

SUSTAINABILITY STATEMENT

Value Engineering through Innovation and Collaboration

*Be an effective, accountable
and transparent organisation*

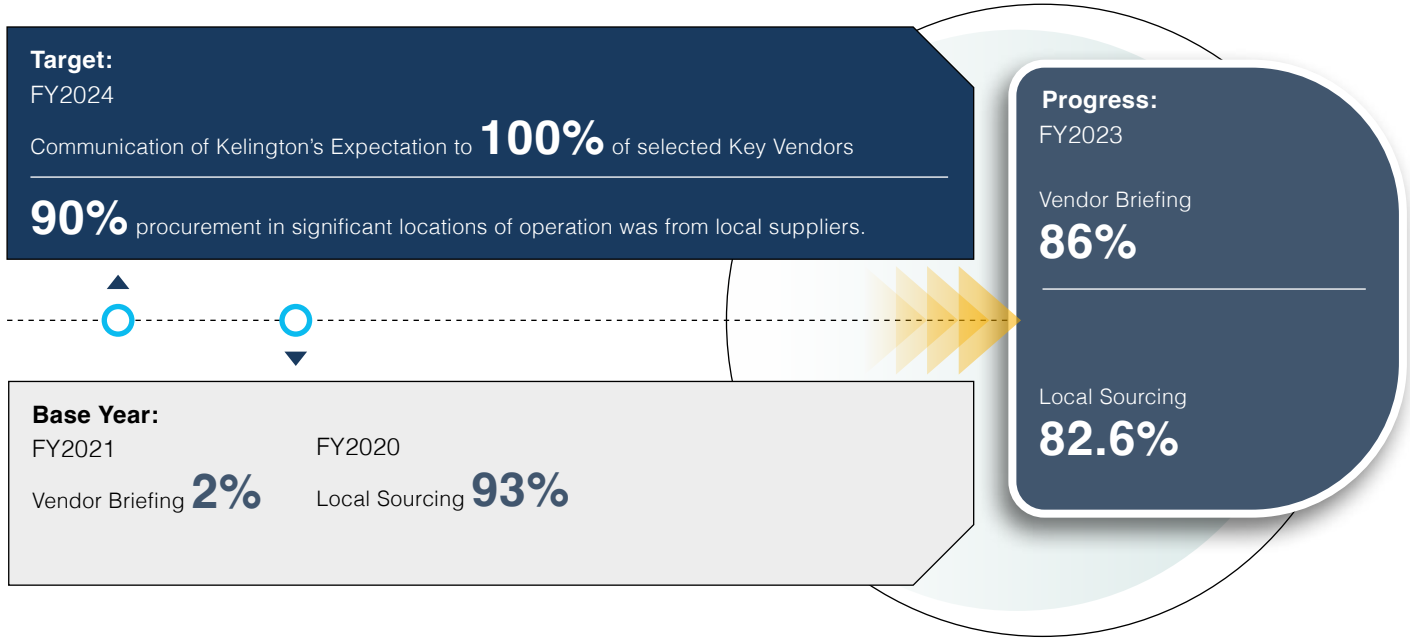


We Care for Business

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SI 9 Sustainable Supply Chain



With operations spanning across four key geographies - Malaysia, Singapore, China, and Taiwan - Kelington has actively engaged with over 2,208 global and local external providers in our supply chain during FY2023. These providers encompass material suppliers, subcontractors, transporters, and professional service providers.

Given the diverse nature of our business, Kelington boasts a broad customer base spread across various geographies, primarily comprising multinational corporations committed to stringent standards in social, safety, health, and environmental practices. Aligning with these requirements, we ensure that our next tiers of suppliers and subcontractors uphold similar parameters.

Recognising the paramount importance of integrating sustainability into our operations, Kelington has embedded sustainability goals into our long-term strategy. We hold our external providers accountable for adhering to high standards, thereby fostering a cascade of sustainable practices throughout our supply chain.

Throughout FY2023, our focus remained steadfast on key areas including occupational health and safety, environmental preservation, combating corruption, and upholding human rights. Additionally, we maintained rigorous tracking and monitoring mechanisms for local procurement, prioritising local sourcing whenever feasible to directly contribute to the economies of the regions where we operate.

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Management approach

Effective supply chain management is imperative for optimising operational efficiency, fulfilling customer demands, and achieving sustainable business success. At Kelington, we prioritise fostering robust collaboration and partnerships with key stakeholders, including suppliers, distributors, logistics providers, and customers. Through strategic alliances, Kelington leverages expertise, resources, and innovative practices across our supply chain network.

Proactive identification, assessment, and mitigation of supply chain risks are fundamental components of our management approach. We embrace a culture of continuous improvement, driving operational excellence and innovation within our supply chain. To this end, we conduct regular performance evaluations, implement feedback mechanisms, and engage in benchmarking exercises to identify and capitalise on opportunities for optimisation.

We integrate sustainability principles into our supply chain strategy to minimise environmental impacts, ensure compliance with regulations, and align with customer expectations regarding responsible sourcing and manufacturing practices.

Since FY2022, we have strengthened our external provider screening process by integrating additional evaluation sections into our subcontractor qualification process. These added qualification criteria align closely with our Responsible Supply Chain Policy, Environmental Policy, and Safety and Health Policy, ensuring that our partners uphold the same high standards of sustainability and responsibility that we do. In addition, our Sustainable Supply Chain (SSC) working group has been tasked with advancing sustainability initiatives and engaging with our selected key external providers through formal and informal channels. Our objectives include:

- a) Assessing the level of understanding among our key vendors regarding sustainability practices and their ethical commitments.
- b) Identifying any challenges they face in delivering supplies or services to our esteemed customers.
- c) Offering assistance and support to our vendors in their sustainability journey, as needed.

Through these efforts, we aim to foster collaborative relationships, promote sustainable practices, and enhance the overall resilience and responsibility of our supply chain ecosystem.

Create awareness on Kelington's Expectation

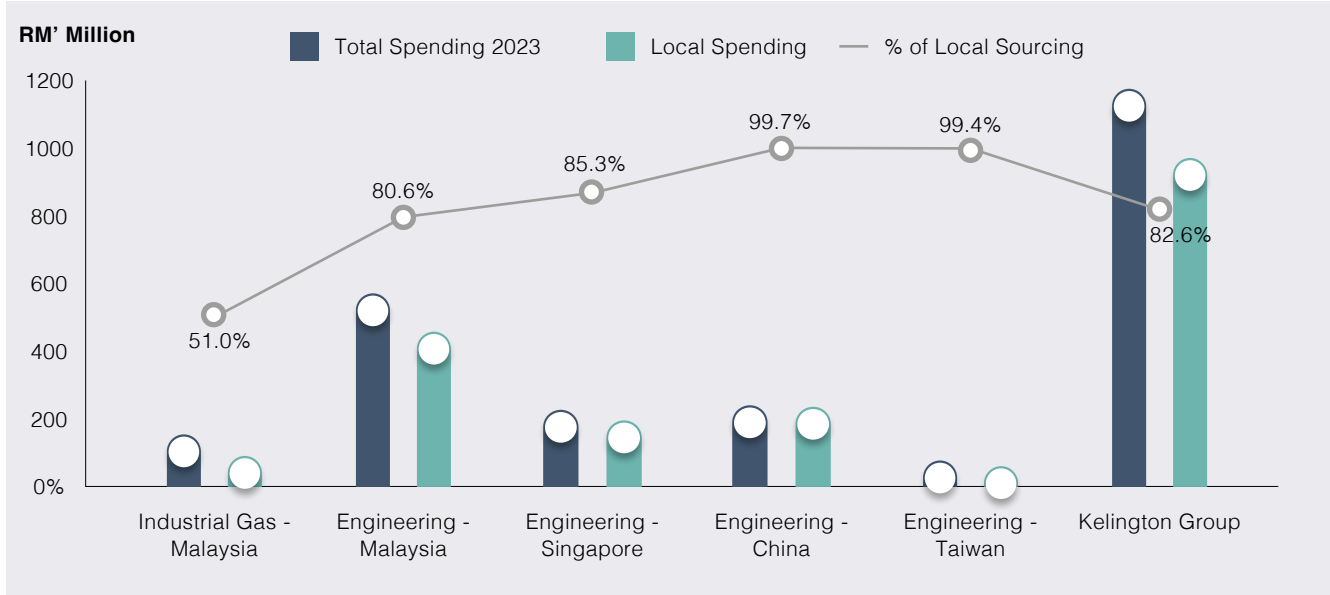
In FY2023, Kelington conducted sustainability briefings for 43 out of 50 selected subcontractors, outlining our company's sustainability policies. Moreover, we actively encourage our key vendors to enhance their performance through participation in a sustainable development management program. This program incorporates specific Key Performance Indicators (KPIs) and targets aligned with local government regulations and international standards.

To effectively monitor the sustainability commitment of our key subcontractors and ensure the delivery of mutually beneficial solutions in a sustainable manner, our SSC working group communicates Kelington's expectations and collects relevant data through due diligence questionnaires. In FY2023, 80 questionnaires were completed, revealing that Kelington's key subcontractors range from "pre-compliance" to "compliance" on the sustainability spectrum.

Recognising the critical importance of ethical issues within the supply chain, we understand their potential impacts on our business, including reputation, legal and financial liability, and customer loyalty. As such, our SSC working group diligently assesses potential risks on a regular basis and promotes collaboration and coordination across the supply chain to ensure resilience and continuity of operations.

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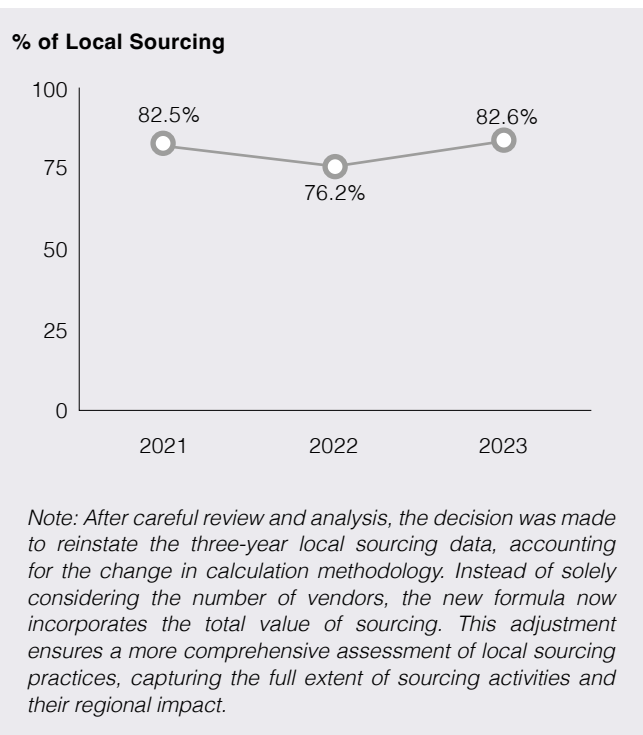
Local Sourcing



We are dedicated to supporting local vendors whenever possible, as part of our commitment to bolstering homegrown businesses and contributing to the growth of our nation's economy. This not only fosters economic development but also helps maintain positive community relations. In our procurement process, Kelington actively seeks opportunities to procure materials and services from local suppliers, prioritising their inclusion whenever feasible.

Aligned with our core value of building partnerships, we actively engage in developing smaller local companies by offering them favorable supply conditions. These may include more flexible payment terms, technical assistance, and guidance, among other benefits.

Since our inception, we have remained steadfast in our efforts to nurture the local economies where we operate, cultivating strong relationships with various stakeholders in these markets. Leveraging our established innovation network, Kelington and our local partners are mutually benefiting from these enduring relationships, driving sustained growth and prosperity for all involved.



In FY2023, we successfully procured over 82.6% of our total purchases groupwide from local external providers, demonstrating our commitment to supporting local economies. Geographically, KE Taiwan and KE China led the way with an impressive 99% local sourcing, closely followed by KE Singapore and KE Malaysia at 85% and 81% respectively. The industrial division's lower procurement percentage of 51% was primarily attributed to the acquisition of capital assets from overseas sources. Moving forward, we remain steadfast in prioritising local external providers for our purchases, aligning with our ongoing commitment to fostering economic growth and sustainability within the communities we operate in.

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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 121 to 149 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

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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 FY2023 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 FY2023, 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. Kelington Group also confirm that no political contributions were made during the year.

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 155.

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

In FY2023, there has been only one instance of whistleblowing reported, concerning matters related to staff ethics and internal processes. Following our established protocols, the reported issue was promptly investigated by our corporate compliance and integrity department and the appointed independent internal auditors.

We are pleased to confirm that the matter has been thoroughly addressed and resolved in accordance with our policies and standards. As part of our commitment to transparency and accountability, we take all whistleblowing reports seriously and ensure that appropriate actions are taken to address any concerns raised. We remain steadfast in upholding the highest ethical standards and maintaining the integrity of our internal processes.

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Economics Growth and Profitability

Our Journey Towards Sustainability for a Greener Growth	Revenue RM'000
<p>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.</p>	116,168
<p>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.</p>	117,416
<p>2014 Leveraging on our core skill in engineering, we expanded to healthcare and process engineering industries.</p>	189,102
<p>2015 Gained traction in Singapore and continued expanding our presence in the market.</p>	206,356
<p>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.</p>	343,344
<p>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.</p>	313,333
<p>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.</p>	350,023
<p>2019 Slow down of semiconductor industries were largely affected by the trade war between the largest chip producers, US and its largest chip consumer, China. Key development of the year was the opening of an in-house fabrication facility in China and commencement of operation of our new Carbon Dioxide Recovery Plant.</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
<p>2020 The prospects of strong and promising global growth were muted by the rapid spread of Covid-19 pandemic that has severely impacted several key industries around the world. On the other hand, the demand for integrated circuits continued to be at an all-time high due to global chip shortages. Notwithstanding, Kelington continued to thrive with record-breaking revenue.</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

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Our Journey Towards Sustainability for a Greener Growth		Revenue RM'000
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	<p>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.</p>	1,278,837
2023	<p>Despite headwinds from a semiconductor market downturn, Kelington's revenue continued to soar to a second year of record high of RM1.6 billion FYE 2023. The Group also reached a new significant financial milestone, surpassing the RM100 million mark in net profit for the first time.</p>	1,614,449

Kelington's business success is founded on the principle of long-term value creation for our stakeholders. We achieve this by upholding leadership positions in our core markets, harnessing innovative technologies, leveraging the expertise of our employees to meet the ever-evolving demands of customers, and strategically entering new markets. Our robust economic performance serves as a solid foundation, empowering us to consistently deliver excellence to our customers. Our business model is explained in detail on pages 8 to 9 of this Report.

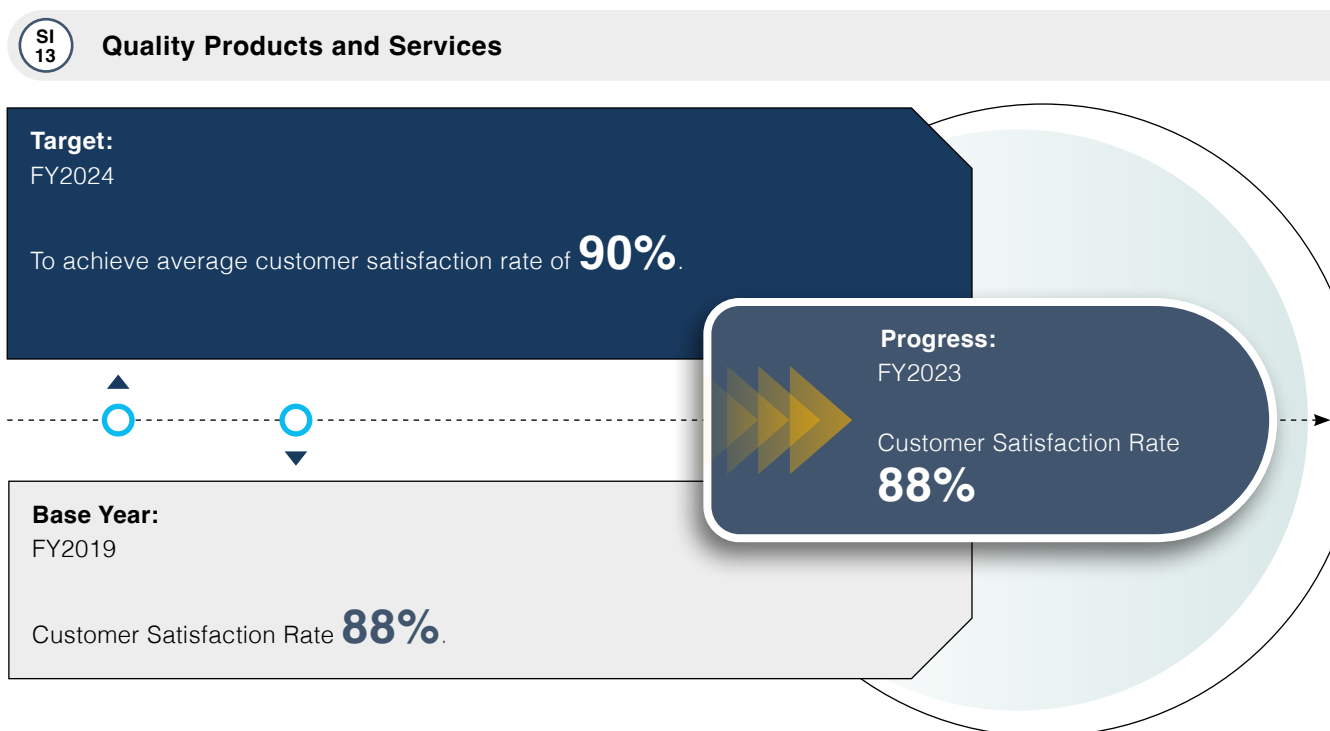
Kelington's economic performance is intricately linked to the utilisation of six essential capitals: Financial, Manufactured, Intellectual, Human, Social, and Natural. Our sustainability initiatives play a pivotal role in enhancing Kelington's capacity to generate financial value.

Our full economic performance can be found in our audited financial statements, as part of our FY2023 Annual Report:

Group Financial Highlights, pages 4 to 5.

Group Financial Statements, pages 172 to 280.

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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 prioritising safety. Some of our gases products from our Ace Gases group goes to the Food & Beverage industry, which requires us to maintain the highest quality to guarantee food safety to the public. Our working philosophy of “*Safety First, Quality Always*” underlines the superior working standards we place through implemented policies and is reflected in our zero lost time records.

Management approach

To ensure consistently high-quality standards across all our operations, the Group adheres to international quality and food safety standards in conducting our business activities. Our Engineering division, responsible for project management and construction, holds ISO 9001 certification, a testament to our commitment to quality management systems.

Additionally, our gas manufacturing business, serving the Food & Beverage industry, holds ISO 9001, FSSC 22000, and Halal certifications, underscoring our dedication to quality, food safety, and adherence to religious dietary requirements.

We rigorously monitor and maintain product quality through sophisticated analysers on a regular basis. Standard Operating Procedures (SOPs) are meticulously crafted in accordance with guidelines outlined by the aforementioned quality certifications. We also actively solicit feedback from customers, utilising Non-Conformity Reports (NCR) and Corrective Action Requests (CAR) to continually improve our performance and ensure the consistent delivery of high-quality products and services.

Our Business Operations	Certification
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	ISO 9001:2015, SEMI S2-0810E, SEMI S8-0218

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Ensuring Customer Satisfaction

Ensuring the satisfaction of our customers stands as a cornerstone of our business continuity. It not only dictates our capacity to secure new and repeat business but also reinforces our ongoing relationships, paving the path towards sustained economic success. With unwavering commitment, we prioritise meeting and exceeding our customers' needs and expectations.

Our annual customer survey serves as a pivotal tool designed to gauge the critical factors influencing customers in their choice of a business partner or long-term supplier. Kelington's comprehensive annual customer survey assesses various performance benchmark skills, including:

- Timeliness and Reliability of Product / Service Delivery
- Quality of Products and Services
- Responsiveness to Customer Needs
- Communication with Customers
- Compliance with Safety and Environmental Standards

By meticulously analysing feedback across these key areas, we continuously refine our practices to ensure unparalleled customer satisfaction and drive sustained growth and success for our business.

Customer Satisfaction Survey ("CSS")

	2019	2020	2021	2022	2023
Average Customer Satisfaction Rate	88%	93%	91%	91%	88%
Total no. of CSS conducted	20	17	51	62	88

	2019		2020		2021		2022		2023	
	No. of CSS conducted	Average Rating %	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%	35	94%	40	93%	47	94%
Industrial Gases Division	3	100%	5	100%	16	85%	22	86%	41	82%

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Technology and Operational Innovation

Since 2000, Kelington has been at the forefront of engineering and installing highly specialised Ultra High Purity ("UHP") systems tailored for the semiconductor and biotechnology manufacturing sectors. Our extensive expertise extends across diverse applications including wafer fabrication, LCD TFT, biotechnology, pharmaceuticals, solar cell production, and industrial gases, among others. Throughout the intricacies of the production line within manufacturing facilities, the precision of gas and chemical purity is paramount for chip-making processes.

Continuously advancing, Kelington is dedicated to enhancing our capacity for knowledge, creativity, and innovation, meeting and surpassing the rigorous demands of the semiconductor and biotechnology industries. Beyond traditional engineering roles, we distinguish ourselves by seamlessly integrating specialised engineering expertise with comprehensive insights into gas and chemical dynamics.

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In an industry characterised by dynamism and rapid technological evolution, Kelington's unwavering commitment to safety and quality is globally recognised and endorsed by our esteemed clientele.

We firmly believe that sustainable competitive advantages and value creation are attainable only through strategic technology investments and operational innovation. Thus, we continuously scrutinise and optimise our operations, leveraging the latest technological advancements. Through our dedication to innovation, we not only enhance operational efficiency and reduce costs but also minimise environmental footprints. Our organisational ethos fosters a pervasive Technology and Innovation mindset among our workforce, ingrained as an integral aspect of our corporate DNA, driving us towards excellence.

Kelington adopts a robust Technology and Innovation framework, guiding our endeavors and channeling innovative initiatives towards targeted 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 FY2023, we had spent a total amount of RM11.9 million for R&D and this marks the sixth 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.

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Collaboration and Partnerships

Kelington actively pursues collaborations with international stakeholders to spearhead the development of innovative technologies aimed at both mitigating and adapting to the challenges of climate change. Our focus lies in fostering solutions designed to combat climate change, including advanced greenhouse gas treatment systems, exhaust gas abatement technologies, energy storage solutions, and carbon capture and storage innovations.

By partnering with leading technology vendors and service providers, we tap into their specialised expertise and solutions to fortify our cybersecurity measures, ensuring they are finely tuned to the unique needs and complexities of our industry.

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 is committed to exploring opportunities for digitalising our operations and processes, covering various aspects from corporate endeavours to project and manufacturing activities. We embrace digitalisation initiatives with the goal of optimising operations, enhancing efficiency, and leveraging cutting-edge technologies. Furthermore, we prioritise the seamless integration of robust cybersecurity controls into our digital transformation efforts.

Digitalisation has transformed the landscape of engineering drawings, with computer-aided design (CAD) software revolutionising the creation process by offering versatile tools for generating precise 2D and 3D drawings, eliminating the need for manual drafting and reducing errors. Building Information Modeling (BIM) has further enhanced project visualisation and collaboration by providing detailed 3D models containing comprehensive project data, facilitating better understanding and decision-making among stakeholders. Additionally, BIM facilitates clash detection and construction sequencing, pre-emptively addressing conflicts and minimising errors and delays.

Moreover, digitalisation streamlines processes by automating tasks previously performed manually, enhancing efficiency, and minimising errors. Collaboration tools such as video conferencing and instant messaging foster seamless teamwork, while centralised document management systems enable easy access and management of documents from a single location. Remote access to systems and data promotes flexibility and agility, reducing dependency on physical office presence. Leveraging Enterprise Resource Planning (ERP) systems enables real-time data-driven decision-making and faster information sharing across the organisation, empowering management with timely insights for strategic planning and execution.

Risk Assessment and Identification

In FY2023, we diligently conducted cybersecurity risk assessments to pinpoint potential vulnerabilities and threats across all digital assets and systems. Our methodology included prioritising risks based on their potential impact on critical business operations, safeguarding intellectual property, protecting client data, and maintaining regulatory compliance standards.

Network Security and Data Protection

Kelington employs robust network segmentation and firewall solutions to effectively isolate critical systems and safeguard sensitive data from unauthorised access. Additionally, all sensitive data is encrypted both in transit and at rest, ensuring comprehensive protection against potential breaches. Furthermore, we have implemented data loss prevention controls to proactively mitigate unauthorised data exfiltration, thereby ensuring full compliance with stringent data privacy regulations. In FY2023, Kelington experienced zero incidents of complaints regarding breaches of customers' privacy or loss of customer data.

Continuous Improvement & Adaptation

We diligently monitor customer needs, market dynamics, and regulatory shifts to pinpoint opportunities where emerging technologies can provide solutions or add value for our clients. By proactively engaging with customers, we gain insights into their challenges and collaborate with them to develop innovative solutions.

Internally, we cultivate a culture of continuous learning to ensure that our team stays abreast of emerging technologies and their potential applications. We encourage participation in training programs, workshops, and industry conferences to foster expertise and stay updated on the latest trends.

In tandem, Kelington maintains its agility and adaptability in response to evolving cyber threats and emerging technologies. We continually refine our cybersecurity strategies and frameworks to effectively mitigate new risks, while nurturing a culture of cybersecurity awareness and accountability across all levels of the organisation. Our employees are encouraged to promptly report any suspicious activities or security concerns, enabling us to proactively address potential threats.