

2020

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS



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STATEMENT OF CONTINUED SUPPORT



We are pleased to confirm that Kum Hoi Engineering Industries Sdn Bhd (KHEI) reaffirms its support of the Ten Principles of the United Nations Global Compact (UNGC) in the areas of Human Rights, Labour, Environment and Anti-Corruption. We commit ourselves to the further development of those principles within our sphere of influence.

Our participation was prompted by basic principles of UNGC in the way we conduct our business. We felt that the principles are aligned to our own principles of conduct. We are proud to share homogenous ideas and be part of an international development towards the professional ethical conducts.

We will continue to support the UNGC Principles and look forward to report our progress again next year. In order to support public accountability and transparency concerning our efforts, we are committed to share this information with our stakeholders.

Yours sincerely,

Kevin Chan Kin Wai

Executive Director

12th MAY 2021

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HUMAN RIGHTS

Principle 1: Business should support and respect the protection of internationally proclaimed human rights

Principle 2: Make sure they are not complicit in human rights abuses

Assessment, Policy and Goals

KHEI is committed to develop an organizational culture which supports internationally recognized human rights and avoid any involvement in the abuse of human rights. We provide an environment which supports and promotes equal opportunities, dignity and mutual respect. This is clearly stated in our Human Rights & Sustainability Policy.

Implementation

KHEI practice no discrimination in race, age, gender and religion. Our employees are from different ethnics and cultures and they are all treated equally. All our employees are allowed to practice their chosen religion and belief without prejudice. Hence, all employees are being provided with reasonable accommodation to perform their religious practices.

New employees are informed about Code of Conduct, Human Rights & Sustainability Policy and Employee Manual through induction trainings. Every employee can raise any employment issues and perceived violations with their respective superiors, managers, Human Resources representative and any member of the Ethics committee.

Code of Conduct, Rev. 3 has been updated in July, 2020 by updating the channel to raise concerns, refine the non-retaliation commitment, added on ethics committee responsibilities, audits and gift & entertainment.

Also, we had educated our vendors on Supplier Code of Conduct and will continue to do so for new vendors. All suppliers need to understand and follow the rules in the Supplier Code of Conduct.

KHEI, as part of major supplier to a global specialist in energy management and automation in Australia, we are required to participate in Supplier's CSR Evaluation Program through Ecovadis. In 2019, KHEI has been awarded with a gold recognition level for our performance in CSR evaluation.

We have multinational foreign workers in KHEI, therefore we make sure they have an appropriate accommodations and facilities during their stay and work in Malaysia. A Foreign Worker Representatives Committee is formed to ensure any issues or concerns raise by them is duly noted and taken care of.

During COVID-19 pandemic, standard operation procedures have been implemented accordingly following Ministry of Health's guidelines. We will ensure as far as practicable the workplace is safe and without risk of COVID-19 to employees and public. With daily activities such as conduct daily body temperature measurement and symptom screening to employee, visitor and client before being allowed to enter premise, providing mask and sanitizers to all the employees, we also ensure all employees practicing 1-meter physical distancing at all times. Apart from this, we also conduct daily disinfection activity in the office, production area and foreign worker's hostel as scheduled.

Measurement of Outcomes

In KHEI, we conduct periodic review of Human Rights adherence by senior management. To date, we have no incidents of legal case or human rights violation. We will follow the rule of law in the country we are operating.

Occasionally, Ecovadis will conducted Ethical Audit to make sure the requirements are continuously lived up to. Last ethical audit which was conducted in May 2018 scored 9.9 out of 10.

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

Assessment, Policy and Goals

KHEI complies with the Malaysian law and ensure that all our foreign workers receive their benefits as stipulated in their respective contracts. Every endeavor is also made to ensure that their condition of employment is safeguarded.

We respect the rights of employees to freedom of association and collective bargaining. An open door policy has been established where employees can report grievances to their upper management and the Human Resources Manager.

We do not employ or condone any form of forced labour because we consider that as fundamental violation of human rights. All of our employees are free to join and leave the company in accordance with contractual terms. Also, we are totally against the practice of child labour. Besides, there is no illegal deduction of wages practices. All job applications are subject to detailed screening by our Human Resources personnel.

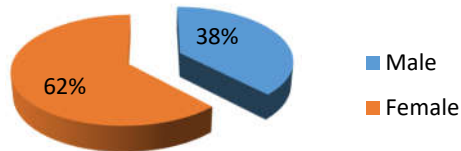
All employees in KHEI are given equal opportunities; hiring and promotion of employees are based on meritocracy and criteria like academic qualifications, skills and track record.

Implementation

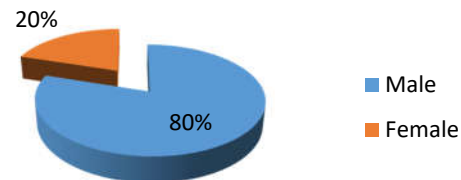
Our employees had been trained on labour awareness training and we will continue to train all newly recruit employees. All information regarding working hours, remuneration, probation period, public holidays and leave, and other benefits are available in Employee Manual and would be discuss during the first day of employment by Human Resources personnel.

As to pertain with Sustainable Development Goals (SDGs) 5 – Gender Equality, we in KHEI practice fair recruitment process towards male and female employees. In KHEI, the female employees dominated in top executive position with 62.16%, while male 37.84%. On the other hand, the proportion of female to male ratio in managerial positions and top management is 1:2.

**Percentage of Top Executive
by Gender**



**Percentage of Top
Management and Managerial
Position by Gender**



To ensure the company gain a better understanding towards our employees, Employee Satisfaction Survey is conducted in yearly basis. From the feedback, we manage to gather employees' expectation and improve our systems operations and work environment.

Annual bonus is also given to employees based on their job performance on the respective year. Each employee will be evaluated based on their Key Performance Index (KPI) which being monitored by their supervisors and managers.

We also conducted Safety Orientation to train new employees and guide them on the importance of using safety equipment and ensure they are aware of safety precautions while performing their duties.

In year 2020, various topics of safety briefing and training had been conducted to existing staffs to increase their safety awareness level, which includes ergonomic, electrical safety, method to use fire extinguisher, forklift training, overhead crane training and etc.

We believe with a better working environment would make happier employees, therefore KHEI Sports and Recreation Club have organized more outdoor activities and events for all employees. Activities as follows:

- 3rd March 2019, employees participated in Run For Rare organized by Sunway Medical Centre.
- In April 2019, we organized bowling tournament for all employees.
- 25th September 2019, visiting to Children Handicapped Center in Taman Megah, Kuala Lumpur and Da-Ai Malaysia Social Center.
- In October 2019, we had team building activity at Eco Venture Resort & Recreation, Semenyih Selangor.
- 17th November 2019, we organized a day trip for beach clean-up activity at Pantai Cunang, Tanjung Sepat.

However, in year 2020, limit activities of sports and recreation can be conducted due to Covid 19 pandemic.

Measurement of Outcomes

The rights of all employees are continuously reviewed by management annually. To date, we do not have any records of complaint / report regarding to labour laws and Code of Ethics. We will continue to do so to ensure we meet the requirements as per law and regulations.

In year 2020, our employment status and accident rate is as below:

Employment Status for Year 2020

Youngest employee	= 19 years old
Eldest employee	= 80 years old
Percentage of male employee	= 86.53%
Percentage of female employee	= 13.47%

Work Accident Summary for Year 2020

Total number of employees	= 616
Total hours work	= 1,437,995

Injury summary for Year 2020

Total disabling injuries / illness	= 0
Total non-disabling	= 16
Frequency rate	= 11.13
Severity rate	= 31.29

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility;

Principle 9: Businesses should encourage the development and diffusion of environmental friendly technologies

Assessment, Policy and Goals

Environmental Management System (ISO 14001) was adopted aiming at controlling the environmental impact of its activities. KHEI was certified with ISO 14001 in 2010 and since then we are committed to ensure that all our activities are safeguarded and does not harm or destroy the environment.

Implementation

Since 2010, all concerned employees have to undergo training on all environment aspects. These include chemical control, environmental monitoring and measurement, forklift training, fire drill training, chemical spillage training and gas leakage training.

Education and training among employees regarding environmental management is crucial as to increase their awareness on regulations and requirements related to their daily operations. All new employees are provided with induction training such as environmental policy, objectives, procedures etc. Every employee receives average 8 hours of training per annum.

Scheduled waste training also was conducted for all related department in November 2020. All related employees been trained on how to pack, label and store the scheduled waste.

The activities/programs conducted to monitor environmental performance are:

- Wastewater Treatment Plant
 - ✓ The weekly monitoring on the final discharge was conducted by our appointed laboratory service provider
- Boundary Noise Level Monitoring
 - ✓ The yearly monitoring on the boundary noise was conducted by our appointed laboratory service provider
- Air Emission Monitoring and Dark Smoke Monitoring
 - ✓ This monitoring was conducted yearly by our appointed laboratory service provider
- Sewage Discharge
 - ✓ This is conducted yearly by our appointed laboratory service provider
- Additional Noise Level Monitoring
 - ✓ This is conducted by appointed noise competent person if there is any change in process or equipment

- Audiometric Testing
 - ✓ The yearly testing on the audiometric was conducted by our appointed laboratory service provider
- Local Exhaust Ventilation Monitoring
 - ✓ The yearly monitoring was conducted by our appointed laboratory service provider

In order to ensure all process of Industrial Effluent, Schedule Waste and Scrubber Operation runs well, we had appointed related personnel to attend the course of Environmental Professional in the Operation of Industrial Effluent Treatment Systems-Physical Chemical Processes (CePIETSO-PCP), Certified Environmental Professional in Scheduled Waste Management (CePSWaM) and Certified Environmental Professional in Scrubber Operation (CePSO).

As to pertain with Sustainable Development Goals (SDGs) 12 - Responsible Consumption and Production, we wish to minimize the impact of environmental footprint and we had encouraged our employees to act responsibly with regards to this goal by perform reduce, reuse and recycle activity. We purchased recycled bins for each floors in the office to collect paper, plastic and aluminum. In order to reduce the usage of plastic drinking bottles, we had provided filtered drinking water in glass. On the other hand, to reduce electrical consumption, we also turn off the air-conditioner, lights and fans during lunch break, while computers, printers and copiers are being shut off at night / when not in used. Apart from this, we also clean all filters weekly and maintain the services as scheduled to maximize the efficiency of air compressors in the company.

Conflict Minerals regulation, aims to help stem the trade in four minerals – tin, tantalum, tungsten and gold – which sometimes finance armed conflict or are mined using forced labour. KHEI has been complying to this requirement by participating in Responsible Minerals Initiative (RMI) and declared the Conflict Minerals Reporting Template (CMRT) accordingly.

Measurement of Outcomes

Audits was conducted annually for ISO 14001, which includes internal audit by KHEI internal auditors and external audit by certification body. External audit was conducted on 17-19 March 2021, there is no non-conformance found during the audit process. As for internal audit which was conducted on 11-15 January 2021, findings were reported and resolved.

We are committed to comply with all environmental regulations and to maintain high standards of environmental management on various aspects, including pollution prevention, resource conservation and waste reduction. As part of Sustainable Development Goals (SDGs) Goal 12 - Responsible Consumption and Production, our greenhouse gas emissions (GHG), energy consumption, water conservation, paper consumption and recycle items are being calculated and compared for a period of 3 years.

In year 2020, the usage of fossil fuels is calculated based on our purchased record while the total usage for electricity consumption is monitored based on electricity bill.

GHG emissions (tonnes CO ₂ e)	2018	2019	2020
Scope 1 – Direct (Fossil fuels – LPG & Diesel)	376.50	364.65	367.35
Scope 2 – Indirect (Electricity Consumption)	1,934.76	1,591.60	1,368.64
Total Emissions	2,311.27	1,956.25	1,735.99

Table below shows the comparison of GHG emissions from year 2018 until 2020. In year 2020, we manage to reduce 220.26 tonnes.

Year	GHG emissions (tonnes CO ₂ e)			
	Electricity	Diesel	LPG	Total Emissions
2018	1,934.76	37.80	338.70	2,311.27
2019	1,591.60	30.45	334.20	1,956.25
2020	1,368.64	32.55	334.80	1,735.99

We also working on ways to conserve water and reuse wastewater in order to reduce the amount of water used in our production plant. Data below shows results monitored from 2018 until 2020. The percentage decreased to -4.63% for year 2020.

Water usage (m ³)	2018	2019	2020
Usage	67,792	65,865	64,714
Percentage (m ³ /RM sales)	0.0600	0.0669	0.0070
Percentage decreased	-4.63%		

As amount of waste been produced by is increasing day by day, we had started the recycling activity in the office. We encourage our staff to use duplex printing and go paperless whenever possible. Below data shows the comparison result from year 2018 until 2020 on reducing paper consumption. Percentage reduced on year 2020 is 25.62%.

Paper usage (sheets)	2018	2019	2020
Usage	726,000	564,000	396,500
Percentage reduced	25.62%		

In line with our target to minimize wastes, we also send plastic waste and carton boxes to recycle company. From year 2019 to 2020, the total recycle items are in increased by 376 kg.

Recycled Items (kg)	2018	2019	2020
Carton Boxes	1,604	4,091	4,170
Plastic Waste	302	970	1267
Total Recycled	1,906 kg	5,061 kg	5,437 kg

In year 2020, we received zero fines and penalties from governmental bodies related to any non-compliance with environmental laws and regulations. By the end of this year, we plan to achieve 5% reduction of power usage, water usage and paper usage as per stated in our Environmental Policy.

ANTI CORRUPTION

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

Assessment, Policy and Goals

KHEI does not condone or tolerate any corrupt practices, either by its employees or its suppliers. We address our intolerance towards corruption in our Human Rights & Sustainability Policy as well as Supplier Code of Conduct.

Implementation

Our employees had been trained on anti-corruption and our suppliers had been briefed on the importance of Supplier Code of Conduct. KHEI will continue to train all newly recruit employees and brief new suppliers to ensure that all employees and suppliers are fully aware and understand KHEI's strong stand against corrupt practices in all form. We take reasonable steps to ensure that our books, records and overall financial reporting are transparent. To increase the knowledge upon bribery, related employees had been given training on July 2020.

An Ethics Committee is formed to set and oversee the rules in the company. It is also established to ensure the businesses operated in an atmosphere of accountability. All employees who have observe behavior of someone (colleagues, supervisor, supplier or other third party) that may violate the ethical issues, they may raise the issues promptly to the members of Ethics Committee or via email to them. Their identity would be remained anonymous to maintain the confidentiality. The Ethics Committee would conduct a thorough and fair investigation throughout the concern issues.

We also address our action by established the Bribery Risk Assessment. Internal Audit Checklist - Anti Bribery & Corruption Management System was created to further assess if there are any issues on corruption / bribery and extortion. Internal audit on anti bribery will be conducted in year 2021.

Measurement of Outcomes

To date, we have not encountered any incidents related to corruption / bribery and extortion. There are also zero fines, penalties or employee dismissal that is reported related with bribery.

A yearly financial audit is conducted by external auditors to add credibility to the reported financial position and performance of KHEI business.