

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.	100% employees was trained on ABC and risk management.	100% employees was trained on ABC and risk management.
Committed to 100% communication for all vendors on the ABC Policy.	100% vendors acknowledged on ABC Policy	100% vendors acknowledged on ABC Policy
Zero incident of corruption and bribery case	Zero incident of corruption and bribery case	Zero 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"> Board Diversity Policy Remuneration Policy 	<ul style="list-style-type: none"> Risk Management Policy Anti-Bribery and Corruption Policy Whistleblowing Policy Code of Ethics and Conduct for employees and third parties Corporate Disclosure Policy Conflict of Interest Policy Fit and Proper Policy External Auditors Policy 	<ul style="list-style-type: none"> Sustainable Development Position Statement Environmental Policy Community Investment Policy Diversity, Equity and Inclusion Policy Human Rights Policy Responsible Supply Chain Policy Safety and Health Policy Quality Policy Drug Free Environment Policy Sexual Harassment Policy

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

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 & 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"> • FTSE4Good Bursa Malaysia Index • FTSE4Good Bursa Malaysia Shariah Index 	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.

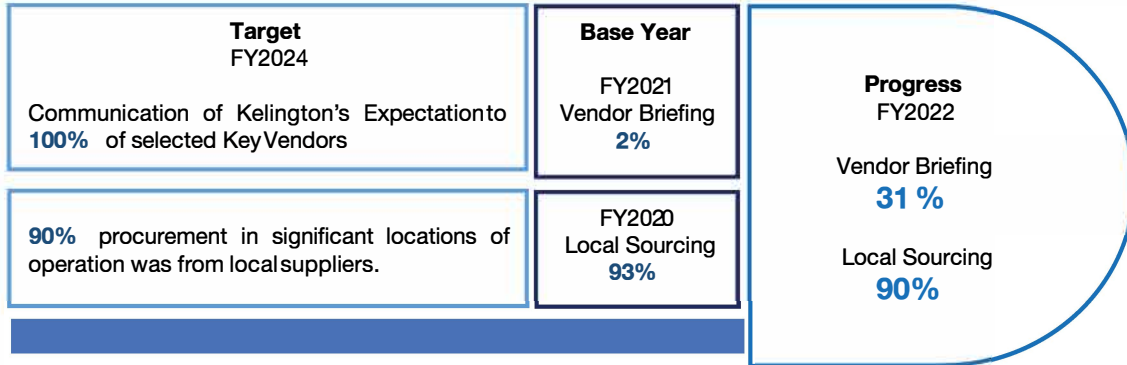
SUSTAINABILITY STATEMENT

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

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
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.

Stage 2: Compliance
The business manages its liabilities by obeying the law and all labor, 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.

Stage 3: Beyond Compliance
The company moves from defense to offense. It realizes it can save expenses with proactive operational efficiencies and better waste management. It recognizes community investment. However, sustainability initiatives are still marginalized in operational departments. They are treated as a “green housekeeping”.

Stage 4: Integrated Strategy
The firm transforms 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 opportunities and open utilities.

Stage 5: Purpose & Passion
Driven by a conviction, values-based, forward move 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.

DO's (All employees and/or appointed agents / subcontractors)

	DO's	DON'T's
Anti-bribery Policy	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.
Prevention of Bribery and Corruption	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 decision 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

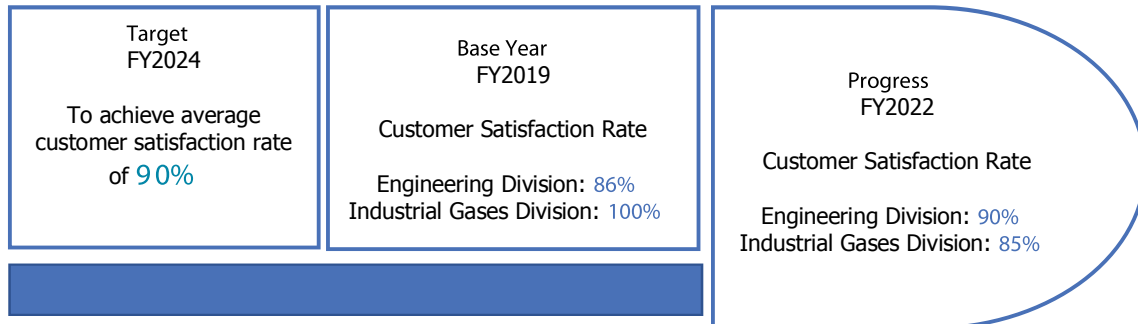
We strive to support local vendors where feasible, as to attract additional investment into homegrown businesses and thus contribute to the growth of the nation's economy. At the same time, local sourcing can be a strategy to maintain community relations. In our procurement process, Kelington constantly 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 %
Engineering Division	17	86%	12	90%	33	93.5%	40	90%
Industrial Gases Division	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 speciality 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.