

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS *2021*



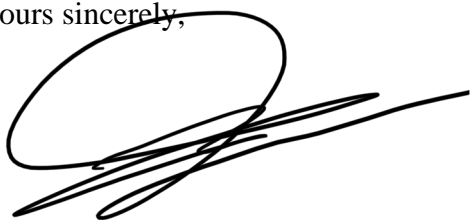
STATEMENT OF CONTINUED SUPPORT

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

6th May 2022

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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 provided with reasonable accommodation to perform their religious practices. To enhance their understanding on discrimination, we have conducted awareness training to all our employees in December 2021. Any newly joined employee will also be briefed on discrimination during induction training.

Apart from discrimination, awareness training on Code of Conduct, Human Rights & Sustainability Policy and Employee Manual will be trained to all newly join employee through induction training. Every employee able to raise any employment issues, ethical issues and perceived violations with their respective superiors, managers, Human Resources representative, any member of the Ethics Committee or via email to ethics@kumhoi.com.my.

Code of Conduct, Rev. 3 have been updated on July 2020, with added information on 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.

As part of major supplier to a global specialist in energy management and automation in Australia, we are required to participate in Ecovadis assessment. Ecovadis which has become the world's largest and most trusted provider of business sustainability ratings. As a result, from the assessment in year 2021, KHEI has been awarded a gold medal in recognition of sustainability achievement.

In KHEI, we take seriously into consideration of our foreign workers well-being by providing them with an appropriate accommodations and facilities during their stay and work in Malaysia. Westlite Accommodation is Asia's leading foreign and migrant workers dormitory owner and operator. We have allocated a floor in Westlite PKNS Petaling Jaya for all our foreign workers to stay in. The dormitory provides a safe and comfortable living environment, complete with well-designed amenities and social and recreational activities. We also arrange transportation for them to come to work and back to hostel in daily basis.

With various nationality of foreign workers in our company, we believe a strong communication among employer and employee is crucial to deliver clear information and build trust among employees. Therefore, a Foreign Worker Representatives Committee is formed to ensure any issues or concerns raised by them is duly noted and taken care of.

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 arrange Ethical Audit for KHEI 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.

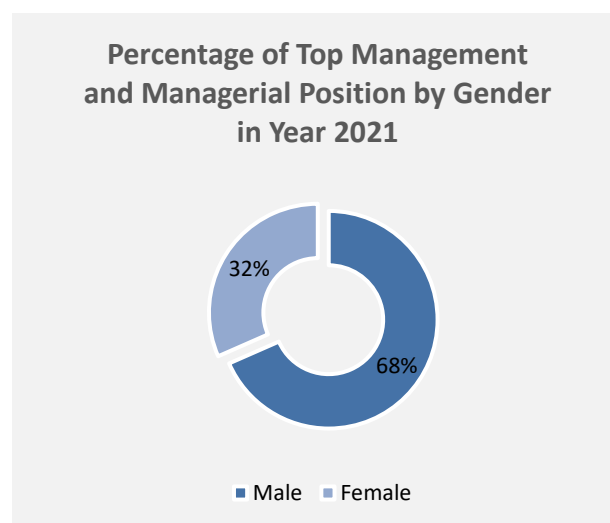
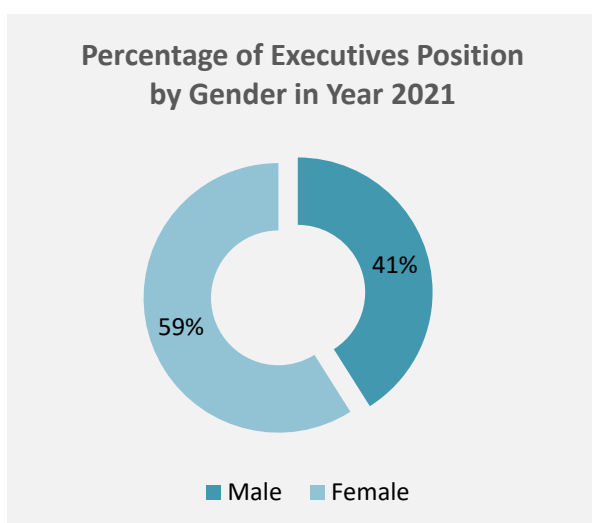
We do not employ or condone any form of forced labour because we consider that as fundamental violation of human rights. All of our employees are free to join and leave the company in accordance with contractual terms, besides there is no illegal deduction of wages practiced. We are totally against the practice of child labour, 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 such as academic qualifications, skills and track record.

Implementation

All newly recruited employee will be given induction training which includes briefing on Employee Manual, Human Rights & Sustainability Policy, Quality Policy & Objectives, Environmental Policy & Objectives, Code of Conduct, Ethics & Anti Bribery, Sexual Harassment etc.

As to pertain with Sustainable Development Goals (SDGs) 5 – Gender Equality, KHEI practice fair recruitment process towards male and female employees. It is proven that women also help in economic prosperity and development and they should be treated with dignity, respect and fairness. In KHEI, we strive to close the gap between male and female employees. Below chart shows more women in executive position, 59% compares to male at 41% in year 2021.



In line with SDGs 10 – Reduce Inequalities, KHEI also recruit people with disability. We believe that everyone should have equal access to opportunities and resources to increase their personal growth and work experiences. We also believe that they should live in a safe and equal society. To date, we have one employee with hearing and speech disability. The employee has been assigned at working space with minimal background noise and less hectic task to ensure the safety of the employee.

In order for the company to gain a better understanding towards our employees, Employee Satisfaction Survey is conducted in yearly basis. From the survey responded, we will gather employees' feedback and improve our system 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.

Apart from that, we had abided by all required regulations from the government, especially in terms of fiscal, wage and social protection. We continuously ensure to follow the minimum wages need to be paid to the employees to protect them against unduly low pay. Also, we had contributed to Employees Provident Fund (EPF) for all our local employees. This is a compulsory savings plan and retirement planning for private sector workers in Malaysia. It is mandatory for Malaysian citizens employed in private sector.

The Social Security organization (SOCSO) main function is to provide social security protection to employees and their dependent through the Employment Injury Scheme and the Invalidity Scheme. All employees in KHEI are covered with SOCSO. In addition, foreign workers are covered with Foreign Worker's Medical Examinations Programme (FOMEMA). FOMEMA is an appointed company to operate a comprehensive Foreign Workers' Medical Examination Screening System in Peninsular Malaysia. Their mission is through the mandatory regular health screening program, they aim to preserve a good health condition of foreign workers throughout their employment in Malaysia. All foreign workers are also covered with Foreign Workers Hospitalisation & Surgical Scheme (SKHPPA). This scheme is specially designed to reduce the financial burden of the employers of foreign workers in the event of hospital admission of their foreign workers to a non-corporatized Malaysian Government Hospital due to an accident or illness.

In KHEI, we aim to make sure all necessary trainings and knowledge are provided to all our employees. Objective of 16 hours of training per employee per annum had been set by management to achieve the aim. In year 2021, various topics of safety briefing and training had been conducted to the employees to increase their safety awareness, which includes ergonomic training, fire extinguisher training, hearing conservation training, etc. Overall, the total percentage achieved for 16 hours of training per employee per annum reported is 73.03%.

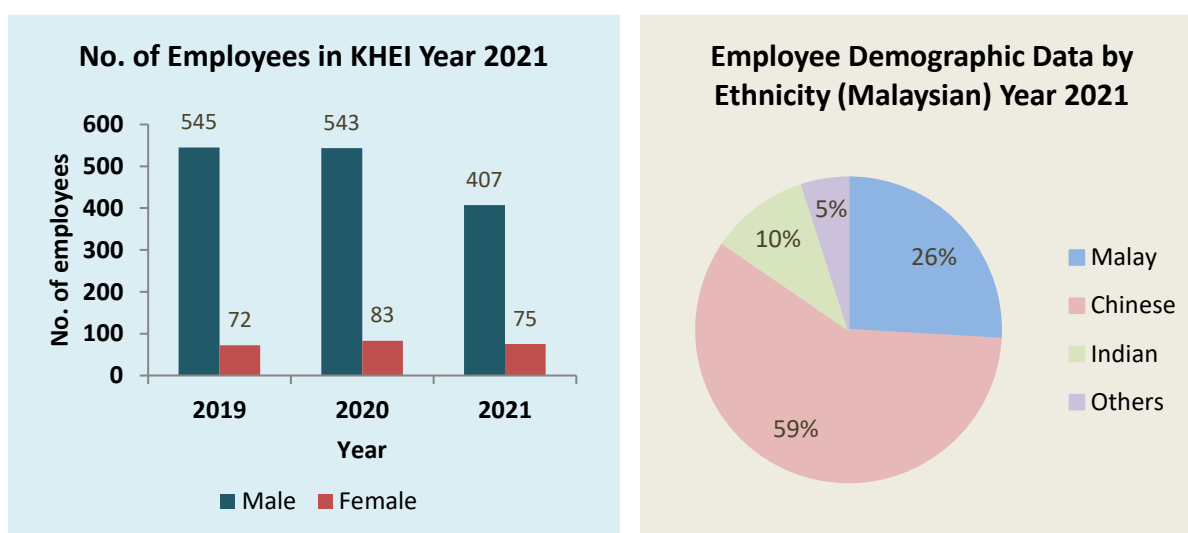
Employee safety is important. Safety Induction is conducted to train new employees and guide them on the importance of using safety equipment and ensure they are aware of safety precautions while performing their duties. All employees will be provided with safety shoes on the first day of their employment. Other PPEs needed in order to work in a safe environment at their work station will be provided by their supervisors.

Since March 2020, Government had declared few stages of "Movement Control Order" (MCO) that deeply impacts the business operations and movement of people due to COVID-19 pandemic. KHEI prioritize to safeguard its employees' health and safety well-being as well as its clients, visitors and subcontractors. We had implemented Standard Operation Procedure (SOP) following Ministry of Health's guidelines. In order to achieve herd immunity against the disease, we highly encouraged our employees to receive their vaccination through the National COVID-19 Immunization Program.

Measurement of Outcomes

The rights of all employees are continuously reviewed by management annually. To date, we do not have any records of complaint or 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.

At KHEI, our employees are from diverse background and ethnicity. We believe by having team of people with different skills, life experiences and cultural backgrounds would tend to get higher productivity and chance to see things from a different perspective. Our employment status from year 2019 until 2021 is shown as below.



The safety and health of our employees has been monitored in yearly basis. The injury rate in 3 consecutive years is recorded as below. The frequency rate in year 2021 is decreased by 3.15 from year 2020 while the severity rate is increased by 26.04 in year 2021.

Year	2019	2020	2021
Total hours work	1,324,616	1,437,995	1,377,992
Total lost time injury (days)	45	45	79
Total disabling injuries / illness	0	0	0
Total non-disabling	10	16	11
Frequency rate	7.55	11.13	7.98
Severity rate	33.97	31.29	57.33

To fulfill our responsibility in COVID-19 pandemic, we have been carrying out proactive COVID-19 screenings by using rapid test kits (RTK) across our manufacturing and office plant in order to trace any possibility on spread of the disease. We also encourage all employees to get their COVID-19 vaccine booster shots accordingly. Measures taken such as practicing 1-meter physical distancing, scan body temperature and hand sanitizing is recommended to be followed by our employees even though the government has declared transitioned into endemic phase in our nation. We also arrange the foreign workers to get the full vaccination for COVID-19. To date, 99.6% of our employees have received their COVID-19 vaccine booster shots.

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 is safeguarded and does not harm or destroy the environment.

Implementation

We believe in order to promote lifelong learning opportunities for all, investing in education / career development helps to develop a dynamic and efficient workforce. We arranged our employees with various type of learning platforms, online learning / webinar, external seminar, as well as in house training and briefing. The trainings cover wide range of topics to equip them with various skills, knowledge and awareness on regulations and requirements related to their daily operations. All new employees are provided with induction training such as environmental policy, objectives, procedures, ROHS etc. One of our Environmental Objectives include 16 hours of training per employee per annum.

All employees will be provided with trainings on all environmental aspects. This includes chemical control, environmental monitoring and measurement, emergency preparedness and response, environmental operational control, and environmental pollution and waste control. ROHS training is conducted in January and November 2021, while Basic First Aid in October 2021. On the other hand, forklift training, fire drill training, chemical spillage training and gas leakage training also provided to respective personnel.

In KHEI daily operations, it is inevitable not to produce scheduled waste. Therefore, it is important for employees to understand and practice the right methods on how to pack, label, store and dispose the scheduled waste in a correct channel to minimize the environmental

issues. Scheduled waste training has been conducted for all related department in November 2021. Align with our environmental policy to act socially and environmentally responsible manners, various programs are conducted in our operations plant in order to monitor the environmental performance. We also monitored the requirements on environmental monitoring as per law and regulations. The activities are as follow:

No.	Activities/Programs	Responsible Party	Frequency
1	Wastewater Treatment Plant	3 rd party laboratory service	Weekly
2	Boundary Noise Monitoring	3 rd party laboratory service	Yearly
3	Isokinetic Stack and Air Emission Monitoring	3 rd party laboratory service	Yearly
4	Sewage Discharge	3 rd party laboratory service	Yearly
5	Local Exhaust Ventilation	3 rd party laboratory service	Yearly
6	Chemical Exposure Monitoring	3 rd party laboratory service	Yearly
7	Chemical Health Risk Assessment	3 rd party laboratory service	Every 5 years
8	Identification of Excessive Noise	KHEI internal team	Yearly
9	Noise Risk Assessment	Appointed competent person	Every 5 years
10	Audiometric Test	3 rd party laboratory service	Yearly

In order to ensure all industrial effluent, scheduled waste and scrubber operation runs accordingly, 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 recycling activity. We purchased recycle bins for each floor in the office to collect paper, plastic and aluminum. In order to reduce the usage of drinking bottles, we had provided filtered

drinking water in glass. On the other hand, to reduce electrical consumption, we turned off air-conditioner, lights and fans during lunch break, while computers, printers and copiers are being shut off at night or when not in use. Apart from that, we also clean all filters weekly and maintain the services as scheduled to maximize the efficiency of air compressors in the company.

Conflict Minerals regulations, 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 with this requirement by participating in Responsible Minerals Initiative (RMI) and declared the Conflict Minerals Reporting Template (CMRT) accordingly.

Measurement of Outcomes

Internal audit was conducted annually by KHEI internal auditors for ISO 14001, while external audit will be conducted in yearly basis by accredited certification body. The last external audit was conducted on 17-19 March 2021, there are 0 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. We also committed to improve our operational efficiency, including lowering cost and reducing the environmental footprint of our operations. 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 2021, the usage of fossil fuels – LPG & Diesel are based on our purchased records while the total usage for electricity consumption is monitored based on monthly electricity bill.

GHG emissions (tonnes CO₂ e)	2019	2020	2021
Scope 1 – Direct (Fossil fuels – LPG & Diesel)	364.65	367.35	314.10
Scope 2 – Indirect (Electricity Consumption)	1,591.60	1,368.64	1,334.49
Total Emissions	1,956.25	1,735.99	1,648.59

Table below shows the comparison of GHG emissions from year 2019 until 2021. In year 2021, we manage to reduce 87.4 tonnes from year 2020.

Year	GHG emissions (tonnes CO ₂ e)			Total Emissions
	Electricity	Diesel	LPG	
2019	1,591.60	30.45	334.20	1,956.25
2020	1,368.64	32.55	334.80	1,735.99
2021	1,334.49	29.40	284.70	1,648.59

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 2019 until 2021. The percentage decreased to 9.59% for year 2021.

Water usage (m ³)	2019	2020	2021
Usage	65,865	64,714	57,644
Percentage (m ³ /RM sales)	0.0669	0.0070	0.0594
Percentage decreased		-9.59%	

As amount of waste been produced 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 2019 until 2021 on reducing paper consumption. Percentage increased on year 2021 is 9.30%.

Paper usage (sheets)	2019	2020	2021
Usage	564,000	419,500	458,500
Percentage increased		9.30%	

In line with our target to minimize wastes, we also send plastic waste and carton boxes to recycle company. From year 2020 to 2021, the total recycle items are reduced by 1,011 kg.

Recycled Items (kg)	2019	2020	2021
Carton Boxes	4,091	4,170	3,240
Plastic Waste	970	436	355
Total Recycled	5,061 kg	4,606 kg	3,595 kg

In year 2021, we received zero fines and penalties from governmental bodies related to any non-compliance with environmental laws and regulations. More improvement would be done to achieve 5% reduction of power usage, water usage and paper usage as per stated in our Environmental Objectives.

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

At KHEI, we believe that integrity is not just important on a personal level, but it is also vital in workplace as this behavior cultivate a positive workplace culture. Organizations which are known for their strong integrity usually would perform better in their business, build trusted relationships among stakeholders and customers, and demonstrate ethical and moral behavior at all times.

To develop the integrity among employees and suppliers, our suppliers had been briefed on the importance of Supplier Code of Conduct. KHEI will continue to brief new suppliers to ensure they are fully aware and understand KHEI's strong stand against corrupt practices in all form. We take reasonable steps to ensure that our records and reports are transparent. To increase the knowledge on bribery, related employees had been trained on Ethics & Anti-bribery Awareness on October 2021.

An Ethics Committee is formed to set and oversee the rules in the company. It is also established to ensure the business 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. Each department has analyzed the risk of potential occurring bribery. The Anti-Bribery Audit has been conducted on 7th Dec 2021.

Moreover, a Supplier Due Diligence must be fill up by our suppliers to ensure they do not convict with any form of corruption / bribery.

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. Besides, there is no correction action issued during the Anti-Bribery Audit. We will further improve our operational system to reduce the possibility of fraud.

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