li> <li>Forces labour avoidance</li> <li>Long-term business relationships</li> </ul>	<p>SI 9</p>	<ul style="list-style-type: none"> <li>Suppliers &amp; Sub-Contractors Evaluation</li> <li>Communication of Kelington's Expectations.</li> <li>Vendors Due Diligence Questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>Monitor performance and improve efficiency through yearly vendor assessment.</li> <li>Suppliers to acknowledge Kelington's Code of Ethics and Conduct.</li> </ul>

## SUSTAINABILITY STATEMENT

### 2.5 ENGAGING OUR STAKEHOLDERS

Stakeholder Group	Expectations Raised	Material Issues	Engagement Channels	How we respond
<b>Clients/ Customers</b>	<ul style="list-style-type: none"> <li>Timely delivery</li> <li>Quality works/ services</li> <li>Innovative Solutions</li> <li>Competitive pricing</li> <li>Value Engineering</li> </ul>		<ul style="list-style-type: none"> <li>Qualification process</li> <li>Regular project meetings</li> <li>Client Satisfaction Survey</li> <li>Customer Visit</li> </ul>	<ul style="list-style-type: none"> <li>Commitments on ESG practices to meet Customers' expectation.</li> <li>Review the feedback from clients through satisfaction survey and project meetings</li> </ul>
<b>Regulators/ Government Authorities</b>	<ul style="list-style-type: none"> <li>Regulatory framework governing business operations</li> <li>Legal Compliance, Statutory duties and responsibilities</li> </ul>	   	<ul style="list-style-type: none"> <li>Adherence to relevant laws and regulations</li> <li>Benchmarks of the FTSE Bursa Malaysia Index Series</li> <li>Full compliance of ISO management system, policies and guidelines.</li> <li>Environmental Compliance at manufacturing and project sites.</li> </ul>	<ul style="list-style-type: none"> <li>Keeping abreast with the current market regulations through active engagement with the authorities.</li> <li>Conduct Anti Bribery and Corruptions awareness programme.</li> <li>Zero tolerance of child and forced labour</li> <li>Managing our resources through data monitoring.</li> <li>Conduct awareness programme on environmental issues and compliance knowledge for the employees and site workers.</li> </ul>
<b>Local Community</b>	<ul style="list-style-type: none"> <li>Socioeconomic development</li> <li>Safety &amp; Health Impact of operation on community and environment</li> <li>Employment Opportunities</li> </ul>		<ul style="list-style-type: none"> <li>Internship opportunities</li> <li>Community Investment Programme</li> <li>Local employment</li> </ul>	<ul style="list-style-type: none"> <li>Hired a total of 22 interns from universities in department related to their study field.</li> <li>Develop action plan for CSR program that address social and environmental issues.</li> <li>Supporting local communities at project sites</li> </ul>
<b>Non-Governmental Organisations</b>	<ul style="list-style-type: none"> <li>ESG practices &amp; performance</li> <li>Impact to the environment and communities</li> </ul>		<ul style="list-style-type: none"> <li>Partnership and support environmental sustainability.</li> </ul>	<ul style="list-style-type: none"> <li>Collaborate with NGOs in relation to the Group's environmental approach.</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>Business growth</li> <li>Sustainability Performance</li> </ul>		<ul style="list-style-type: none"> <li>Press Release</li> <li>Interviews</li> </ul>	<ul style="list-style-type: none"> <li>Promoting company branding and reputation through public relation strategies</li> </ul>

## SUSTAINABILITY STATEMENT

### 2.6 MATERIALITY ASSESSMENT

The materiality assessment helps the Group in identifying, refining and focusing on the areas of importance to our business and stakeholders and subsequently help to create values over the short, medium and long term for Kelington. In FY2022, Kelington reviewed its material matters, taking into consideration the following factors which were raised in view of the current operating environment:

Factors	Impact on business / stakeholder's expectation
Operational Efficiency	<ul style="list-style-type: none"> <li>Resources utilisation</li> <li>Technology / Digitalisation</li> <li>Workplace Culture</li> <li>Talent Development</li> </ul>
Growing of Industrial Gases business	<ul style="list-style-type: none"> <li>Profitability/ Revenue contribution</li> <li>Production volume, efficiency and safety performance</li> </ul>
Bursa Securities & MCCG new requirement on climate change disclosure	<ul style="list-style-type: none"> <li>Board's oversight on climate-related risks &amp; opportunities, updates to FTSE4Good and TCFD requirements</li> </ul>
Safety & Health during endemic	<ul style="list-style-type: none"> <li>Disruption of work progress</li> </ul>
Increased ESG awareness	<ul style="list-style-type: none"> <li>Labour issue</li> <li>Governance</li> <li>Compliance to environmental related regulations &amp; laws</li> </ul>

#### 2.6.1 Methodology

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 Guide (3rd Edition) 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.

The annual process for determining material sustainability topics involves three steps: identification, prioritisation and validation. Kelington's SWG gather crucial inputs, conduct stakeholder analysis, 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 EMC and COO.

# SUSTAINABILITY STATEMENT

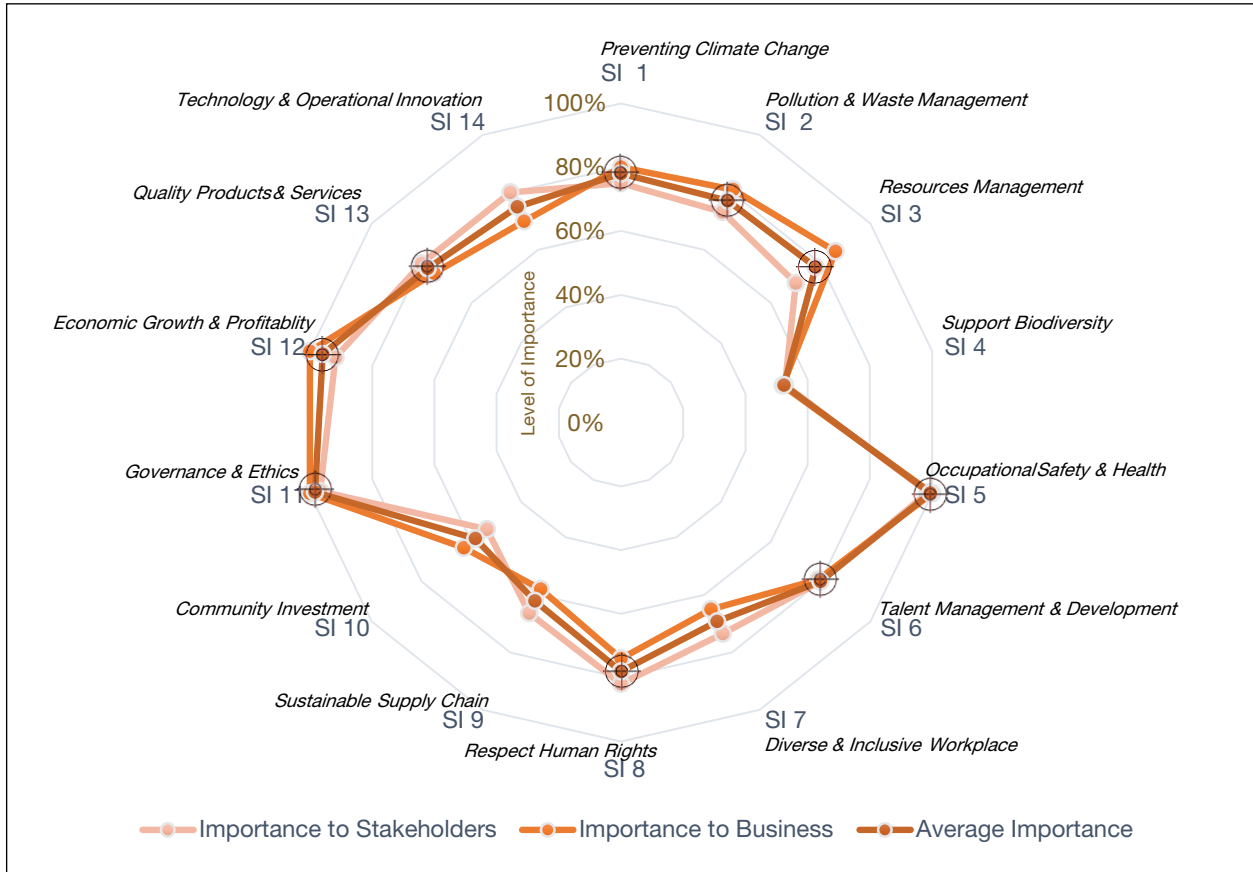
## 2.6.1 Methodology

1	2	3	4
<b>Identify Sustainability Issues</b>	<b>Prioritise Material Sustainability Issues</b>	<b>Validate &amp; Communicate</b>	<b>Review</b>
<p><b>Review of External Sources:-</b></p> <ul style="list-style-type: none"> <li>• SDGs</li> <li>• UNGC Principles</li> <li>• TCFD</li> <li>• Recommendations</li> <li>• FTSE4Good Bursa Malaysia Index Rating Guide</li> <li>• Relevant Industries publications</li> <li>• Analyst Reports</li> </ul> <p><b>Review of Internal Sources:-</b></p> <ul style="list-style-type: none"> <li>• Review of management data</li> <li>• Feedback received from stakeholders</li> <li>• Review by the Group CEO &amp; the Board</li> </ul>	<p><b>Stakeholder Prioritisation</b></p> <p>Assess the level of influence &amp; interest they have in Kelington.</p> <p><b>Stakeholder Engagement</b></p> <p>Engage with internal &amp; external stakeholders to produce &amp; rank a list of 14 sustainability issues.</p>	<p><b>Validation of Material Issues</b></p> <p>Validate material matters against stakeholders' expectations and SDG's to identify most material indicators.</p>	<p><b>Review of Material Issues</b></p> <p>Review the impact of material matters, taking into account of emerging trends, changing customer expectation.</p>
<b>Output</b>			
<ul style="list-style-type: none"> <li>• Preliminary list of Sustainability matters</li> </ul>	<ul style="list-style-type: none"> <li>• Influence on stakeholder assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Materiality Matrix</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainability Governance Structure</li> <li>• Sustainability Management Process</li> <li>• Sustainability Reporting</li> </ul>

SUSTAINABILITY STATEMENT

2.7 MATERIALITY MATRIX

In FY2022, we continue to manage the 14 material issues identified last year as relevant to Kelington and elevated Respect Human Rights as the Group’s key material issues.















We Manage Sustainability Issues	
SI 1: Preventing Climate Change	SI 8: Respect Human Rights
SI 2: Pollution and Waste Management	SI 9: Sustainable Supply Chain
SI 3: Resources Management	SI 10: Community Investment
SI 4: Support Biodiversity	SI 11: Governance & Ethics
SI 5: Occupational Safety & Health	SI 12: Economic Growth & Profitability
SI 6: Talent Management & Development	SI 13: Quality Products & Services
SI 7: Diverse and Inclusive Workplace	SI 14: Technology & Operational Innovation

Key Sustainability Issues

## SUSTAINABILITY STATEMENT

### 2.8 SUPPORTING SUSTAINABLE DEVELOPMENT GOALS

SDGs	Our Targets	FY2022 Progress Indicator	Year on Year	
			2021	2022
 Protect labour rights and promote safe and secure working environments for all workers.	Zero work -related fatalities  Year-on-year improvement of total recordable injury frequency rate (TRIFR)  Achieve Zero incident of unfair employment practices & Zero incident of violation of labour laws.	  	<b>0</b> Workplace fatalities  TRIFR <b>1.1</b>  <b>0</b> incident	<b>0</b> Workplace fatalities  TRIFR <b>0.75</b>  <b>0</b> incident
 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 <b>5</b> underprivileged students	Participate in Project Sambung Sekolah and support <b>5</b> underprivileged students
 Ensure women's full and effective participation and equal opportunities for leadership.	30% female representation in total workforce  (Executive level & above)		<b>25%</b> female representation in total workforce [Executive level & above]	<b>27%</b> female representation in total workforce [Executive level & above]
 Take urgent action to combat climate change and its impacts.	Short Term Goal by FY2024: Reduce our own CO2 emissions intensity by at least 20% <i>(Baseline Data FY2020:2,345 CO2e tonnes/RM'million EBITDA)</i>		<b>1,252</b> CO2e tonnes/RM' million Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	<b>763</b> CO2e tonnes/RM' million EBITDA
 Develop effective, accountable and transparent institutions	Promote a culture of integrity through awareness campaigns and regular communications.		<b>1</b> session awareness training  <b>0</b> Case noncompliance of laws and regulations against acts of corruption.	<b>1</b> session awareness training  <b>0</b> Case noncompliance of laws and regulations against acts of corruption.

## SUSTAINABILITY STATEMENT

## 2.9 OUR STRATEGIC GOALS, SUSTAINABILITY TARGETS AND PERFORMANCE

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

The following sustainability targets are structured around two pillars: sustainable values creation and managing impacts:

Key Sustainability Issues	Target 2024	Base Year Data	Progress FY2022
Sustainable Values Creation			

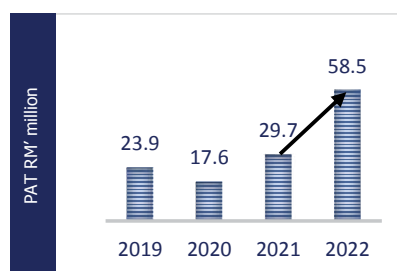
SI 12

## Economic Growth &amp; Profitability

To continue generating and distributing economic value to stakeholders by sustaining a resilient financial performance

Profit After Tax  
FY2019  
**RM23.9 million**  
+145%

KGB saw an increase of **97%** in Profit After Tax in FY2022.



Please refer to page 7 for more details.

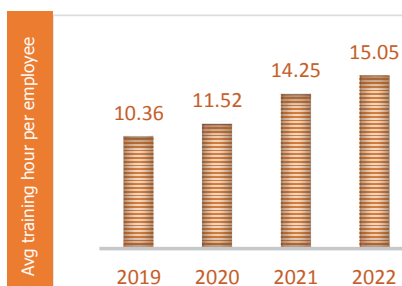
SI 6

## Talent Management &amp; Development

To achieve average 12 training hours per employee per year

FY2019  
**10.36 hours**  
per employee  
+45%

Training hours per employee increased by **6%** in FY2022.



Please refer to page 96 for more details.

SI 13

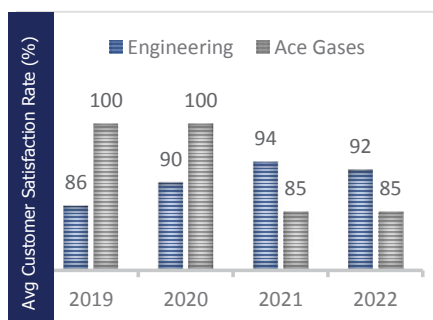
## Quality Products &amp; Services

To achieve average Customer Satisfaction Rate of 90%

FY2019  
Engineering  
business  
division:  
**86%**

FY2019  
Industrial  
Gases  
division:  
**100%**

Maintain average Customer Satisfaction Rate above **85%** in FY2022.



Please refer to page 80 for more details.

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Key Sustainability Issues	Target 2024	Base Year Data	Progress FY2022
Managing Impacts			

**SI 1**  
**Preventing Climate Change**

**Industrial Gases division:**  
To reduce our own CO2 emissions intensity by at least 20%  
  
*(Target adjusted from 5% to 20% in FY2022)*

FY2020  
**2,345 tonnes**  
CO2e/  
RM'mil  
EBITDA  
-67%

Reduced Co2 emissions intensity by **39%** in FY2022.

Industrial Gas Division	2020	2021	2022
CO2e (tonnes)	11,630	12,958	14,177
EBITDA (RM'mil)	4.96	10.35	18.58
<b>CO2 Intensity Ratio</b> (tonnes/RM'mil)	2,345	1,252	763 <b>-39%</b>

Please refer to page 62 for more details.

**SI 3**  
**Resources Management**

**Industrial Gases division:**  
To reduce electricity intensity 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  
-44%

**27%** reduction in electricity intensity-Industrial Gases Division in FY2022.

Industrial Gas Division	2020	2021	2022
Electricity Consumption (MWh)	5,853	9,377	12,331
EBITDA (RM'mil)	4.96	10.35	18.58
<b>Electricity Intensity Ratio</b> (MWh/RM'mil)	1,180	906	664 <b>-27%</b>

Please refer to page 68 for more details.



## SUSTAINABILITY STATEMENT

Key Sustainability Issues	Target 2024	Base Year Data	Progress FY2022
Managing Impacts			

SI 3

## Resources Management

**Industrial Gases division:**  
To reduce water intensity by 5%.

2,732 m<sup>3</sup>/

RM'mil  
EBITDA  
-45%

Reduced Water Intensity by **37%** in Y2022.

Industrial Gas Division	2020	2021	2022
Water Consumption (m <sup>3</sup> )	13,552	24,791	28,012
EBITDA (RM'mil)	4.96	10.35	18.58
<b>Water Intensity (m<sup>3</sup>/RM'mil)</b>	2,732	2,395	1,508
			<b>-37%</b>

Please refer to page 70 for more details.

SI 2

## Pollution and Waste Management

**Engineering Division:**  
To reduce non recycled waste intensity by 5%

14.4 tonnes

/RM'mil EBITDA  
-27%

**128%** increased in Non-Recycled Waste Intensity.

Engineering Division	2020	2021	2022
Construction Waste (tonnes)	329	200	716
EBITDA (RM'mil)	22.9	43.1	68.2
<b>Non-Recycled Waste Intensity (tonnes/RM'mil)</b>	14.4	4.6	10.5
			<b>+128%</b>

Please refer to page 65 for more details.

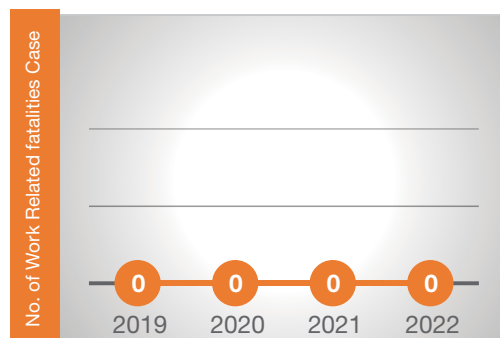
SI 5

## Occupational Safety &amp; 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 92 for more details.

# SUSTAINABILITY STATEMENT

## 3.0 HOW WE MANAGE SUSTAINABILITY ISSUES



SI 09: Sustainable Supply Chain SI 11: Governance & Ethics SI 12: Economic Growth & Profitability SI 13: Quality Products & Services SI 14: Technology & Operational Innovation	SI 1: Preventing Climate Change SI 2: Pollution and Waste Management SI 3: Resources Management SI 4: Support Biodiversity	SI 5: Occupational Safety & Health SI 6: Talent Management & Development SI 7: Diverse and Inclusive Workplace SI 8: Respect Human Rights	SI 10: Community Investment
<b>Policies and Standards available online</b>			
<ul style="list-style-type: none"> <li>Responsible Supply Chain Policy</li> <li>Code of Ethics &amp; Conduct</li> <li>Anti-Bribery &amp; Corruption Policy</li> <li>Conflict of Interest Policy</li> <li>Whistleblowing Policy</li> <li>Risk Management Policy</li> <li>Corporate Disclosure Policy</li> <li>Shareholder's Right</li> <li>Quality Policy</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Development &amp; Climate Change Position Statement</li> <li>Environmental Policy</li> </ul>	<ul style="list-style-type: none"> <li>Safety &amp; Health Policy</li> <li>Diversity, Equity and Inclusion Policy</li> <li>Human Rights Policy</li> </ul>	<ul style="list-style-type: none"> <li>Community Investment Policy</li> </ul>
<b>Principal risks that have key links to the sustainability issues</b>			
<ul style="list-style-type: none"> <li>Supply disruption due to ESG factors.</li> <li>Ethical misconduct.</li> <li>Impacts on KGB' reputation, hefty penalties &amp; negative effect on employee morale.</li> <li>Compliance Risk.</li> <li>Investment Risk.</li> <li>Operational Risk.</li> <li>External Risk.</li> </ul>	<ul style="list-style-type: none"> <li>Climate related risk and financial impact.</li> </ul>	<ul style="list-style-type: none"> <li>Industrial Accident/ Workplace Injuries.</li> <li>Dependence on the availability of technical professional.</li> <li>Changes in Customer perception and/or preferences.</li> <li>Discrimination in the workplace can harm employee health and an organization's productivity.</li> <li>Labor exploitation, human rights violations in supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>High levels of crime, low school achievement, recession and increasing unemployment.</li> </ul>

## SUSTAINABILITY STATEMENT

## 3.0 HOW WE MANAGE SUSTAINABILITY ISSUES (Cont'd)



Care for Business



Care for Environment



Care for People



Care for Society

SI 09: Sustainable Supply Chain	SI 1: Preventing Climate Change	SI 5: Occupational Safety & Health	SI 10: Community Investment
SI 11: Governance & Ethics	SI 2: Pollution and Waste Management	SI 6: Talent Management & Development	
SI 12: Economic Growth & Profitability	SI 3: Resources Management	SI 7: Diverse and Inclusive Workplace	
SI 13: Quality Products & Services	SI 4: Support Biodiversity	SI 8: Respect Human Rights	
SI 14: Technology & Operational Innovation			
<b>Non-Financial KPIs</b>			
<ul style="list-style-type: none"> <li>Progress of Supplier Development</li> <li>Percentage of local sourcing</li> <li>Customer Satisfaction Rate</li> <li>ESG ratings</li> <li>Zero Incidents of Corruption and Bribery</li> <li>Innovation projects for sustainability development</li> </ul>	<ul style="list-style-type: none"> <li>Environment Target and Data</li> </ul>	<ul style="list-style-type: none"> <li>Safety &amp; Health Performance Data</li> <li>30% Woman Senior Management</li> <li>Average Training Hours</li> <li>Zero incidents of violations of labour laws/ unfair employment practices</li> </ul>	<ul style="list-style-type: none"> <li>CSR Initiatives</li> <li>Total number of persons received benefit through our supporting schools and non-profit organisation.</li> </ul>

# SUSTAINABILITY STATEMENT



## Protecting the Environment

*The Climate is changing.  
Why aren't we?*

Ong Weng Leong  
Executive Director

### 6 Actions to fight climate change

1. Value Engineering for Sustainability.
2. Engineering Solutions to reduce environmental impact.
3. Measure & Analyze GHG Emissions
4. Be Energy Efficient
5. Reduce Waste
6. Raise Awareness of the urgent need to address climate change



*We Care for Environment*

Highlights		Page	
SI 1	Preventing Climate Change	• Our Role in Low Carbon Future	50
		• Kelington's Climate Change Strategy	54
		• Task Force on Climate related Financial Disclosures	52
		• Governance	53
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## SUSTAINABILITY STATEMENT

## 3.0 HOW WE MANAGE SUSTAINABILITY ISSUES (Cont'd)

## SI 1 Preventing Climate Change

## Tackling Climate Change

At Kelington, we want to be part of the solution to help address the climate change. Our aim is to ensure our business, and those in our supply chain, continue to deliver economic and social benefits as we assist in the transition to a low-carbon future.

## Our role in a low-carbon future



Climate change is of strategic importance for the world and for Kelington. It presents a long-term challenge if government, society and business do not take action. Long-term perspective is required to address both the risks and uncertainties, and opportunities.

We believe that Kelington can and should be part of the solution, as we engineer solutions to ensure safe handling of the delivery and distribution of specialty gases and chemicals all the way from source to equipment to waste disposal. Meanwhile, we enable new technologies to solve environmental challenges in the industry.

How does exhaust affect the environment?	How can Kelington be a part of the solution?
<p>Exhaust streams in a fab frequently contain very corrosive and/or toxic gases that must be removed by chemical scrubbing prior to release to atmosphere. The process exhaust is fed to a centralized exhaust treatment facility in most semiconductor fabs. These facilities are generally described as exhaust "scrubbers".</p>	<p>Kelington delivers complete solutions for Wet Scrubber System; Greenhouse Gas Reduction System; VOCs Removal System; Odor Control System; and acid/ general/ exhaust/ solvent ductwork system which capable to remove harmful gases from the semiconductor fabrication process.</p> <p>Harmful gases include hydrogen fluoride, hydrogen chloride, chlorine, fluorine, silicon tetrafluoride, carbon dioxide, methane, nitrous oxide, fluorinated gases (HFCs, PFCs, SF6, NF3), nitric and sulphuric acids, as well as with other acidic and caustic compounds.</p> <p>Kelington supply and install wet scrubbers system which is a type of air pollution control device that is used to remove harmful gases and particles from industrial exhaust streams and we can customise to meet specific emission control requirements.</p> <p>Exhaust systems are generally associated with emissions of pollutants and GHG that contribute to air pollution and climate change. However, we engineer solutions to design exhaust systems with emission reduction technology and used to reduce the environmental impact.</p>

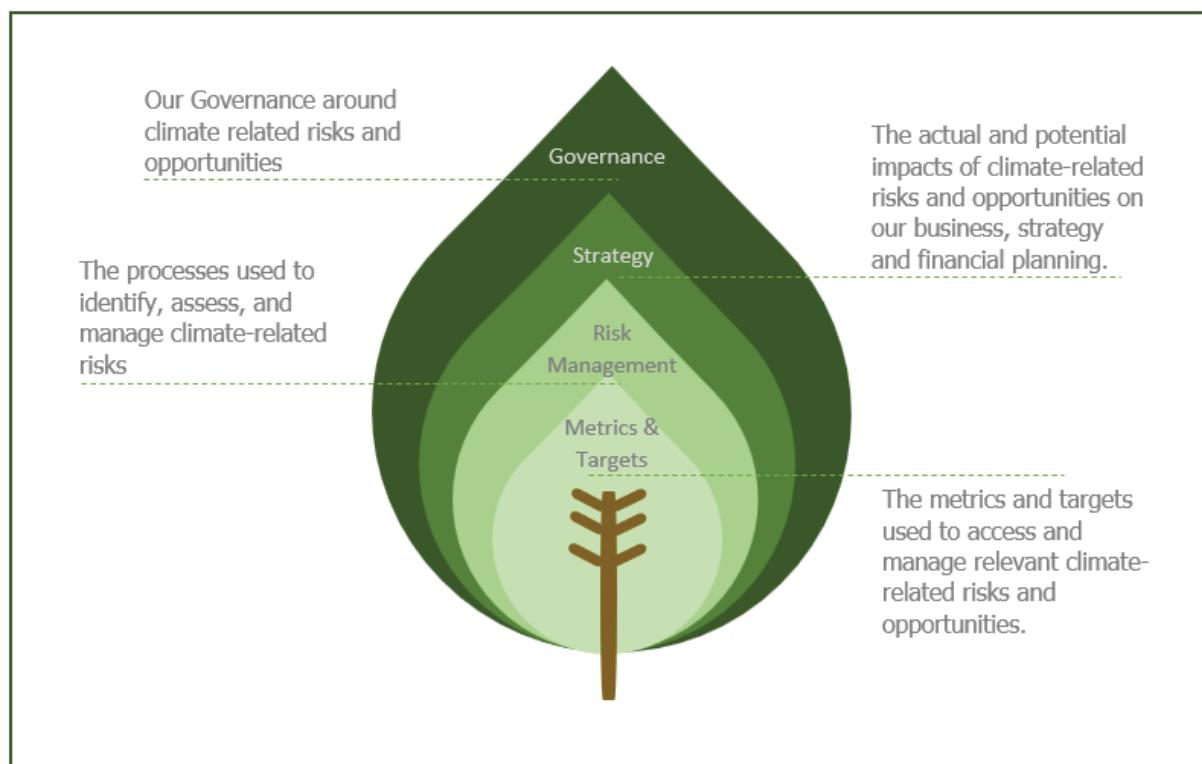
## SUSTAINABILITY STATEMENT

<p><b>How does industrial water/ wastewater affect the environment?</b></p>	<p><b>How can Kelington be a part of the solution?</b></p>
<p>The manufacturing of semiconductors generates wastewater that contains heavy metals and toxic solvents.</p> <p>The untreated wastewater can contaminate the ground water. This is one of the primary reasons for water pollution.</p>	<p>Wastewater Treatment System is used to convert spent streams into an effluent that can either be reused or safely discharged to the environment or municipal treatment facility.</p> <p>We provide waste water treatment system used to remove contaminants from prior to returning the treated water back to the water cycle / sewage. Kelington's well-designed wastewater treatment system helps the facility avoid harming the environment, human health, and a facility's equipment, process or products (especially if the wastewater is being reused).</p>
<p><b>Valuable materials used in manufacturing process can be expensive to dispose of as waste.</b></p>	<p><b>How can Kelington be a part of the solution?</b></p>
<p>The photolithography process is widely used in the semiconductor industry to create microcircuits and microelectronic devices, such as computer processors, memory chips, and integrated circuits. It is also used in the production of flat panel displays, including LCD, OLED, and plasma displays.</p> <p>The photolithography process is a critical manufacturing process for many high-tech industries to create the circuitry and components on the wafer.</p> <p>After the circuitry is completed, a chemical solution is used to strip away the unwanted layers, leaving only the desired components on the wafer. The chemical solution used in this process can contain valuable metals or other materials that can be expensive to dispose of as waste.</p>	<p>Kelington design and build Stripper Reclaim System (SRS) and allowed the manufacturer to recover and recycle the valuable materials and thus reducing waste, saving on material costs, and minimize the environmental impact. The SRS involves the use of filters and chemical treatment processes to recover and purify the materials for reuse.</p> 
<p><b>Emissions</b></p>	<p><b>How can Kelington be a part of the solution?</b></p>
<p>Emissions from the combustion of fossil fuels, cement production and human activities increase, they build up in the atmosphere and warm the climate, leading to many other changes around the world—in the atmosphere, on land, and in the oceans.</p>	<p>Reduce CO2 emission through Separation and Utilisation.</p> <p>Kelington captures waste gas emitted by petrochemical complex for re-use as key raw material to produce Liquid Carbon Dioxide via CO2 separation technologies. Liquid carbon dioxide produced is used for freezing and chilling of food products, carbonation of beverages etc.</p>

## SUSTAINABILITY STATEMENT

## Task Force on Climate related Financial Disclosures (TCFD)

This year, Kelington Group has adopted the TCFD recommendations to disclose our direct and indirect climate change-related impacts. Whilst we have the building blocks in place to implement the TCFD recommendations into our existing management processes, we recognize that there are areas we need to strengthen specifically in terms of our strategy and disclosure on metrics and targets.



TCFD Key Pillars	Kelington's Key Approaches	Refer to page
<b>Governance</b>	Kelington's board-level has oversight of the Group's climate-related risks and opportunities. The Board is updated on the Group's sustainability strategy and initiatives at least once a year and approves the Sustainability Statement which provides comprehensive disclosures on the company's environmental and climate change agenda.	53
<b>Strategy</b>	Recognising that environmental and climate change issues have imminent impact on our business operations, we look to integrate climate change issues into the Group's business operations, strategy and financial planning including adaptation and mitigation efforts.	54
<b>Risk Management</b>	As part of our sustainability strategy, the Board and the Risk Management Committee considered risks and opportunities associated with climate change in the context of Kelington's businesses as one of the key material issues in the Group. Environment and climate change issues are updated to the Group's risk profile and discussed at the Risk Management Committee. The risks identified include physical and financial climate-related risks such as extreme weather is covered in our framework related to safety and operations.	55
<b>Metrics and Targets</b>	Environmental data monitoring enables Kelington to track and benchmark our environmental progress and performance. Following a review of the metrics and targets in monitoring our environmental performance, we have since started to monitor the direct and indirect GHG emission data from our operational business units since FY2020.	62

In FY2022, we achieved zero case of significant fines and non-monetary sanctions for environmental non-compliance from government authorities.

## SUSTAINABILITY STATEMENT

### Our Approach to Climate Change

#### Governance

Climate Change is discussed at senior management level and by the Board. The Board Risk Management Committee has oversight of the key sustainability risks, including climate change, the quality of the controls and performance against our targets. The Board Risk Management Committee met four times in FY2022.

The assessment of the resilience of our business to transition risks and to climate scenarios have been discussed with both the Executive Management Committee (“EMC”) and the board as a key part of the business strategy discussion.

Climate change is also one of the seven key performance indicators for the Group. We are committed to Scope 1, 2 and 3 net zero GHG emissions across the Group’s operation by FY2050; and we are committed to reduce our own CO2 emissions intensity by at least 20% by FY2024 as our short-term goal set in FY2019. Our GHG performance is an important indicator of this commitment and our ability to manage exposure to future climate policy and legislative costs.

In this evolving operational environment, the Board with the support from the management team, adapts and creates resilient business strategies and models that view progress on sustainability as a means of long-term value creation and innovation.

At the Management level, the Executive Directors are responsible for ensuring climate-related risks and opportunities are fully integrated into the Company’s long term business strategy. The Executive Directors oversee and report to the Board on management’s progress against the Company’s key strategic ESG objectives, covering various sustainability and climate-related topics and initiatives.

#### Summary of Climate Risk and Opportunity Governance

	Governance	Overview
Board Oversight	Board of Directors	The Board develops strategies to promote and strengthen ESG culture across the Group in pursuit of long-term sustainability. The Board carries the ultimate responsibility over the effectiveness of our ESG risk management practices and ensures Kelington’s sustainability principles are in line with the Group’s long-term business objectives.
	Audit Committee	The Audit Committee, with the assistance of RMC, has oversight over the Group’s risk management framework and obtains assurance, through the independent consultant appointed, on the adequacy and effectiveness of the risk management and internal control systems.
	Risk Management Committee	The RMC reviews and discusses with management the Company’s Enterprise Risk Management process including its risk governance framework, risk management practices and key risk factors.  The RMC review the risks and opportunities associated with climate change; review climate change adaptation strategies and initiatives; address climate risks and opportunities; and ensure that climate risks and opportunities are integrated into KGB’s overall corporate strategy.
Executive Leadership	Executive Directors	Executive Directors oversee corporate risk functions such as Business Continuity Management and Disaster Recovery. They are members of the Board and are accountable for reporting to the Board on all risks and opportunities.
	Chief Operating Officer	The Group COO holds responsibilities for the Group’s climate change strategy and implementation framework, with direct oversight by the Risk Management Committee.
	Chief Financial Officer	Reports directly to the Executive Directors and oversees functions related to the governance of climate risks and opportunities including those related to the Company’s reporting on its management of financially material climate-related risks and opportunities and footprint.



## SUSTAINABILITY STATEMENT

	Governance	Overview
Sustainability Management	Executive Management Committee	The EMC manage climate impacts resulting from rising costs related to energy pricing and cost savings from enhanced operational efficiency initiatives. The EMC supports ongoing monitoring and quantification of company-wide climate-related risks and opportunities. The EMC also undertakes resiliency measures to mitigate against natural disasters that could impact Kelington's operation.
	Sustainability Working Group	<p>The SWG is involved in collecting and tracking of key environmental metrics, monitoring environmental performance targets and has ownership of related policies and programming.</p> <p>The SWG is also tasked with developing the Sustainability Statement and reporting directly to the COO on a quarterly basis.</p>

## Kelington's Climate Change Strategy



Engineering Solutions to reduce environmental impact

## SUSTAINABILITY STATEMENT

### Expected Outcome:

**Reduce our carbon footprint and support our customers to achieve sustainable manufacturing process and mitigate climate change.**

#### We are focused on:

- (1) **Carbon reduction:** Target to reduce Industrial Gases Division's operational carbon emissions intensity by 20% by FY2024, and to achieve Scope 1, 2 and 3 net-zero emissions by FY2050. Kelington's Industrial Gases manufacturing activities are energy-intensive as the production and machinery operations run for 24 hours daily. We are taking action to improve both productivity and efficiency, as we reduce emissions.
- (2) **Value engineering for sustainability:** Incorporating sustainable design principle into our projects. Consider climate risks from the way we design and construct new projects to closure and beyond.
- (3) **Engineer solutions to reduce environmental impact:** Environmental engineering solutions to enable new technologies to solve environmental challenges in the industry and address climate change.
- (4) **Advocacy:** Increase awareness of the urgent need to address climate change and engage both internal and external stakeholders to drive change.
- (5) **Innovation:** Explore opportunity to collaborate with international players to develop innovative technology that can contribute the mitigation and adaptation to climate change. i.e solutions that can help to address climate change such as energy storage, carbon capture and storage.

Kelington has integrated climate change into our strategic planning since the inception. The greatest risk associated with the gas and chemical delivery system is the flammable, explosive, or toxic materials that it carries. These substances can pose danger to people and property if a release occurs because of a delivery system failure.

As we develop our business strategy, we consider environment, social and governance (ESG) risk and opportunities, including climate change. The climate change actions we take are consistent with our objectives of delivering world class and quality services to meet our customers' requirement without unnecessary harm, safely and cost effectively.

### Managing climate risks and opportunities

We manage our climate risks through our risk management framework. The framework reflects our exposure to a variety of uncertainties that can have financial, operational and compliance impacts on our business performance, reputation and ability to operate successfully. It includes clearly defined oversight responsibilities for the Board, Risk Management Committee, and the Executive Management Committee, who are supported by the Sustainability Working Group and support functions, to enable effective risk identification, evaluation and management across Kelington.

## SUSTAINABILITY STATEMENT

### Climate Change Scenario Analysis

The Group conducted a climate change scenario study on how the effects of 2<sup>o</sup>c increase in temperature might affect the business operations over short, medium and long term. The scope of study covered our key business segment i.e engineering and industrial gases. Based on the analysis, climate change is projected to bring the following impacts to our business directly:-

#### Physical Impact

- Higher temperatures could alter rainfall patterns and potentially leading to changes in the intensity, frequency, and distribution of rainfall. This could result in more intense and prolonged rainfall events, leading to an increased risk of flooding, landslides, and soil erosion. Storms and flooding could lead to building and infrastructure damage. Disruptions in transportation and communications may cause operational disruptions.

#### Legislative Impact

- Contractual or legal obligations due to uncertainty of water quality, quantity and volume.
- Increased emissions reporting requirements.
- Poor hazardous waste treatment is harmful for the environment and may expose the Group to lawsuits and reputational damage

#### Financial Impact

- Increased costs to procure water from alternative sources or the relocation of operations due to business interruption or slowdown.
- Energy shortages leading to increasing cost of production.
- Cost to transition to lower emissions technology.
- Introduction of a carbon tax and increased cost of sales.

### Climate Change Adaptation Strategies & Initiatives

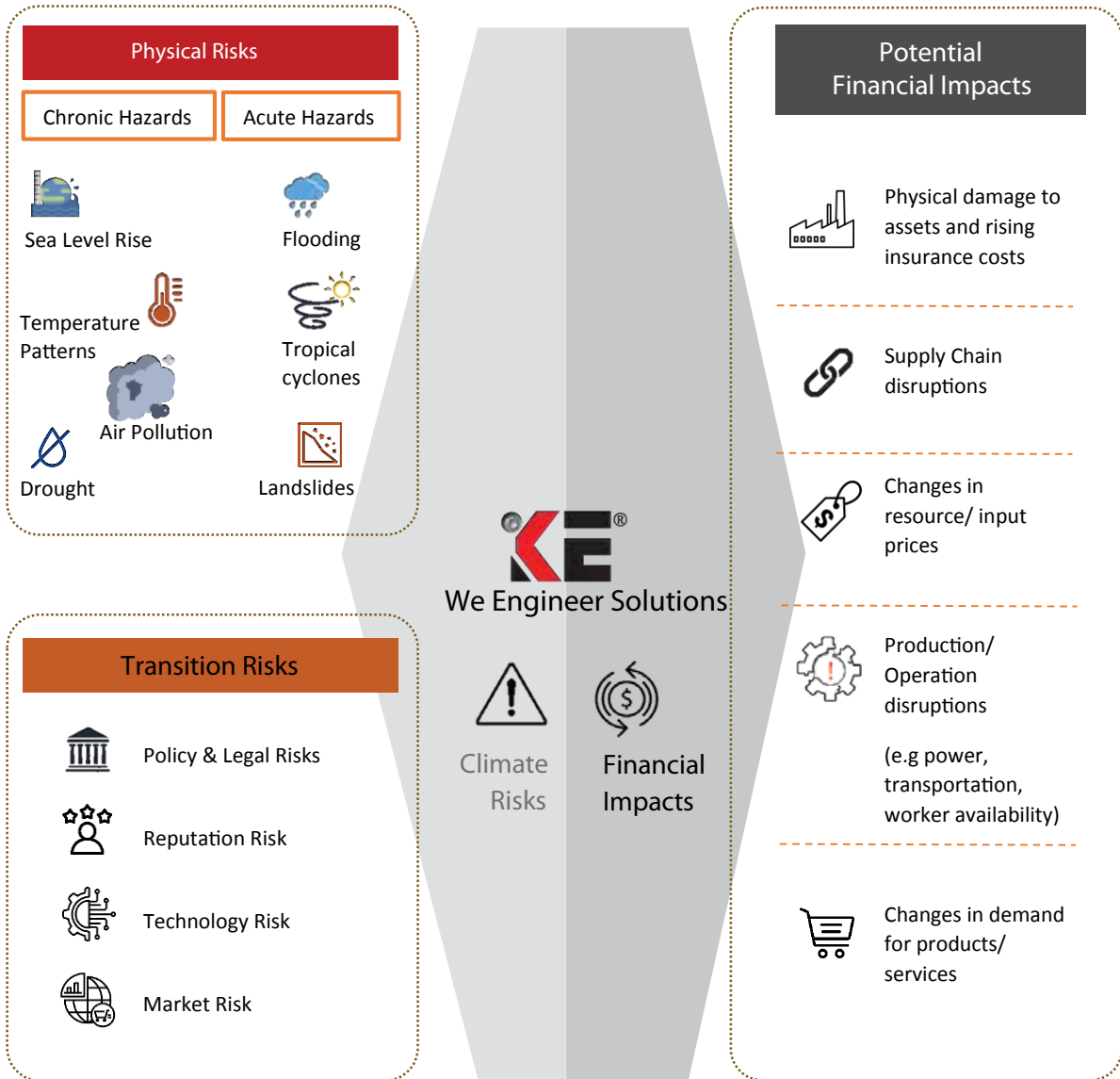
In view that one of our significant contributors to climate change is the emission of greenhouse gases (“GHG”), the transition to a low-carbon economy will have a material impact on Kelington’s long term strategy and operations.

A comprehensive assessment of the full range of impacts is challenging, as it must consider the interplay of technical, social and political factors over a long period of time. We therefore incorporate climate change considerations into our strategic planning and commercial frameworks, to ensure that risks and opportunities can be addressed comprehensively.

Climate Change is a strategic business issue which requires a whole-of-business approach. As such, Kelington will review our approach to climate change every year, as part of our ongoing strategy process.

# SUSTAINABILITY STATEMENT

## Climate-related risks and financial impacts















## SUSTAINABILITY STATEMENT

## Potential Impacts of Climate-related Risks &amp; Opportunities













Under Kelington's risk management framework, emerging risks are identified, assessed and appropriately managed. Kelington has used the major risk categories identified in the TCFD recommendations as the basis for its risk assessment:-

- (i) Risks related to the transition to a lower-carbon economy
- (ii) Risks related to the physical impacts of climate change

<b>Potential Financial Impact Level:</b>  Low  Medium  High	<b>Timeline:</b> Short Term: 0-1 year Medium Term: 1-5 years Long Term: 5-20 years
---	---

Transition Risks	Potential Impacts of Climate-related Risks and Opportunities on our business	Short	Medium	Long	Our Strategy
<b>Policy and Regulations</b>	<p>Current and emerging regulation has the potential to impact business costs associated with meeting regulatory requirements and the impact on semiconductor markets.</p> <p>This includes the potential for increases in carbon pricing and emissions reporting obligations.</p>				Ensure full compliance to environmental regulations and improve sustainability performance.
<b>Market</b>	<p>Chip manufacturing contributes to the climate crisis. As the semiconductor industry grows, and so with its carbon footprint. The chip industry used different gases during the production process, many of which have a significant climate impact.</p> <p>Kelington's products and services have an important role in a low-carbon economy.</p>				Explore tender opportunities on Wet Scrubber System; Greenhouse Gas Reduction System; VOCs Removal System; Odor Control System; and acid/ general/ exhaust/ solvent ductwork system which capable to remove harmful gases from semiconductor fabrication processes. Promote our capability to design and build Stripper Reclaim System (SRS) and allowed the manufacturer to recover and recycle the valuable materials and thus reducing waste, saving on material costs, and minimize the environmental impact.
<b>Technology</b>	<p>The development and deployment of low-emissions technology presents cost beneficial opportunities for the business to reduce emissions and improve energy efficiency and productivity. Technology deployment in the electricity sector, and the sector's transition to low carbon, has the potential to impact the future price of purchased electricity.</p>				Opportunity to collaborate with international players to develop innovative technology that can contribute the mitigation and adaptation to climate change. Thus to increase corporate value and revenue from expanded collaborations. We are seeking to identify the technologies that are most relevant and valuable to our business and, where appropriate, to partner and collaborate with others.

## SUSTAINABILITY STATEMENT

Transition Risks	Potential Impacts of Climate-related Risks and Opportunities on our business	Short	Medium	Long	Our Strategy
<b>Legal</b>	Climate change has the potential to result in legal compliance problems and litigation. There is increasing emphasis on the duty of directors to consider and disclose climate change risks.				Regularly review sustainability management framework includes policies, governance structure, ESG integration process, communications and continuous improvements.
<b>Reputation</b>	Stakeholder expectations on climate change are evolving and will impact the sector and Kelington's reputation and ability to operate.				We have worked increasingly closely with our investors on climate change related issues. We recognise that expectations for, and scrutiny of, disclosures will increase. Kelington's intent is to demonstrate that we are following through on our public commitments on climate change, aligning our disclosure with good practice and internationally accepted frameworks.
<b>Physical Risks</b>					
<b>Acute physical risks</b>	Changes to the intensity and frequency of extreme events, such as severe floods, have the potential to damage infrastructure and interrupt business operations. This could result in increased operational costs and loss of revenue from reduced LCO2 production or suspension of works. The changing nature of extreme weather events also has the potential to impact on the design criteria for new projects.				We consider climate risks from the way we design and construct new projects to closure and beyond. We have seen the impacts of climate change in recent years and we are using scenarios to assess further medium to long-term risks.
<b>Chronic physical risks</b>	Longer-term trends can be more difficult to identify and respond to. For example: extreme weather resulting in supply chain disruptions and increased operational costs; rainfall patterns may vary both in terms of average rainfall, and seasonal variability, impacting water availability and requiring stronger discipline in water balance management; and temperature increases will result in more extreme-heat days. This could have knock-on, indirect impacts, including employee and community health. We anticipate that energy use profiles at facilities may change, particularly where energy is used for heating or cooling.				GHG Emission Reduction Initiatives. We measure and track our carbon emissions at our offices and subsidiaries, with the base year of 2019.

## SUSTAINABILITY STATEMENT

## Green House Gas (GHG) Emission Management

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 FY2022, we reviewed and managed our environmental risks according to the ISO 14001:2015 Environmental Management System.

## Kelington’s Environmental Initiatives



Kelington’s Environmental Initiatives in the areas of energy management, water management, waste management, emission management, biodiversity conservation and recycling are presented in the table below:

Environmental focus area	Actions	Company/ Operation country
<b>Energy Management</b>	Optimize manufacturing processes to reduce energy usage. Temperature control for air conditioning. Turn off lights in rooms not used. Replacing faulty lights to LED lights which is more environmentally friendly. Educating employees on energy saving through posters & emails. Solar Panel Installation Investment. Video Conferencing to replace air travel.	Malaysia Group Group Group Group Malaysia Group
<b>Water Management</b>	Water Management Plan outlining approach to manage and reduce water resources. Regular checking and immediate action taken for any leakage.	Group Group
<b>Waste Management</b>	Scheduled/ hazardous waste to be stored in designated container for onward disposal by Department of Environment (DOE) licensed contractor to licensed location. Monitor non-recycled waste intensity. Introduction of e-waste bin at office for employees to dispose household or office e-waste properly.	Malaysia Malaysia Group
<b>Emission Management</b>	Capture waste gas emitted by a petrochemical complex, to be reused as a key raw material in our liquid CO2 production. Continuing to measure our carbon footprint to monitor which operations have the biggest impact on our carbon emissions.	Malaysia Group

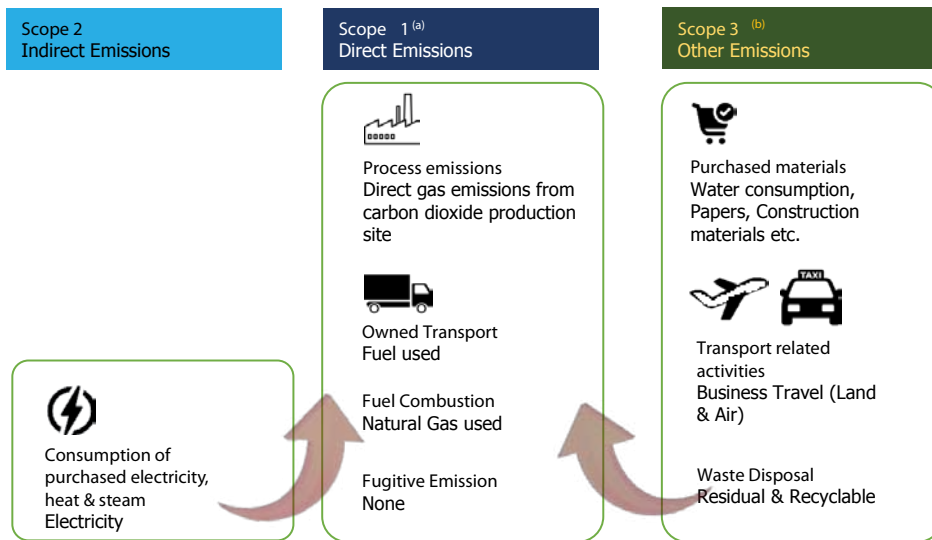
# SUSTAINABILITY STATEMENT

Environmental focus area	Actions	Company/ Operation country
<b>Biodiversity Conservation</b>	Conducted Environmental Aspect Identification (EAI), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control (HIRARC) before new construction.	Malaysia
	Regular monitoring programme, continuous risk assessment and audits covering water quality, air quality and noise.	Malaysia
	Continuous participation in programmes that contribute towards positive biodiversity impacts	Malaysia
<b>Recycling</b>	Recycle practice at all offices.	Group
	Reduce paper printing under digitalisation program	Group

## 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](http://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.



Notes:

- (a) Except for Carbon Dioxide (CO<sub>2</sub>), the current operations of Kelington do not emit other Scope 1 GHG emissions i.e Methane (CH<sub>4</sub>); Nitrous Oxide (N<sub>2</sub>O); Chlorofluorocarbons (CFCs); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulfur hexafluoride (SF<sub>6</sub>); and Nitrogen Trifluoride (NF<sub>3</sub>) in FY 2022.

Furthermore, the operations of Kelington Group (included manufacturing and construction processes) are not likely to cause Nitrogen Oxide (NO<sub>x</sub>), Sulphur Oxides (SO<sub>x</sub>), Particular Matter (PM) and Volatile Organic Compounds (VOC) Emissions or air pollution.

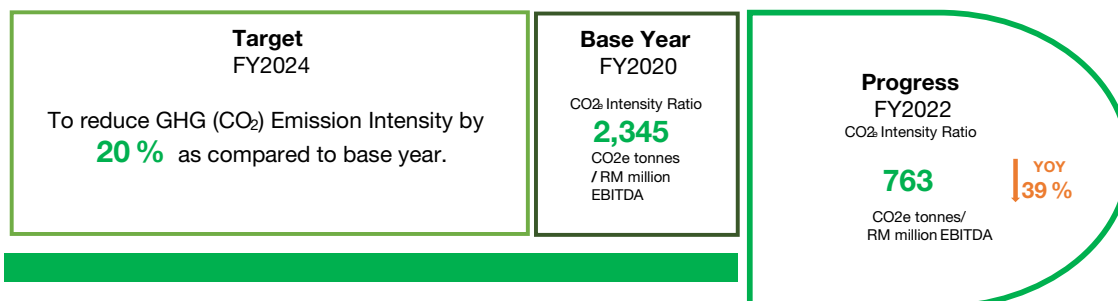
- (b) Scope 3 emissions are indirect emissions that occur because of Kelington’s operations, but from sources not owned or controlled by Kelington i.e employee commuting, use of sold products, processing of sold products, investment, capital goods, transportation and distribution etc.

Managing Scope 3 emissions is important because it allows Kelington to identify opportunities for reducing emissions throughout its value chain. Addressing Scope 3 emissions is crucial for effectively managing climate change and achieving long-term sustainability goals. Kelington’s SWG are working hard to gather the best information possible about scope 3 emissions to begin addressing this significant part of our footprint.



## SUSTAINABILITY STATEMENT

## Metrics and Targets

GHG (CO<sub>2</sub>) Emission of Kelington Group

GHG (CO <sub>2</sub> ) Emission	Unit of Measure	FY2020	FY2021	FY2022
<b>Scope 1:</b> Direct Emissions from manufacturing facilities, distribution tankers	tCO <sub>2</sub> e	9,349	10,688	11,173
<b>Scope 2:</b> Indirect Emissions from electricity purchased and used	tCO <sub>2</sub> e	2,281	2,270	3,004
<b>Scope 3:</b> Other Indirect Emissions from the Group activities	tCO <sub>2</sub> e	5,583	5,470	33,605
<b>Total GHG (CO<sub>2</sub>) Emission</b>	tCO <sub>2</sub> e	<b>17,213</b>	<b>18,428</b>	<b>47,782</b> <span style="color: red;">+159%</span>

In FY2022, the increased in LCO<sub>2</sub> production required more electricity, heat, or steam, which in turn affected Scope 2 emissions. Kelington's Scope 2 emissions increase by 32% in FY2022, primarily due to the Industrial Gas Division. However, the additional LCO<sub>2</sub> production led to increased plant efficiency and energy-efficiency, which mitigated the impact of the rise in Scope 2 emissions, resulting in a lower electricity intensity ratio. (Cross Reference: page 69)

Kelington's Scope 3 emissions increased by 514% mainly due the demand for materials and components for major projects executed in Malaysia.

CO <sub>2</sub> Equivalent Intensity Ratio	Unit of Measure	FY2020	FY2021	FY2022
<b>Scope 1:</b> Direct Emissions from manufacturing facilities, distribution tankers	tCO <sub>2</sub> e	9,349	10,688	11,173
<b>Scope 2:</b> Indirect Emissions from electricity purchased and used	tCO <sub>2</sub> e	2,281	2,270	3,004
		11,630	12,958	14,177
*EBITDA – Industrial Gases Division	RM' million	4.96	10.35	18.58
<b>CO<sub>2</sub>e Intensity Ratio</b>	tCO <sub>2</sub> e / RM'mil EBITDA	<b>2,345</b>	<b>1,252</b>	<b>763</b> <span style="color: red;">-39%</span>

\*Note:

In view that Kelington's Scope 1 and Scope 2 CO<sub>2</sub> emission are mainly contributed from Industrial Gases Division's LCO<sub>2</sub> manufacturing process and business activities, the EBITDA of Industrial Gases Division (excluding revenue generated from one-off project) was adopted for CO<sub>2</sub>e Intensity ratio calculation.

## SUSTAINABILITY STATEMENT

Kelington's Industrial Gases Division is emitting less greenhouse gases per unit of revenue which is generally considered a positive trend towards sustainability. In FY2022, the CO<sub>2</sub>e intensity ratio dropped 39% to 763 tCO<sub>2</sub>e/RM'mil EBITDA. The improvement in CO<sub>2</sub>e intensity ratio was mainly due to the improvement in energy efficiency and productivity as well as increase in revenue.

Scope 3 GHG (CO <sub>2</sub> ) Emission	Unit of Measure	FY2020	FY2021	FY2022
Purchased goods and services	tCO <sub>2</sub> e	5,246	5,181	32,137
Capital goods	tCO <sub>2</sub> e			
Fuel and energy related activities (not include in Scope 1 or 2)	tCO <sub>2</sub> e			
Upstream transportation and distribution	tCO <sub>2</sub> e			
Waste generated in operations	tCO <sub>2</sub> e	159	94	332
Business Travel (By Land)	tCO <sub>2</sub> e	150	157	260
Business Travel (By Air)	tCO <sub>2</sub> e	23	29	865
Employee Commuting	tCO <sub>2</sub> e			
Upstream leased assets	tCO <sub>2</sub> e			
Investments	tCO <sub>2</sub> e			
Downstream transportation and distribution	tCO <sub>2</sub> e			
Processing of sold products	tCO <sub>2</sub> e			
Use of sold products	tCO <sub>2</sub> e			
End of life treatment of sold products	tCO <sub>2</sub> e			
Downstream leased assets	tCO <sub>2</sub> e			
Franchises	tCO <sub>2</sub> e			
Water Supply	tCO <sub>2</sub> e	5	9	11
Other	tCO <sub>2</sub> e			
<b>Total Scope 3 GHG (CO<sub>2</sub> e) Emission</b>	<b>tCO<sub>2</sub>e</b>	<b>5,583</b>	<b>5,470</b>	<b>33,605</b> <b>+514%</b>

Kelington's FY2022 Scope 3 GHG (CO<sub>2</sub>e) emissions 514% increased from 5,470 tCO<sub>2</sub>e to 33,605 tCO<sub>2</sub>e was mainly due to the higher number of construction activities which led to the increase in material purchased for Kelington's major projects i.e civil and structural works and tankage construction which required concrete and metal. In addition, the Scope 3 GHG (CO<sub>2</sub>e) emissions contributed by the waste generated in operations increased by 253% as compared to FY2021 as a result of higher construction activities.

Employees travel more frequently to execute projects, meet potential clients, partner and rebuilding connections post-COVID in FY2022. The Scope 3 GHG (CO<sub>2</sub>e) emissions contributed by business travel increased 505% in FY2022.

Collecting and compiling data on Scope 3 emissions can be a challenging task, as it involves gathering information from a range of different sources, including suppliers, customers, and other stakeholders. In some cases, this data may not be readily available or may be incomplete, which can make it difficult to accurately quantify emissions.

Scope 3 emissions can be very broad and complex, as they cover a wide range of indirect emissions across the entire value chain. This can make it difficult to identify and prioritize the most significant emissions sources and to develop effective strategies for reducing emissions. There is no single standardized methodology for calculating Scope 3 emissions which create uncertainty and make it difficult to assess the effectiveness of emissions reduction strategies.

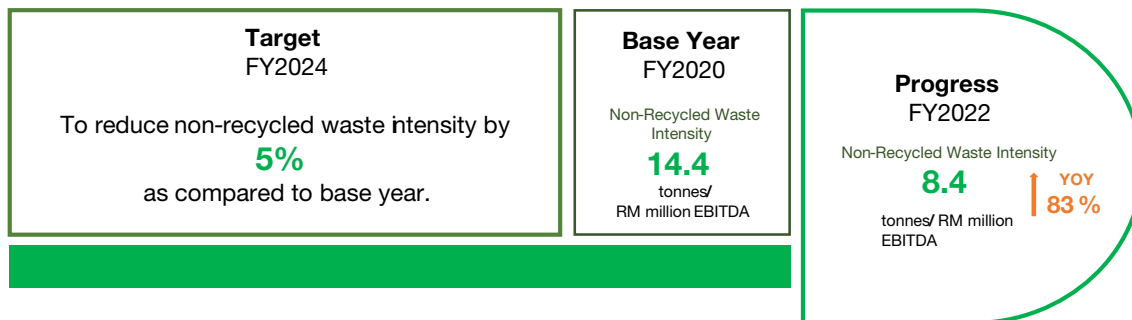
For example, to determine the tCO<sub>2</sub>e while Kelington acquired plant and machineries, Kelington would need to determine the GHG emissions associated with the acquisition of the gas plant, including emissions from the manufacturing and transportation of the equipment used to construct the plant.

On the other hand, employee commuting and business travel are both types of travel that are related to work, but they have different purposes, frequencies, distances, expenses, and carbon footprints. The expenses associated with employee commuting are normally borne by the employee, while business travel expenses are usually covered by the company. Collecting accurate data about employee commuting can be challenging, as employees may not always report their commute accurately.

Despite these challenges, Kelington will address Scope 3 CO<sub>2</sub> emissions as part of our overall emissions management strategy, as Scope 3 emissions can account for a significant portion of a company's total emissions. By addressing Scope 3 emissions, Kelington can identify opportunities for emissions reductions and demonstrate our commitment to sustainability and environmental stewardship.

## SUSTAINABILITY STATEMENT

## SI 2 Pollution &amp; Waste Management



## 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
<b>Water Quality</b>	<ul style="list-style-type: none"> <li>Sungai Labohan (Upstream, Midstream, Downstream)</li> <li>Sungai Kerteh (Point 1 &amp; Point 2)</li> </ul>	Class IIB of the National Water Quality Standards of Malaysia
<b>Air Quality</b>	<ul style="list-style-type: none"> <li>Boundary of Factory</li> <li>Masjid Kampung Labohan</li> </ul>	Malaysian Recommended Ambient Air Quality Guidelines, 1989
<b>Noise</b>	<ul style="list-style-type: none"> <li>Boundary of Factory</li> <li>Masjid Kampung Labohan</li> </ul>	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 FY2022, there was no reported case of non-compliance against the local government rules and standards, and no penalty imposed in relation to environmental pollution.

## 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.

## SUSTAINABILITY STATEMENT

### Our approach to sustainable waste management / waste reduction

#### Industrial Gases Division

Our LCO<sub>2</sub> manufacturing process is designed to capture the waste CO<sub>2</sub> released by our raw gas supplier, which we then liquify into LCO<sub>2</sub>. This will reduce overall CO<sub>2</sub> emission, which was previously vented to the atmosphere.

- (1) Capture waste gas emitted by a petrochemical complex, to be re-used as a key raw material in our LCO<sub>2</sub> production.

	FY2020	FY2021	FY2022
<b>Waste Gas Reuse – Carbon Dioxide</b>	30,369 tonnes	47,596 tonnes	<b>60,471 tonnes</b>

- (2) Improve LCO<sub>2</sub> production yield and minimize ready stocks wastages.
- (3) Continuous improvement in dry ice manufacturing efficiency by minimising production waste/ maximising gas recovery.

#### UHP/ Engineering Division

- (1) Value Engineering: Maximize value and minimize waste.
- (2) Encourage employees' participation in recycling program.
- (3) Practice segregation of solid waste and recycling during or after completion of general construction project.
- (4) Ensure the site induction to staff and sub-contractors includes awareness of good waste management and the specific measures used at the site.
- (5) We monitor non-recycled waste intensity and the non-recycled waste intensity reduced 27% in FY2022 as compared to based year FY2020. However, the year-over-year non-recycled waste intensity increased 128% due to the project mix and increase in construction activities in Malaysia:-

Engineering Division	Unit of measure	FY2020	FY2021	FY2022
Construction Waste	tonnes	330	200	717
EBITDA – Engineering Division	RM' million	22.9	43.1	68.2
<b>Non-Recycled Waste Intensity</b>	tonnes/ RM'million EBITDA	14.4	4.6	<b>10.5</b> <b>+128%</b>

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 FY2022, the total construction waste generated by Kelington was recorded at 717 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.

## SUSTAINABILITY STATEMENT

The total construction waste generated in FY2022 increased by 259% as compared to FY2021.

	Construction Waste Generated in			How we manage construction waste
	FY2020	FY2021	FY2022	
KE Malaysia	303	193	621	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	94	Dispose construction waste via site waste management facilities and in compliance with the waste management regulations.
KE China	26	6	1	
KE Taiwan	1	1	1	
Ace Gases - Malaysia	0	0	0	N/A
<b>Total Construction Waste generated</b>	<b>330</b>	<b>200</b>	<b>717</b> <b>+259%</b>	

Resource Efficiency Program was implemented since FY2021 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 61 tonnes of industrial waste in FY2022.

	Unit of measure	FY2021	FY2022	FY2023
Recyclable steel and metal	tonnes	39	60	
Wood	tonnes	0	1	
<b>Total Industrial Waste Recycled</b>	tonnes	39	61 <b>+56%</b>	

### 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.

	Unit of measure	FY2021	FY2022	FY2023
<b>Scheduled Waste</b>	tonnes	27	38	
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.				

Our industrial gases division 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. In FY2022, 38 tonnes of scheduled waste was generated when we carried plant maintenance and replace adsorbents or catalysts used in our manufacturing process.

### 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.

## SUSTAINABILITY STATEMENT

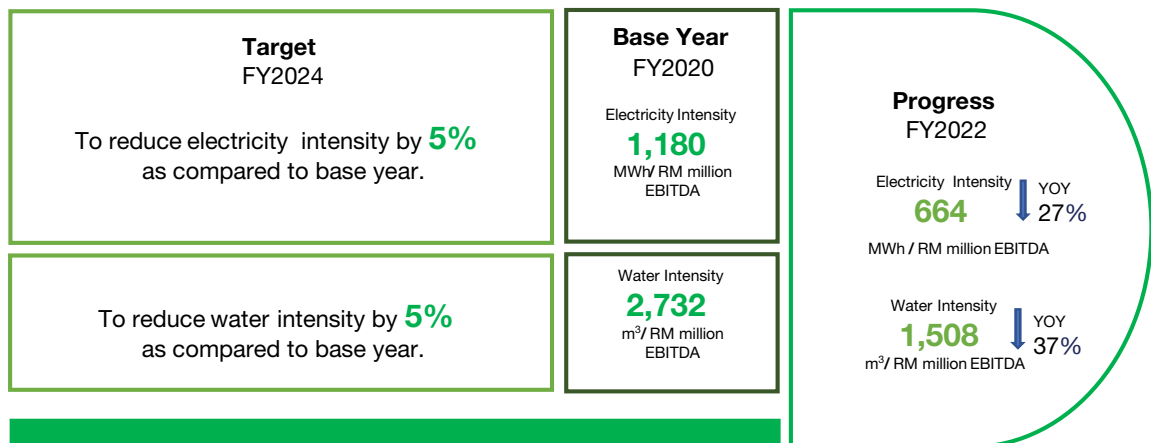
### Dispose your electronic waste safely

In FY2022, we provide E-waste Collection Box 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.

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

E-Waste Type	Unit of measure	FY2021	FY2022	FY2023
Monitor	Number	–	5	2
Notebook Computer	Number	5	7	–
Printer	Number	–	1	1
Server	Number	1	–	–
Others i.e typewriter, desk phone, wireless mouse, laptop battery, laptop adapters & cables	Kg	11	30	6

### SI 3 Resources Management



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.

## SUSTAINABILITY STATEMENT

### Energy Management

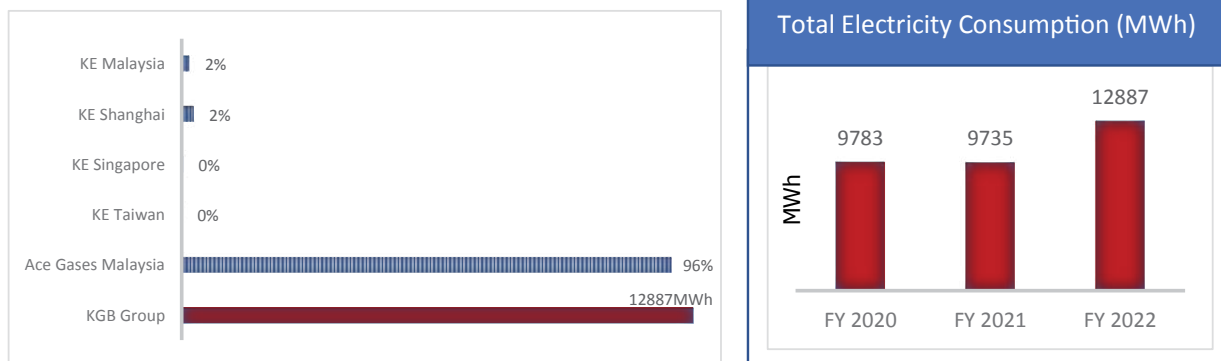
At Kelington, a majority of our business activities are carried out at customers' sites and fabrication facilities. Due to the nature of our manufacturing business, we consume a substantial amount of electricity. Kelington's Industrial Gases manufacturing activities, production and machinery operations 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.

The trackable electricity consumption of Kelington Group in FY2022 are as follows:



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 FY2022. 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.

## SUSTAINABILITY STATEMENT

### Electricity Intensity

Industrial Gases Division	Unit of measure	FY2020	FY2021	FY2022
Electricity Consumption	MWh	5,853	9,377	12,331
EBITDA	RM' million	4.96	10.35	18.58
<b>Electricity Intensity</b>	MWh/RM'mil EBITDA	<b>1,180</b>	<b>906</b>	<b>664</b>
				<b>-27%</b>

In FY2022, while EBITDA grew 80%, energy intensity was reduced by 27% as a result of improved productivity, improved plant efficiency, 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.

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 11,236 KWh solar power in FY2022.

KE Malaysia – Renewable Energy	Unit of measure	FY2020	FY2021	FY2022
Solar Power Generated	KWh	20,538	18,557	11,236
				<b>-39%</b>



## SUSTAINABILITY STATEMENT

### 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.

We commit to sustainable water sourcing and consumption practices across operations. Our water management plan consists of the following actions:

- 1) We engineer solutions to design and install waste water treatment system used to remove contaminants prior returning the water back to sewage.
- 2) Our Plant Operation team collect water consumption data regularly from the meters, analyse the data, monthly monitoring of water consumption to understand our water usage patterns and identify potential inadequacies. We set target for water usage based on historical data and industry benchmarks. Our operation team track progress toward reducing water consumption and shall implement conservation measures promptly should there be an uptrend in water consumption.
- 3) 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.
- 4) Our cooling tower water treatment system prevents the growth of Legionella bacteria, which may affect workers' health.

We do not have any business 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 Withdrawal

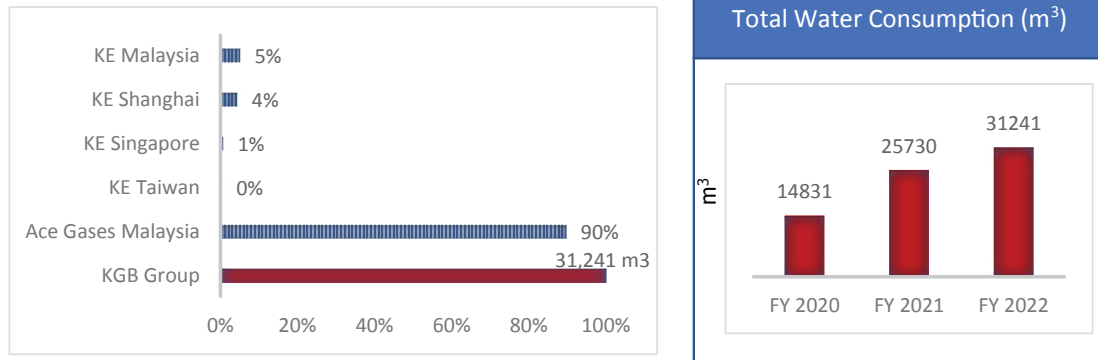
The Group primarily consumes municipal water supply, which is mainly derived from the water reservoir (municipal potable water). We do not utilise any other water sources such as surface water from rivers, lakes, natural ponds, groundwater from wells, or external wastewater. The total water withdrawal within our organisation amounted to 31,241 m<sup>3</sup> in FY2022.

Water Withdrawal (by sources)	Unit of measure	FY2020	FY2021	FY2022
Surface water from rivers, lakes, natural ponds	m <sup>3</sup>	0	0	0
Groundwater from wells, boreholes	m <sup>3</sup>	0	0	0
Used quarry water collected in the quarry	m <sup>3</sup>	0		0
Municipal potable water	m <sup>3</sup>	14,831	25,730	31,241
External wastewater	m <sup>3</sup>	0	0	0
<b>Total Water Withdrawal</b>	<b>m<sup>3</sup></b>	<b>14,831</b>	<b>25,730</b>	<b>31,241</b> <b>+21%</b>

## SUSTAINABILITY STATEMENT

### Water Consumption

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.



The chart above depicts that the Group's water consumption was largely contributed by Ace Gases – the LCO2 manufacturing plant located at Kerteh – representing 90% of the total water consumption in FY2022.

For our Industrial Gases division, we apply water intensity parameters to measure the water consumed to generate an EBITDA of RM1 million. In FY2022, as EBITDA of LCO2 business division grew by 80%, water consumption increased by 13%. This resulted in an improvement of 37% in water intensity.

Industrial Gases Division	Unit of measure	FY2020	FY2021	FY2022
Water Consumption	m <sup>3</sup>	13,552	24,791	28,012
EBITDA	RM' million	4.96	10.35	18.58
<b>Water Intensity</b>	<b>m<sup>3</sup>/RM'mil EBITDA</b>	<b>2,732</b>	<b>2,395</b>	<b>1,508</b>
				<b>-37%</b>

### 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 FY2022, 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.

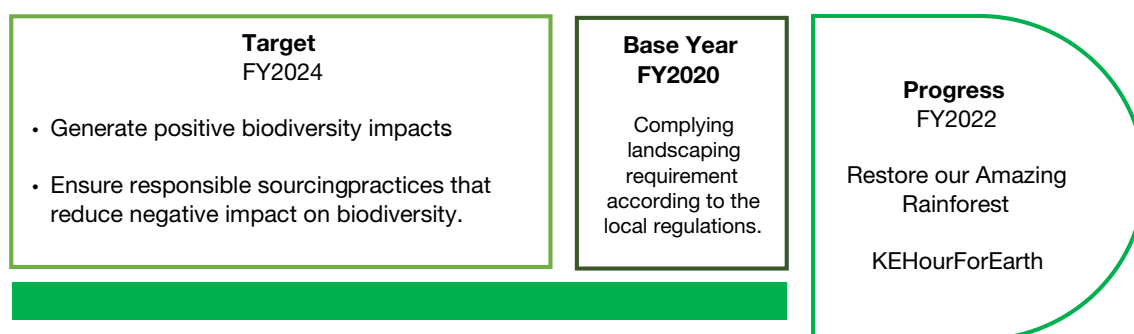
Water Discharge by destination	Unit of measure	FY2020	FY2021	FY2022
Ocean total discharge	m <sup>3</sup>	0	0	0
Surface water total discharge	m <sup>3</sup>	14,831	25,730	31,241
Subsurface/ well total discharge	m <sup>3</sup>	0	0	0
Off-site water treatment total discharge	m <sup>3</sup>	0	0	0
Beneficial / other use total discharge	m <sup>3</sup>	0	0	0
<b>Total Water Discharge</b>	<b>m<sup>3</sup></b>	<b>14,831</b>	<b>25,730</b>	<b>31,241</b>

## SUSTAINABILITY STATEMENT

## SI 4 Support Biodiversity

Biodiversity provides functioning ecosystems that supply oxygen, clean air and water, pollination of plants, pest control and wastewater treatment, among others. Hence, 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 threaten biodiversity. As such, we are committed to reducing the impact of our operations on biodiversity through systematic management approaches.

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, 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.

Environmental Impact Assessment shall be conducted for any new proposed projects that we intend to develop and subsequently carry out business activities. In FY2022, 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

Tree planting is beneficial in improving wildlife habitats, in addition to building resiliency to support the various benefits that nature provides. In FY2022, Kelington participated in "Restore our Amazing Rainforest" and a total of 50 trees have been planted towards the restoration of the forest corridor along the Lower Kinabatangan, Sabah, Malaysia. The initiatives of the program is mainly for reforestation at Lower Kinabatangan Wildlife Sanctuary, Sabah - to maintain the landscape and ecology of the forest (a purely jungle) and also to rebuild "home" for wildlife animals.

## SUSTAINABILITY STATEMENT



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 February and March 2023, we participated in World Wildlife Fund's landmark movement, Earth Hour and encouraged all our employees to switch off their lights and spend 60 minutes doing something positive for our planet. On Earth Day, we encouraged our people to take a natural walk, sorting trash at home, separate recyclable items into different bins, cooking dinner with sustainable ingredients etc.

### Highlights of KEHourForEarth



Karan & Donna from Puritec Singapore celebrate care and love for our planet by cleaning up Sembawang Beach on Earth Day.



Project team in Singapore join the Earth Hour and they made use of portable rechargeable lights in the office and spread the awareness of environmental issues.



Our employees in KE Shanghai turned off the lights for Earth hour and involved kids in conserving energy resources.

# Value engineering through innovation and collaboration

Be an effective, accountable  
and transparent organisation



*We Care for Business*

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# SUSTAINABILITY STATEMENT

## SI 11 Governance and Ethics

Target FY2024	Based Year FY2020	Progress FY2022
Committed to train all employees on the Anti Bribery and Corruption Policy (ABC Policy) and risk management.	<b>100%</b> employees was trained on ABC and risk management.	<b>100%</b> employees was trained on ABC and risk management.
Committed to 100% communication for all vendors on the ABC Policy.	<b>100%</b> vendors acknowledged on ABC Policy	<b>100%</b> vendors acknowledged on ABC Policy
Zero incident of corruption and bribery case	<b>Zero</b> incident of corruption and bribery case	<b>Zero</b> incident of corruption and bribery case

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 106 to 128 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
<ul style="list-style-type: none"> <li>Board Diversity Policy</li> <li>Remuneration Policy</li> </ul>	<ul style="list-style-type: none"> <li>Risk Management Policy</li> <li>Anti-Bribery and Corruption Policy</li> <li>Whistleblowing Policy</li> <li>Code of Ethics and Conduct for employees and third parties</li> <li>Corporate Disclosure Policy</li> <li>Conflict of Interest Policy</li> <li>Fit and Proper Policy</li> <li>External Auditors Policy</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable Development Position Statement</li> <li>Environmental Policy</li> <li>Community Investment Policy</li> <li>Diversity, Equity and Inclusion Policy</li> <li>Human Rights Policy</li> <li>Responsible Supply Chain Policy</li> <li>Safety and Health Policy</li> <li>Quality Policy</li> <li>Drug Free Environment Policy</li> <li>Sexual Harassment Policy</li> </ul>

## SUSTAINABILITY STATEMENT

At Kelington, annual awareness training on ethics is required to reinforce the importance of ethical behaviour, promote a culture of ethics and mitigate risk for the Group. The percentage of employees who have received training on ABC policy and risk management in FY2022 are as below:-

	Malaysia	Singapore	China	Taiwan
Director and Senior management	100%	100%	100%	100%
Middle management	100%	100%	100%	100%
Engineers/ Executive	100%	100%	100%	100%
Operators/Technicians/ Non Executive	100%	100%	100%	100%

In FY2022, there were no reported incidents of corruption and bribery; no employee dismissed due to non-compliance with ABC Policy; and no fines, penalties or settlements made in relation to corruption.

### 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 129.

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

Application	Mechanisms
<ul style="list-style-type: none"> <li>Employee to raise their grievance in matters involving work relations and conditions.</li> <li>Member of the Public to raise any concern or complaint in their dealing with or in relation to Kelington Group.</li> </ul>	Grievance Procedures email: <a href="mailto:grievance@kelington-group.com">grievance@kelington-group.com</a>  Grievance Procedures Hotline: +603 7845 8751
<ul style="list-style-type: none"> <li>Stakeholder / Public to report wrongdoings by any employees in the conduct of Kelington's business or affairs.</li> </ul>	Whistleblowing Email: <a href="mailto:ccid@kelington-group.com">ccid@kelington-group.com</a>

## SI 12 Economic Growth & 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

## SUSTAINABILITY STATEMENT

Our Journey Towards Sustainability for a Greener Growth		Revenue RM'000
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	Successfully 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	<p>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.</p> <p>Identified the top 4 most material sustainable matters which are risk management; workers' safety &amp; health; business growth; and quality products and services. Discussed sustainability topics on managing our business; our people; focus of customers; and environmental care and protection.</p>	379,768
2020	<p>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.</p> <p>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.</p>	394,599
2021	<p>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.</p> <p>We established Sustainability Policies and Guidelines, groupwide sustainability governance framework; and a base line for sustainability management.</p> <p>During the review period of December 2021, Kelington met FTSE4GOOD criteria and was added into:</p> <ul style="list-style-type: none"> <li>• FTSE4Good Bursa Malaysia Index</li> <li>• FTSE4Good Bursa Malaysia Shariah Index</li> </ul>	517,825
2022	Kelington accomplished its most successful year to date, breaking new records in terms of financial performance and value of new contracts secured. The revenue has exceeded RM1 billion for the first time, marking a significant milestone in the Group's history. In addition, Kelington is also building a new on-site gas supply scheme to provide hydrogen, nitrogen, and oxygen to an optoelectronics semiconductor giant in Kulim, Kedah.	1,278,837

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 32 of this Report.



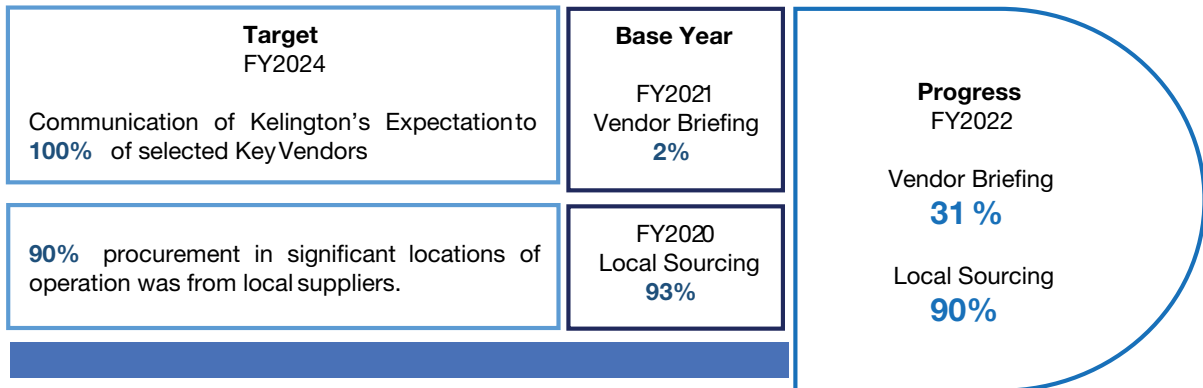
## SUSTAINABILITY STATEMENT

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 FY2022 Annual Report:

Group Financial Highlights: pages 7 to 8; Group Financial Statements: pages 147 - 157.

## SI 9 Sustainable Supply Chain



Having operations spanning across four geographies, namely Malaysia, Singapore, China and Taiwan, Kelington engaged with over 1,651 global and local external providers in our supply chain in FY2022. These include material suppliers, subcontractors, transporters and professional service providers.

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.

In FY2022, we continue to focus on the areas of occupational health and safety, the natural environment, the fight against corruption and the respect for human rights. Apart from that, we maintain tracking and monitoring on local procurement, and consider local sourcing as much as possible, directly benefiting the local economy where we operate.

#### Management approach

The supply chain disruptions began with the government movement control measures put in place in FY2020 to prevent the spread of COVID-19. The pandemic has resulted in unprecedented supply chain disruptions and labor shortages. In FY2022, the endemic requires the Group to continue to adapt and rise to new challenges as we remain committed on supply chain risk management and working proactively together with the critical suppliers to mitigate supply chain risks.

We believe that building a risk-aware culture requires buy-in at all levels of our business. The easiest way to achieve this is to conduct risk awareness training for our workforce.

## SUSTAINABILITY STATEMENT

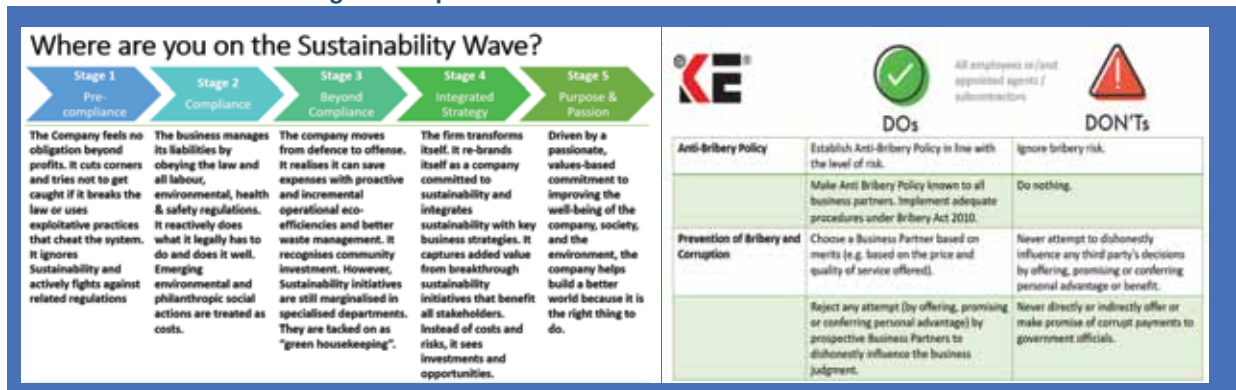
In FY2022, all our management was trained with supply chain management risks and challenges.

	Internal supply chain risk events	External supply chain risk events
<b>Engineering</b>	<ul style="list-style-type: none"> <li>Not complying with environmental regulations or labor laws.</li> <li>Quality/ Delivery Failures, not able to hand-over project to meet customers' needs.</li> <li>Not putting contingencies in place in case something goes wrong</li> </ul>	<ul style="list-style-type: none"> <li>Interruptions to the flow of products, including raw materials, parts, and finished goods.</li> <li>Unpredictable or misunderstood customer demand.</li> </ul>
<b>Industrial Gases</b>	<ul style="list-style-type: none"> <li>Disturbances in internal operations or processes.</li> <li>Failing to plan for emergencies or find alternate solutions.</li> <li>Not putting contingencies in place in case something goes wrong</li> </ul>	<ul style="list-style-type: none"> <li>Interruptions to the flow of products, including raw materials and parts.</li> <li>Electricity shortage</li> </ul>

Since FY2022, the sustainable supply chain (“SSC”) working group was assigned to promote sustainability and communicate with our selected key external provider via formal and informal channels, to better understand:

- level of our key vendors’ understanding about sustainability and their ethical commitment;
- any challenges they encounter when providing supply or services to our valued customers; and
- any assistance needed from Kelington in their sustainability journey.

### Create awareness on Kelington’s Expectation



**Where are you on the Sustainability Wave?**

Stage 1 Pre-compliance	Stage 2 Compliance	Stage 3 Beyond Compliance	Stage 4 Integrated Strategy	Stage 5 Purpose & Passion
The Company feels no obligation beyond profits. It cuts corners and tries not to get caught if it breaks the law or uses exploitative practices that cheat the system. It ignores sustainability and actively fights against related regulations	The business manages its liabilities by obeying the law and all labour, environmental, health & safety regulations. It reactively does what it legally has to do and does it well. Emerging environmental and philanthropic social actions are treated as costs.	The company moves from defence to offense. It realises it can save expenses with proactive and incremental operational efficiencies and better waste management. It recognises community investment. However, sustainability initiatives are still marginalised in specialised departments. They are looked on as “green housekeeping”.	The firm transforms itself. It re-brands itself as a company committed to sustainability and integrates sustainability with key business strategies. It captures added value from breakthrough sustainability initiatives that benefit all stakeholders. Instead of costs and risks, it sees investments and opportunities.	Driven by a passionate, values-based commitment to improving the well-being of the company, society, and the environment, the company helps build a better world because it is the right thing to do.

	DOs	DON'Ts
<b>Anti-Bribery Policy</b>	Establish Anti-Bribery Policy in line with the level of risk. Make Anti Bribery Policy known to all business partners. Implement adequate procedures under Bribery Act 2010.	Ignore bribery risk. Do nothing.
<b>Prevention of Bribery and Corruption</b>	Choose a Business Partner based on merits (e.g. based on the price and quality of service offered). Reject any attempt (by offering, promising or conferring personal advantage) by prospective Business Partners to dishonestly influence the business judgment.	Never attempt to dishonestly influence any third party's decisions by offering, promising or conferring personal advantage or benefit. Never directly or indirectly offer or make promise of corrupt payments to government officials.

In FY2022, 11 out of 36 selected subcontractors was briefed 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 key external providers by December 2024.

In order to monitor our key subcontractors’ sustainability commitment and ensure the delivery of a mutually-beneficial solutions in a sustainable manner, our SSC working group will collect relevant data via due diligence questionnaire after communicating Kelington’s expectation. Based on the nine completed questionnaire received in FY2022, SSC working group noted that the key subcontractors of Kelington in Malaysia are in the range between “pre-compliance” and “compliance” in the sustainability wave.

Ethics issues in supply chain can have significant impacts on various aspects of our business, including reputation, legal and financial liability and customer loyalty. Our SSC working group assess the potential risks regularly and seek collaboration and coordination across the supply chain to ensure resilience and continuity of operations.

## SUSTAINABILITY STATEMENT

### Screening of selected key sub-contractors

In FY2022, 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

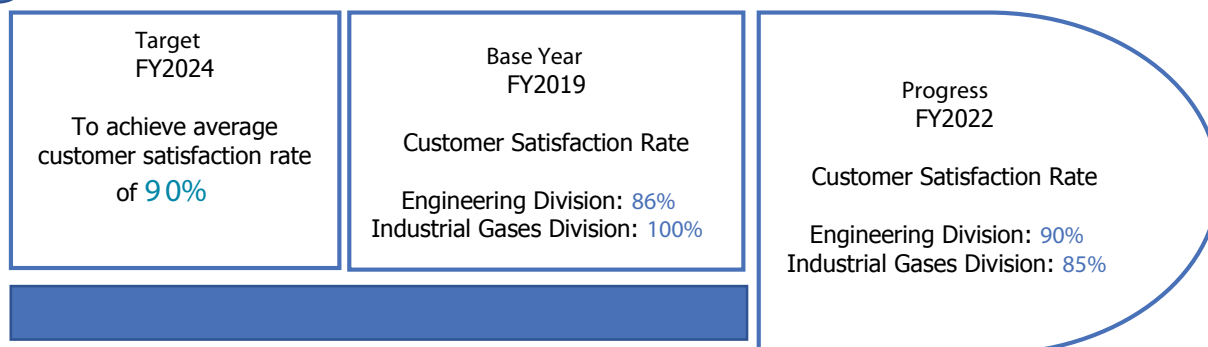
We strive to support local vendors where feasible, as to attract additional investment into homegrown businesses and thus contribute to the growth of the nation's economy. At the same time, local sourcing can be a strategy to maintain community relations. In our procurement process, Kelington constantly 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.

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 FY2022, we managed to source more than 90% of our total purchases groupwide from local external providers. Geographically, KE Taiwan and KE China had achieved the highest percentage at 99% and 95% local sourcing, followed by KE Malaysia and KE Singapore both at 88%. We will continue prioritising local external providers in terms of our purchases in the future.

### SI 13 Quality Products and Services



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.

## SUSTAINABILITY STATEMENT

### 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.

Certification	Mechanisms
Malaysia - Engineering	ISO 9001:2015
Malaysia – Ace Gases	ISO 9001:2015, FSSC 22000, Halal certification (Jakim)
Singapore - Engineering	ISO 9001:2015
China - Engineering	ISO 9001:2015
China - Manufacturing	SEMI S2-0810E, SEMI S8-0218

### 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:

- Timeliness & Reliability of Product / Services Delivery
- Quality of Product & Services
- Responsive to Customer Needs
- Communication with Customer
- Safety & Environment Compliance

### Customer Satisfaction Survey (“CSS”)

	2019		2020		2021		2022	
	No. of CSS conducted	Average Rating %	No. of CSS conducted	Average Rating %	No. of CSS conducted	Average Rating %	No. of CSS conducted	Average Rating %
<b>Engineering Division</b>	17	86%	12	90%	33	93.5%	40	90%
<b>Industrial Gases Division</b>	3	100%	5	100%	16	85%	21	85%

## SI 14 Technology & 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.

## SUSTAINABILITY STATEMENT

Kelington adopts a Technology and Innovation framework to prioritize our efforts and drive innovative initiatives to our focus areas:

### Research and Development (R&D)

Our UHP division 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 highlow temperature-controlled exchanger and specialty gas cabinet together with its exhaust system.

In FY2022, we had spent a total amount of RM6.5 million for R&D and this marks the fifth 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.

### Collaboration and Partnerships

Kelington actively seek out collaborations with international players to develop innovative technology that can contribute the mitigation and adaptation to climate change. i.e solutions that can help to address climate change such as greenhouse gases treatment system, exhaust gas abatement technology, energy storage, carbon capture and storage.

### Digitalisation

Digitalisation is an overall driver of organisational transformation that impacts every part of our business. 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.

Digitalisation has had a significant impact on the way engineering drawings are created, managed, and shared. Computer-aided design (CAD): CAD software has revolutionized the way engineering drawings are created. With CAD software, engineers can create 2D and 3D drawings on a computer using a variety of tools, such as lines, arcs, circles, and polygons. This eliminates the need for manual drafting, which can be time-consuming and error-prone. BIM (Building Information Modeling) 3D models contain detailed information about the project, including geometry, materials, and other data. This allows stakeholders to view the project in 3D, which provides a more accurate and realistic representation of the building or infrastructure project. BIM drawings contain a wealth of information about the project, including details about materials, systems, and equipment. This information can be shared with contractors, suppliers, and other stakeholders to help them better understand the project and to make more informed decisions. In addition, the software can be used to create a construction sequencing plan and also detect clashes between different elements of the project, such as pipes and ducts. This helps to identify potential conflicts before construction begins, which can reduce errors and delays.

Digitalisation enables automating tasks that were previously done manually. It help to reduce errors, increase efficiency, and free up employees to focus on more strategic tasks. Collaboration tools like video conferencing, instant messaging help our teams work together more efficiently and effectively. Digitalisation enables the creation of centralised document management system that allow employees to access and manage documents from a single location. Remote access to systems and data improve the speed and efficiency of processes. Employees can access information and systems from anywhere, reducing the need for physical presence in the office. Through the Enterprise Resource Planning (“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.

### 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 & Sustainably.

# Building a thriving workplace for employees



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## SUSTAINABILITY STATEMENT

### SI 5 Occupational Safety & Health

We place a high priority on the safety and well-being of our employees, recognizing that occupational safety and health (OSH) is of paramount importance in the workplace. In the construction industry, where the risk of injury is particularly high, ensuring a safe working environment is crucial. This responsibility extends not only to individual work sites, but to all operations across the organization.

In order to foster a healthy and safe working environment, we have implemented preventative measures against accidents, and we are committed to providing our people with a safe and healthy workplace. This includes significant investment in resources to ensure that employees and workers are protected at all times we are moving to the new COVID-19 endemic state.

It is our responsibility to enforce safety measures that prevent work-related illnesses and injuries, in order to nurture a productive and healthy workforce. By implementing globally recognized standards, ISO 45001:2018 Occupational Health & Safety Management System (OHSMS), we strive to proactively improve our occupational health and safety performance.

Our commitment to safety aligns with the UN SDG No. 3, which is to ensure health and well-being for all. By prioritizing OSH and taking measures to prevent accidents and promote employee well-being, we remain confident of contribution to this global goal.

Kelington is dedicated to providing a safe and healthy working environment for our employees and workers. We understand that safety is a shared responsibility, and are committed to ongoing improvement in our occupational health and safety performance through the implementation of globally recognized standards. By doing so, we are not only protecting our people, but also contributing to a healthier and safer world.

#### Our approach to workplace safety and employee well being

Our operations span various locations, making it vital for us to adopt a systematic approach to creating a safe working environment at all project sites. To achieve this, safety considerations and practices have been incorporated into our Group's Standard Operating Procedures (SOP) as a guideline for all employees and workers who perform work involving hazardous materials, equipment or operations.

We believe that enhancing safety efforts is essential, which is why we ensure that all employees and workers at our sites have proper training, experience and knowledge to conduct their tasks in a proper manner. In addition, we equip our staff with ergonomic tools, protective equipment and first aid kits. All relevant safety requirements, measures, work rules, procedures and protocols set out in safety manuals, handbooks and documents are reviewed and updated regularly to ensure continuous improvement of our safeguards.

To ensure effective communication and accessibility, employees and workers can access safety manuals and safety information via various channels, such as emails and newsletters, safety info and signage posted throughout the workplace, daily tool box meetings and mass tool boxes, occupational safety and health training and education, and communication during routine safety inspections and safety line walks. We also share S&H Communication Report to promote learning and best practices.

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. For more information on our sustainable supply chain, please refer to page 78.

We believe in a culture of caring about the wellbeing of our people, and safety and health are of paramount importance at our workplace. We remain vigilant and devote constant efforts to ensure that all practices comply with our safety and health policies. We do not tolerate any unsafe practices and appropriate action shall be taken on any violations of safety and health practices by the company.

At Kelington, we prioritize building a healthy workforce, and our human capital strategy reflects that. We have crafted employment packages with a range of entitlements and benefits to improve the well-being of our employees and assist them in achieving work-life balance. We also offer healthcare insurance and medical coverage for accidents and hospitalization to all employees and direct family members who qualify for a health insurance subsidy.

## SUSTAINABILITY STATEMENT

We believe that investing in our employees' well-being and prioritizing a culture of caring ultimately leads to our continued success.

### How does Kelington manage occupational health and safety ?

#### a) Management System

Kelington has implemented comprehensive and well-documented Occupational Safety and Health (OSH) policies and procedures with the aim of creating a safe and supportive working environment for all individuals working at our workplace. Our OHS Management System (OHSMS) encompasses all employees of Kelington Group as well as individuals who are not employees but whose work or workplace is under the control of Kelington.

As at 31 December 2022, Kelington's OHSMS has achieved 91% certification to ISO 45001:2018, demonstrating our strong commitment to maintaining a high standard of health and safety measures for our employees and other individuals under our care. Kelington is committed to advocating best practices and to ensure its safety performance is benchmarked against industry standards.

Activities	Workplaces	Group Operating Revenue (%)	Occupational Health & Safety Management System
<ul style="list-style-type: none"> <li>Construct specialized facilities</li> <li>Construct mechanical and electrical systems</li> <li>Installation of gas and chemical distribution system</li> <li>Fabrications</li> </ul>	Customers' site- Singapore	36%	<ul style="list-style-type: none"> <li>ISO 45001:2018 certified since December 2020*</li> </ul>
	Customers' site-China	15%	<ul style="list-style-type: none"> <li>Certified to OHSAS 18001:2007 from June 2019 to June 2020</li> <li>ISO 45001:2018 certified since August 2020*</li> </ul>
	UHP Fabrication Facilities -China		
	Customers' site-Malaysia	40%	<ul style="list-style-type: none"> <li>Certified to OHSAS 18001:2007 from July 2014 to Sept 2019</li> <li>ISO 45001:2018 certified since July 2020*</li> </ul>
	Customers' site-Taiwan	3%	<ul style="list-style-type: none"> <li>Adapting safety &amp; health standards to ensure workplace safely</li> </ul>
Manufacturing and trading of industrial and specialty gases	Manufacturing Facilities- Malaysia	6%	<ul style="list-style-type: none"> <li>Adapting safety &amp; health standards to ensure workplace safely and target to obtain ISO 45001:2018 certification by Y2024.</li> </ul>

\* 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

At Kelington, our core belief is "Safety First, Quality Always", which guides the way we operate our business. We are fully committed to safeguarding the health and safety of not only our employees but also workers and members of the public who may be impacted by our operations. This makes up an essential part of risk management led by the Board. By prioritizing safety and health, we aim to continue delivering high-quality services while ensuring the well-being of our people and the public.

In year 2022, Kelington adopted the following safety governance structure to lead and promote health and safety across the Group.



## SUSTAINABILITY STATEMENT

**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.
- The Board via the Risk Management Committee (RMC) continually monitor and review the OSH risks to ensure that the risk management strategies put in place are effective and that any new risks are identified and managed. Agendas for 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.

**Group-wide Safety & Health Working Group ("SHWG")**

- Kelington's group-wide Safety and Health Working Group ("SHWG") is comprised of regional safety and health leads, who work diligently to ensure that all work sites adhere to local occupational safety laws and regulations.
- The SHWG is led by the Group Safety and Health Officer, a certified Greenbook holder who is registered as a certified safety and health officer with the Director General of the Department of Occupational Safety and Health in Malaysia.
- Each member of the SHWG is required to demonstrate a strong commitment to safety and health, and they are tasked with overseeing various aspects of the working environment to ensure the safety and well-being of all individuals involved. This includes:
  - √ Conduct and review Hazard Identification, Risk Assessment and Risk Control ("HIRARC").
  - √ Emergency response testing.
  - √ Incident and accident investigation.
  - √ Workplace inspection/ audit.
  - √ Develop Safe Work Instructions.
  - √ Assist in development of safety and health rules and safe systems of work.
  - √ Review effectiveness of safety and health program.
  - √ Carry out studies on the trends of accidents and incidents.
  - √ Review the safety and health policies at workplace.
- The SHWG reports to the Executive Management regularly on the effectiveness of the OHSMS and to update the implementation status of continuous improvements.

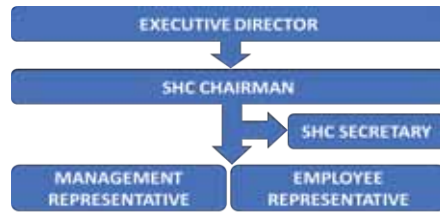
**On-site Safety & Health Committee ("SHC")**

- Our Safety & Health Committees ("SHC") at project sites primarily responsible to identify, evaluate, and manage safety and health hazards within workplace the respective facilities. SHC is responsible for improving safety and health conditions, promoting safety awareness, and providing a forum for employees to voice their safety concerns. SHC shall ensure all workers are well-equipped with safety tools and equipment, and are responsible for scheduled maintenance of equipment.
- The duties and responsibilities of the SHC includes:-
  - √ Conducting regular safety inspections to identify potential hazards and make recommendation for improvement.
  - √ Establish and update health and safety standards, rules and procedures, that are communicated to all workers to ensure adherence to OSH requirements.
  - √ Use color codes, posters, labels or signs to warn employees of potential hazards.
  - √ Communicating safety information, conduct daily toolbox meeting and provide safety training.
  - √ Review and investigate accidents and incidents that occur in the workplace to determine the root cause and recommend corrective actions.
  - √ Keep records of work-related injuries and illnesses.
  - √ Convene meetings on a quarterly basis while providing a communication and participation channel that can be utilized to discuss safety matters of our employees, appointed contractors and visitors at our premises and workplaces.

## SUSTAINABILITY STATEMENT

### On-site Safety & Health Committee (“SHC”)

- 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) Hazard Identification, Risk Assessment and Risk Control Procedure

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). This procedure is especially important when our employees are executing work at our customers’ sites or handling and distributing industrial gases. By identifying potential risks and hazards beforehand, we can take appropriate steps to prevent accidents and ensure the safety of everyone involved.

HIRARC procedure emphasizes the importance of selecting the most effective control measures to manage risks and hazards, and encourages ongoing monitoring and review to ensure continuous improvement in our safety practices. HIRARC is reviewed at least once yearly, when the need arises or new work process is identified.

The HIRARC team is responsible to identify potential hazards, assessing the risks associated with hazards and implementing strategies to mitigate or manage the risk. This may include developing policies and procedures, providing training to employees, or implementing engineering controls. The results of hazard identification and risk assessment would be communicated to relevant stakeholders, including management, employees, and external stakeholders such as regulators and customers.

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

In FY2022, with the continuous implementation of measures to manage hazards, there was no reported incident arising from the above mentioned work-related hazards.

### Risk Assessment

We take a comprehensive approach to ensure the safety and health of all employees and workers, beginning with a formal risk assessment using the HIRARC procedure before any work activity can commence. High risk activities are identified and mitigated using the Permit-to-Work System and the hierarchy of controls is used to determine the most effective ways to protect workers and manage risk to a level that is acceptable.

At all of our industrial gases manufacturing sites, we carry out Chemical Health Risk Assessments in accordance with regulatory requirements to identify potential health risks to workers who may be exposed to hazardous chemicals. The results of these assessments guide subsequent processes such as Chemical Exposure Monitoring and Medical Surveillance in the workplace.

## SUSTAINABILITY STATEMENT

For new operations and large-scale projects, the process for ensuring the safety of workers involves a risk assessment committee that evaluates the potential risks associated with the project. This process consists of several stages, including a review of the project's scope definition, risk assessment matrix, timelines, and multiple levels of approval. Changes to existing operations or projects are managed through the Management of Change (MOC) process, and risk assessments are mandatory for all projects based on their risk classification. The purpose of these assessments is to identify potential risks early on and take appropriate action to mitigate them.

At Kelington, we implement and enforce a "Stop Work Policy" to allow any person, including non-employees, to refuse or stop work activities deemed unsafe without fear of reprisal. We have also established a "Bad Weather Policy" to halt outdoor work activities during adverse weather conditions, recognizing the potential safety hazards that can arise in these situations.

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

### **d) Communication makes workplace safer**

In any workplace, safety is utmost importance. At Kelington, we prioritize the safety and health of our employee and anyone who interacts with our business. Our Occupational Health and Safety Communication, Participation, and Consultation Management Procedure Manual serves as a comprehensive guideline for implementing and maintaining a standardized procedure for communication, participation, and consultation with respect to OSH and environmental hazards.

Through the manual, Kelington aims to ensure that all stakeholders are informed about potential hazards and equipped with the knowledge and tools to prevent them. This, in turn, fosters a culture of safety and accountability throughout the organization. The company also seeks to establish channels for effective communication and collaboration between internal employees, external contractors, and other relevant stakeholders, with the goal of achieving consensus and promoting safety and health management.

Moreover, our Safety and Health Working Group is tasked to ensuring that our Safety and Health Policy is circulated to all suppliers. In addition, we extend invitations to our key suppliers to participate in Occupational Safety, Health and Environment ("OSHE") awareness training programs. These initiatives serve to promote alignment with our safety standards and facilitate the identification and mitigation of potential hazards in our supply chain.

We actively involve our employees and workers in aspect and impact analysis, hazard and risk identification, and risk assessment to ensure that they understand the potential hazards and necessary mitigation strategies. Similarly, we involve our employees and workers in incident investigations to facilitate the identification of the root cause of incidents and the implementation of appropriate corrective actions.

### **Incident and Accident Reporting Procedure**

At Kelington, we have a comprehensive incident/accident reporting procedure that mandates the reporting of any incidents or near misses to line management promptly. The line management shall report any incident/accident to the Safety and Health Department within 24 hours, and respective OSHE function will conduct a review and investigation and thereafter, implement the appropriate corrective action. We also share lessons learned through on-site toolbox meetings, allowing employees to learn from past incidents and develop preventive measures. This process enables swift action to be taken and reduces the likelihood of future incidents.

Additionally, we conduct formal reviews of incidents and accidents at quarterly SHC meetings and annual management review meetings. The SHC meetings involves both management and employee representative provide an opportunity to review our OSH management systems, identify areas for improvement, and enhance the effectiveness of our safety and health initiatives.

No serious incidents were reported during the FY2022, a total of four OSHE-related reports were submitted and resolved within the organization.

## SUSTAINABILITY STATEMENT

### Transparent Communication

When safety or health issues arise, it's important to communicate the information promptly and transparently. Delaying or withholding information can erode trust and lead to further safety or health issues. Kelington's biannual S&H Communication Reports would be circulated to all employees and other interested parties of any accidents or incidents resulting in injuries or fatalities. These reports include information about safety leading indicators, as well as details on incidents that have occurred, the root causes of those incidents, and the measures being taken to prevent similar incidents from happening in the future.

Through this transparent approach, we aim to foster a culture of safety by encouraging open communication and making safety priority for everyone in our organization. Transparent communication can help to identify and address safety and health hazards before they become major issues. When our employees are informed about potential hazards and understand how to mitigate them, Kelington can more effectively manage risks, ultimately we prevent injuries and illnesses, reducing costs associated with these issues.

### e) Safety & Health Awareness and Competencies

At Kelington, we recognize that training is a critical element in reducing the risk of workplace accidents. To ensure our workers are equipped to work safely, we provide regular safety training in addition to daily on-job training during toolbox meetings. Topic covered in year 2022 includes:

- Hazard Communication
- Chemical Safety
- Personal Protective Equipment (PPE)
- Fire Prevention and Emergency Evacuation
- Working at Heights and Fall Protection
- Confine Space Awareness
- First Aid, CPR and AED
- COVID-19 Control and Prevention
- Flagman and Spotter
- Workplace Ergonomics
- Mobile Elevated Work Platform (MEWP)
- Health Awareness
- Scaffold Safety
- Electrical Safety and Equipment Use
- Rigging & Slings

It is essential that our workers fully understand the company's health and safety policies, risk assessments, safety systems of work, and any work-related training requirements. We also make sure that our workers understand their role within these policies and how to manage them effectively.

By monitoring training hours, The Group Safety and Health managers can identify trends and patterns in training needs and adjust the training programs accordingly and ensure that training programs remain relevant and effective in addressing emerging workplace hazards and risks.

	Total Training Hours	Total No. of Employees Trained
	<b>Health &amp; Safety Training</b>	
KE Malaysia	894	169
KE Singapore	5,003	161
KE China	882	57
KE Taiwan	70	2
<b>Total</b>	<b>6,849</b>	<b>389</b>
	<b>General Training which includes safety</b>	
<b>KGB Group</b>	1,060	196

## SUSTAINABILITY STATEMENT



#### f) Safety Recognition Program

Kelington places a strong emphasis on fostering a robust safety culture that prioritizes effective communication, comprehensive training, and ongoing improvement. Our employees play a crucial role in creating a safe working environment, and we are committed to supporting them in every way possible.

To demonstrate our appreciation for our employees' efforts, we have implemented a Safety Recognition Program. This program recognizes and rewards employees who achieve specific safety targets, both in terms of tangible rewards and intangible recognition.

Through this program, we aim to motivate our employees to maintain high levels of safety awareness and engage in safe working practices at all times. The program also serves to foster a positive safety culture that encourages everyone to work together towards creating a safe and healthy workplace.

#### Man-Hour Celebration

The celebration of man hour is a way for us to acknowledge and honor our employees for their exceptional safety performance. This program is designed to recognize employees who have worked for a significant number of hours without experiencing any safety incident or accident.

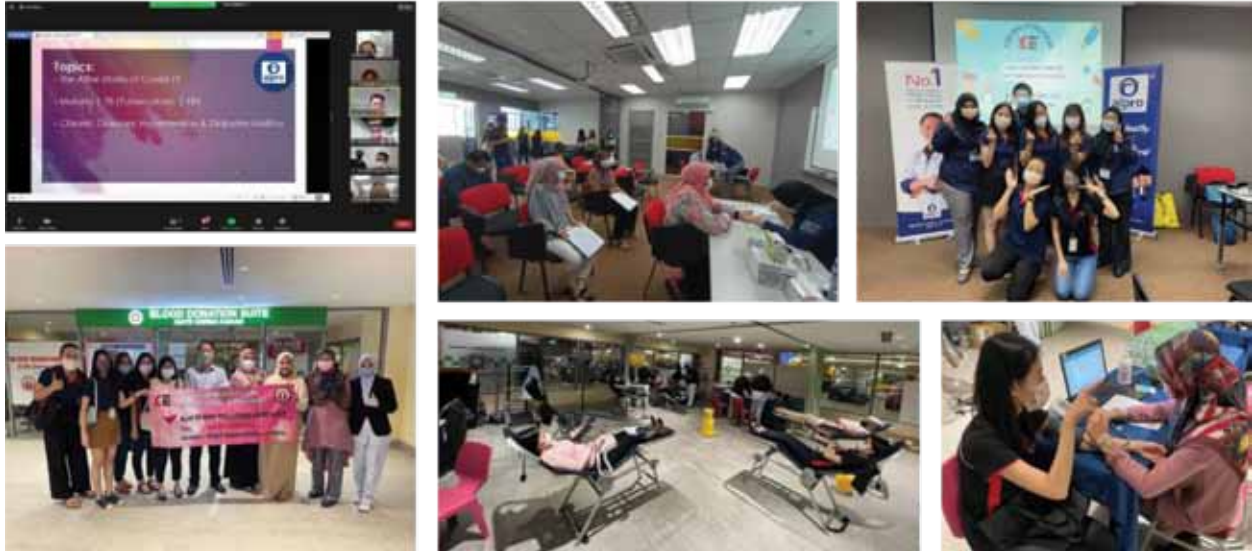
Through this celebration, we show our appreciation for their hard work and commitment to maintaining a safe work environment. It also serves as a motivation for other employees to follow safety protocols and strive for excellence in their work.



## SUSTAINABILITY STATEMENT

### 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.”



At Kelington, we are committed to improving global health equity by raising public awareness of non-communicable and infectious diseases such as HIV/AIDS, malaria, and tuberculosis. We firmly believe that prevention is better than cure, and community awareness is key to fighting these diseases effectively.

## SUSTAINABILITY STATEMENT

To this end, we regularly publish posters and newsletters that provide the latest information and preventative measures against these illnesses to our employees. By raising awareness, we can help our employees understand the risks associated with these diseases and encourage them to take preventive measures to protect themselves.

In 2022, we took our commitment to global health a step further by organizing a Health Campaign. This campaign included health talks on HIV/AIDS, malaria, and tuberculosis, as well as a health screening event to promote awareness and early detection of these diseases. We also collaborated with Pusat Darah Negara to organize a blood donation event, which allowed our employees to give back to the community and contribute to a worthy cause.

**COVID-19 Endemic**

As we entered to an endemic phase of the COVID-19 pandemic, Kelington remain committed to maintaining the health and safety of our employees and the communities in which we operate. We distribute COVID-19 self-testing kits to employees. Prior to entering our office and project sites, all employees are required to conduct self-tests at least twice a month and maintaining reasonable hygiene and social distancing measures across all our premises, facilities and project sites.

**Safety and Health Performance**

27 million man-hours without Lost Time Injury since FY2010

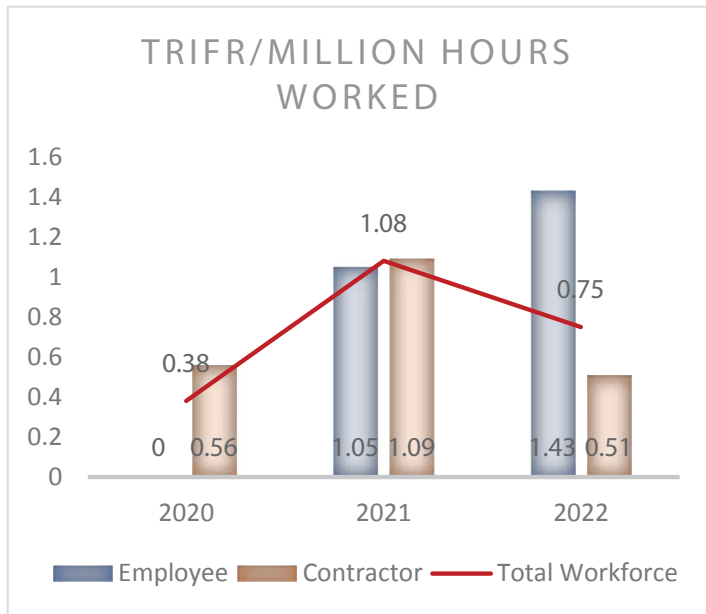
Work-related injuries	All Employees <sup>(1)</sup>			All workers who are not Employees <sup>(2)</sup>		
	FY2022	FY2021	FY2020	FY2022	FY2021	FY2020
Number of fatalities <sup>(3)</sup> as a result of work-related injuries	0	0	0	0	0	0
Number of high-consequence work-related injuries	0	0	0	0	0	0
Number of recordable work-related injuries	2	1	0	2	2	1
Number of lost time <sup>(4)</sup> injuries	0	0	0	0	0	0
<b>Lost time incident rate</b>	0	0	0	0	0	0
<b>Number of hours worked</b>	1,400,120	954,803	869,926	3,940,817	1,827,048	1,775,599

Notes:

- (1) All individuals who are employed by the company, including both permanent and contract employees regardless of their job function or whether they work full-time or part-time.
- (2) All individuals who were working as contractors for the company, regardless of the specific project they were working on.
- (3) An injury leading to immediate death or death within one year from the date of the accident.
- (4) 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



[Figure 2]

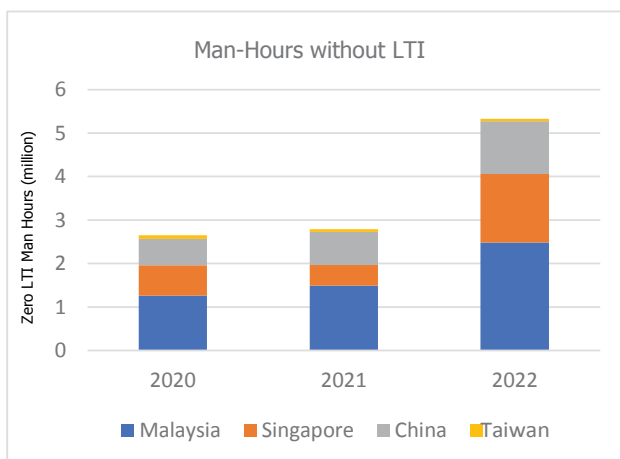
Our Group has recently accomplished a remarkable safety achievement by successfully completing over 27 million man-hours without any lost time injury (LTI) or work-related illnesses since 2010. This has been a significant milestone for us, and we are committed to maintaining our record of zero fatalities and lost workday cases since then. Our total recordable injury frequency rate (TRIFR) has also seen a year-on-year improvement, reducing from 1.07 per one million hours worked in the past to 0.75 in FY2022. Our accident rate reported at 1.74 accidents for every 1,000 employees, which is within the range of industry benchmark at 2.71.

Our work-related injuries and TRIFR for both employees and non-employees are presented in Figure 1 and 3. Despite our commitment to maintaining a safe work environment, our Malaysian operations recorded one employee and two non-employee work-related injuries in FY2022. Similarly, one employee work-related

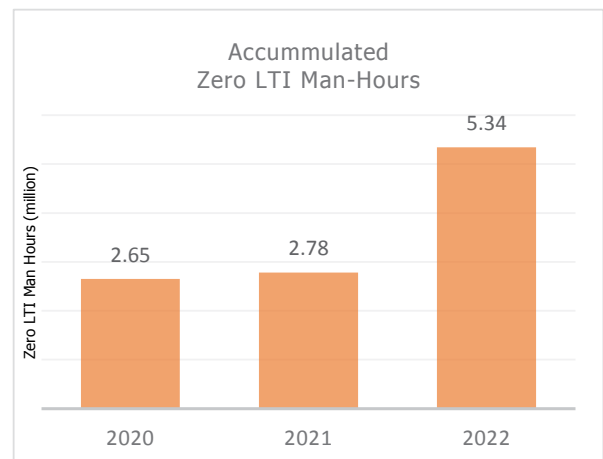
injury was reported in our China operations. On the other hand, our Singapore and Taiwan operations reported no work-related injuries during the same period. It is worth noting that our overall safety record remains impressive, with zero fatalities, lost time injuries, and work-related illnesses reported across all our operations.

The TRIFR is calculated by dividing the number of recordable work-related injuries by the number of hours worked, and multiplying by one million hours worked. Our regional offices report this data on a monthly basis, covering all employees and contractors of Kelington, with no workers excluded from this disclosure.

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.



[Figure 3]



[Figure 4]



## SUSTAINABILITY STATEMENT

### Recognition & Awards

We are proud to share that our efforts in maintaining high standards of quality, safety and professionalism have been recognized in the CIDB SCORE program, where Kelington's operation in Malaysia have been awarded a 4-star rating by the Construction Industry Development Board (CIDB) Malaysia.

In FY2022, our organization was honored with safety awards from our valued customers in recognition of our exceptional safety performance. This recognition demonstrates our unwavering commitment to ensuring the health and safety of our employees and those who interact with our organization. We take great pride in our dedication to implementing rigorous safety measures across all of our operations, and we are deeply grateful for the recognition we have received from our valued customers.

All awards serve as a testament to the hard work and dedication of our entire team in maintaining a safe and healthy work environment. We remain committed to upholding the highest standards of safety and will continue to prioritize the health and well-being of everyone involved in our operations.



# SUSTAINABILITY STATEMENT

## SI 6 Talent Management and Development



**Target**  
FY2024

Average Training Hours per employee  
**12 hours**

Maintain annual staff turnover rate  
**below 15%**

**Base Year**  
FY2019

Average Training Hours per employee  
**10.36 hours**

Staff turnover rate  
**8.9%**

**Progress**  
FY2022

Average Training Hours per employee  
**15 hours**

Staff turnover rate  
**16%**

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.



## SUSTAINABILITY STATEMENT

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.

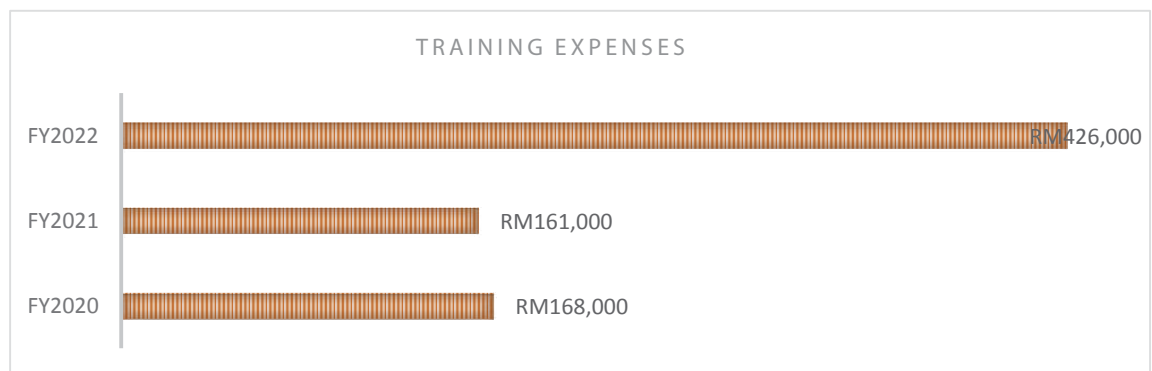
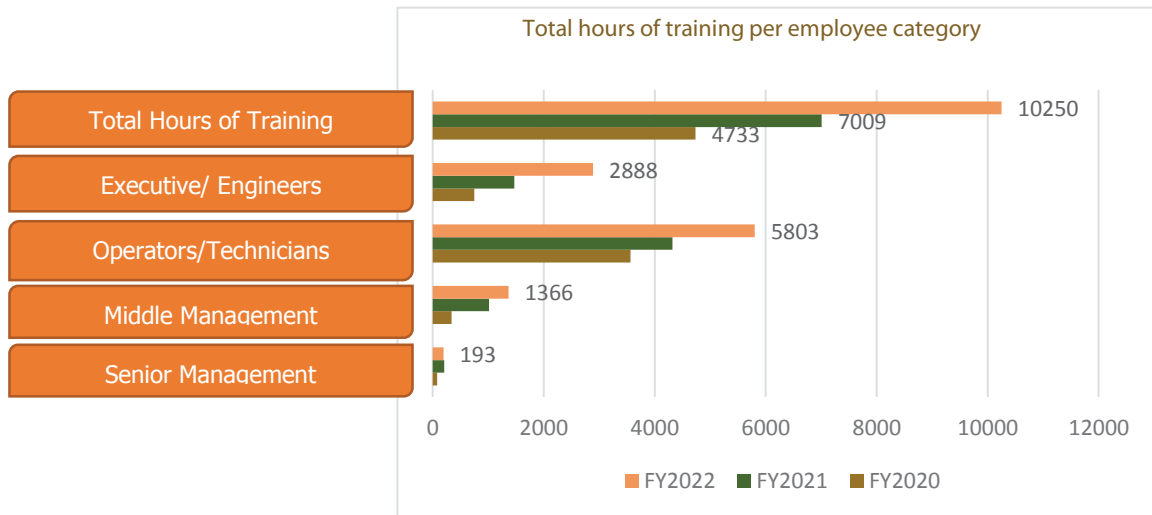
In line with Kelington's consistent performance growth, continuous evaluation of our strategic talent management process enables Kelington to attract suitable candidates available in the market. Furthermore, it allows us to tap into the continuous inflow of talents to fill critical roles and advance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

### Enabling Personal Growth & Recognition

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 FY2022, our Group's training expenses totalled at RM426,000. All employees received at least one training in FY2022. In total, our employees completed more than 72 training sessions via online and offline channels. During the year, the Group clocked in a total of 10,250 training hours, translating to an average of 15.05 training hours for each employee.



## SUSTAINABILITY STATEMENT

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.



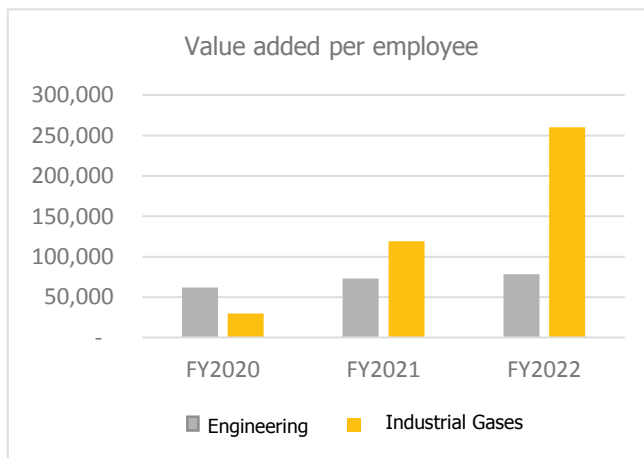
### Employee Performance and feedback

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.



In FYE2022, the value added per employee for the Engineering division improved 7% and recorded at RM78,523 per employee. This is derived by dividing the Engineering business' PAT by its number of employees. As for the Industrial Gases division, the value-added per employee is 3 times higher than the engineering division due to its business nature which is capital intensive and rely heavily on plant and machinery. In contrast, KE's engineering division have low capital investment and rely more on labour to deliver our services, the value-added per employee is generally lower than a capital-intensive company.

## SUSTAINABILITY STATEMENT

## Employee Loyalty

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.

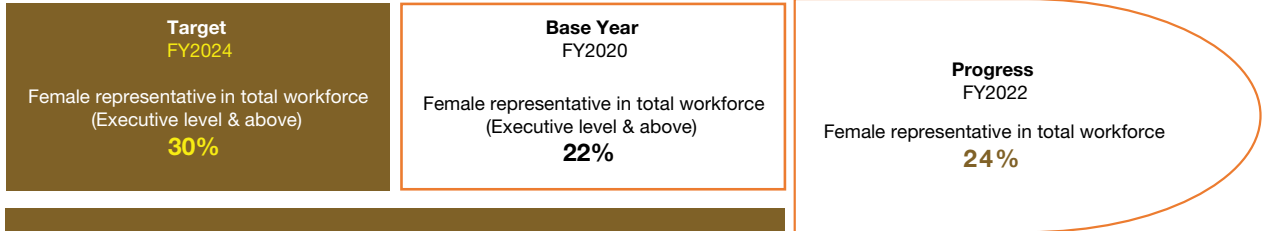
As at 31 December 2022, 42% of our employees have been with Kelington for more than 2 years while 8% of the workforce have been with the Company for more than 10 years. During the year, we honoured 2 employees with 10-year Long Service Award, 6 employees with 15-year Long Service Award and 1 employees with 20-year Long Service Award.



Length of service	No. of employees FY2022	%
< 2 years	393	57.8%
2-5 years	166	24.4%
6-10 years	67	9.8%
11-15 years	39	5.7%
16-20 years	13	1.9%
> 20 years	3	0.4%
<b>Total</b>	<b>681</b>	<b>100%</b>

# SUSTAINABILITY STATEMENT

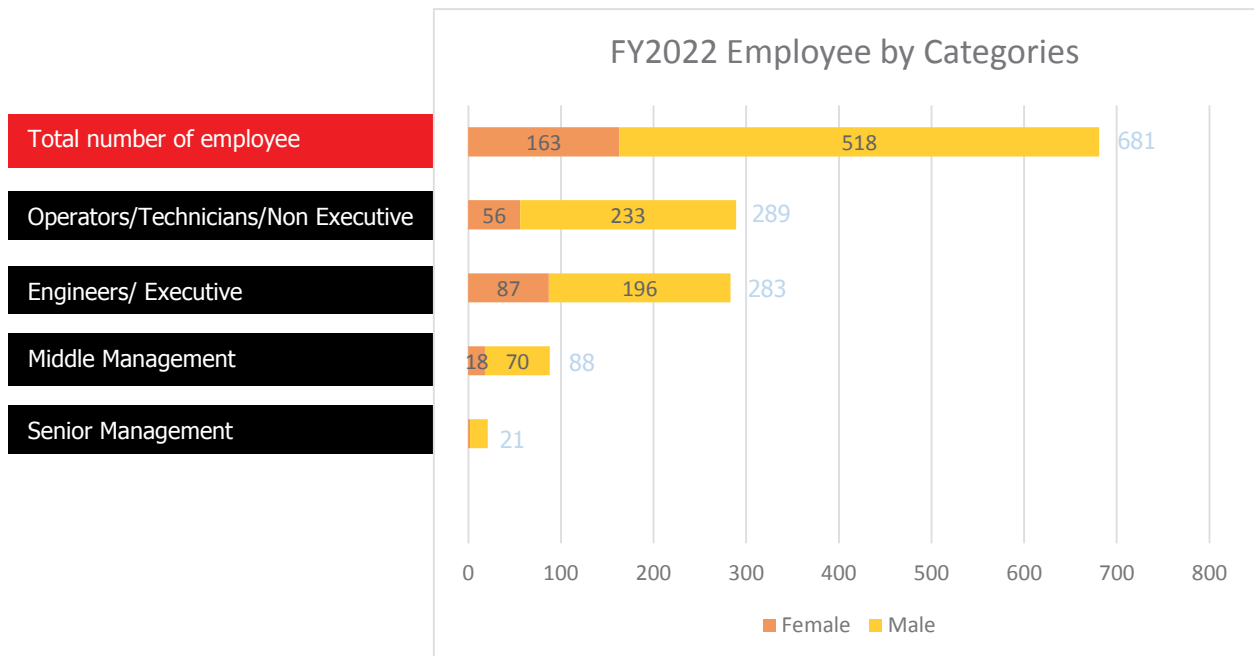
## SI 7 Diverse and Inclusive Workplace



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.

Kelington’s Diversity, Equity and Inclusion Policy was updated in February 2023. KGB’s diversity initiatives are applicable but not limited to our practices and policies on recruitment and selection; compensation and benefits; professional development and training; promotions; transfers; social and recreational programs; layoffs; terminations; and the ongoing development of work environment. Employees who believe they have been subjected to any kind of discrimination that conflicts with the company’s Diversity, Equity and Inclusion policy may seek assistance from a supervisor, an HR representative or through the Grievance Process available. Employees who do not comply with the Policy and/or are found to have engaged in discrimination, harassment or bullying, will be subject to appropriate disciplinary action, up to and including termination of employment.

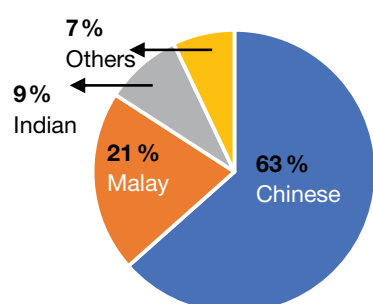
Detailed analysis of KGB’s workforce is tabulated as below:-



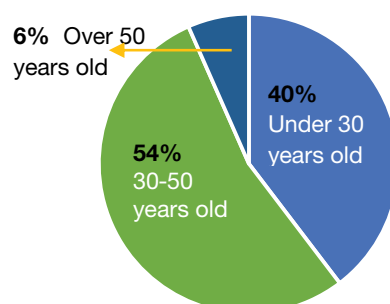
## SUSTAINABILITY STATEMENT

	Unit of measure	FY2020		FY2021		FY2022	
<b>No. of employee by employment type</b>							
Full Time Employees	Number	358	87%	417	85%	568	83%
Contract Staff / Workers	Number	53	13%	75	15%	113	17%
<b>Total Workforce</b>	<b>Number</b>	<b>411</b>	<b>100%</b>	<b>492</b>	<b>100%</b>	<b>681</b>	<b>100%</b>
No. of full time employees resigned during the year	Number	32		56		110	
<b>Permanent Employee Turnover Rate</b>	<b>%</b>	<b>8.21</b>		<b>11.84</b>		<b>16.22</b>	
<b>Employee Turnover Rate by geography</b>							
Malaysia	%	3		9		11	
Singapore	%	9		18		16	
China	%	14		8		24	
Taiwan	%	0		11		0	
<b>No. of employee with disability</b>	Number	0		0		0	
<b>No. of employee by gender</b>							
Male	Number	321	78%	380	77%	519	76%
Female	Number	90	22%	112	23%	162	24%
<b>No. of Female Employees by category</b>							
Senior management	%	10		11		11	
Middle management	%	22		16		20	
Engineers/ Executive	%	24		29		31	
Operators/Technicians/ Non Executive	%	22		18		19	
<b>Local Employment Rate</b>							
Employees who are Local (Malaysian)	%	59		59		60	
No of employees who are foreigner (non Malaysian)	%	41		41		40	

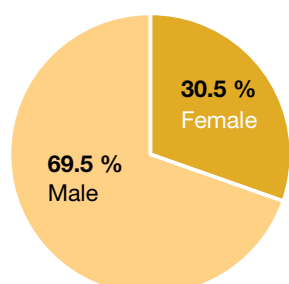
FY2022 Employee by Ethnicity



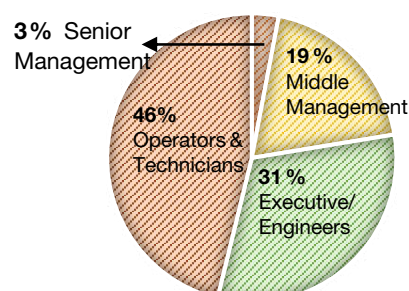
FY2022 Employee by Age Group



FY2022 Employee Executive Level by Gender



30-50 YEARS OLD BY EMPLOYEE CATEGORY



# SUSTAINABILITY STATEMENT

	Unit of measure	FY2022	
<b>Total number of employee by age group and employee category</b>			
<b>Under 30 years old</b>			
Senior management	Number	0	
Middle management	Number	5	1%
Engineers/ Executive	Number	161	24%
Operators/Technicians/ Non Executive	Number	104	15%
Sub- total	Number	<b>270</b>	40%
<b>30 - 50 Years old</b>			
Senior management	Number	11	2%
Middle management	Number	71	10%
Engineers/ Executive	Number	115	17%
Operators/Technicians/ Non Executive	Number	169	25%
Sub- total	Number	<b>366</b>	54%
<b>Over 50 Years old</b>			
Senior management	Number	10	1%
Middle management	Number	12	2%
Engineers/ Executive	Number	7	1%
Operators/Technicians/ Non Executive	Number	16	2%
Sub- total	Number	<b>45</b>	6%
<b>Employee Turnover Rate by category</b>			
Senior management	%		5%
Middle management	%		2%
Engineers/ Executive	%		15%
Operators/ Technicians/ Non Executive	%		25%

## SI 8 Respect Human Rights

Base Year FY2020	Target FY2024	Progress FY2022
0 Number of Incidents	Achieve zero incidents of unfair harassment, bullying and/or unlawful discrimination practices including genderbased violence, sexual harassment, sexual abuse, corporal punishment, mental or physical coercion, bullying, public shaming, or verbal abuse of worker, etc	0 Number of Incidents
100% Compliance	Committed to enforced zero tolerance approach to any child labour and/or modern slavery and/or forced labour of any kind within Kelington Group's operations.	100% Compliance
100% Compliance	Committed compliance and meet and/or exceed the minimum wage / meet living wage in each country of operations.	100% Compliance

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.



## SUSTAINABILITY STATEMENT

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.

### Human Rights management

The Board of Kelington is responsible for overseeing the adherence to the Human Rights Policy, while the Executive Management Committee makes material decisions regarding the execution of the policy. The Group-wide Sustainability Working Group shall work together to address key challenges in the areas of discrimination, working hours, low wages and allowances, occupational health and safety risks, sexual harassment and maternal health, labour compliance by the Ministry of Labour and industrial zone authorities.

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, Diversity, Equity and Inclusion 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.

### Contact Points for the general public and other stakeholders

Grievance Procedures was established 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.

In FY2022, 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.

# Improve access to education for underprivileged



SI 10 Community Investment



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. We continued to perform several core programmes involving education and providing financial assistance to underprivileged children.

In FY2022, the total spending on community program and environmental conservation are recorded at RM44,000. After regular scanning on Kelington’s operating environment, the Sustainability Working Group would identify the social and environmental challenges and arrange meaningful CSR program that aligns with our community investment policy and priorities, addressing pressing social or environmental issues and create positive impact on our stakeholders and the communities where we operate. There were six local community programs conducted in FY2022.

1. Kelington Group Berhad blood drive donation campaign in Malaysia in collaboration with Pusat Darah Negara Malaysia to increase blood reserve.
2. KE Singapore blood drive donation campaign in Singapore with the collaboration of Blood Bank Woodland to increase blood reserve.
3. Kelington Shanghai donated RMB50,000 to support “Core Liver Baby Program” initiated by Shanghai Soong Ching Ling Foundation.
4. Orphanage visit by representatives of KE Malaysia.
5. Participated in Project Sambung Sekolah.
6. Participated in the tree planting programme - Restore our Amazing Rainforest organised by Animal Projects & Environmental Education Malaysia.

## SUSTAINABILITY STATEMENT



### Blood Donation

Blood is needed to save lives in times of emergencies and to sustain the lives of those with medical conditions. KGB had a blood drive donation campaign in Malaysia and Singapore in collaboration with Pusat Darah Negara Malaysia and Blood Bank Woodland to increase blood reserve.



### Core Liver Baby Program



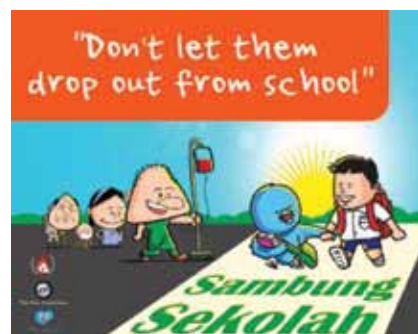
Kelington Shanghai donated RMB 50,000 to support "Core Liver Baby Program" initiated by Shanghai Soong Ching Ling Foundation. This project aims to provide financial support for underprivileged children who diagnosed with end stage of liver disease to undergo liver transplantation in Renji Hospital, giving them opportunity to regain a healthy and happy second life, and grow up like a normal children.



### Project Sambung Sekolah



In FY2022, we participated in Project Sambung Sekolah, which is a project initiated by the Haematology Department of Hospital Ampang in partnership with The Max Foundation and Max Family Society Malaysia. This project helps to enable children of cancer patients to continue schooling while the patient's (parent) can continue to complete treatment. Throughout this project, we supported 5 children from 2 families to continue attending school.



## SUSTAINABILITY STATEMENT







### Visiting Orphanage – provide children with enough love and care

As part of Corporate Social Responsibility (CSR) program, our employees sent Box of Loves (consisting of groceries and daily necessities worth RM 5,000) to orphanage home of Rumah Amal Kasih Bestari, Kampung Melayu Subang where around 148 children aged 1 to 17 years old live.

### Internship Placement

Kelington Group Berhad acknowledge the importance of internship where interns gain technical knowledge within the industry of their choice by working directly with professionals in that field. This allows them to apply practical knowledge they may have learned from a classroom setting while developing important soft skills, such as time management, organization, adaptability, problem-solving and teamwork.

In FY2022, we had a total 22 internship placement for engineering students and provided meaningful learning opportunities and practical experience i.e learn the responsibilities of an engineer, incorporate academic knowledge into hands-on work etc. The internship placement in Kelington from FY 2020 – FY2022 is tabulated as below.

	Malaysia 	Singapore 	China 	Taiwan 	Total
2020	2	0	3	0	5
2021	4	0	9	0	13
2022	10	6	6	0	22