

SUSTAINABILITY STATEMENT

INTRODUCTION

The Board of Directors (“Board”) of K.Seng Seng Corporation Berhad (“KSSC”) is proud to present the Sustainability Statement for the financial year ended 31 December 2018. This Statement reflects the economic, environmental and social considerations upon the KSSC’s business. In our strategy to deliver sustainable performance, we place emphasis on managing those economic, environmental and social implications from our business, especially those which significantly reflect KSSC’s impact as well as those which substantively influence the assessment and decision of KSSC’s key stakeholders.

This Statement is prepared in the manner prescribed by Bursa Malaysia Securities Berhad (“Bursa”) in its Main Market Listing Requirements (“Listing Requirements”) and taking into consideration the Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits issued by Bursa.

KSSC is an investment holding company. The activities of the KSSC Group include manufacturing of secondary stainless steel products namely welded stainless steel tubes and pipes, stainless steel industrial fasteners, rigging accessories and components; processing of secondary stainless steel flat and long products namely stainless steel sheets, stainless steel round bars, stainless steel flats bars as well as stainless steel angles bars; trading of industrial hardware including marine hardware and consumables; engineering works, fabrication and installation of glove dipping line and trading of glove dipping line parts.



Our “Sustainability Policy” supports our commitment to reaching an equilibrium between being at the forefront of our industry and meeting the commercial expectations of our stakeholders. The said Sustainability Policy entails:

- Compliance of highest ethical standards by suppliers;
- Compliance to environmental and occupational safety and health regulations;
- “Green” principles in procurement and manufacturing practices;
- Management and disposal of waste in a responsible manner;
- Commitment to ensure a safe and healthy working environment;
- Fair and just treatment of employees;
- Training and development of employees;
- Contributions towards local authorities and communities;
- Uphold business excellence and continuity;
- On-going development of clients for long-term partnerships; and
- Compliance to better practices under the Malaysian Code of Corporate Governance.

SCOPE

This report focuses on key operations in the Balakong main plant, i.e. covering 6 wholly-owned subsidiaries, operating across manufacturing and processing of stainless-steel products, other industrial hardware such as bronze and copper, and engineering works. These operations amount to approximately 71.7% of the total revenue contribution to the Group. As KSSC develops maturity in its sustainability management and reporting process, it will seek to expand the coverage of the Group’s sustainability reporting scope.

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GOVERNANCE STRUCTURE

The task of managing economic, environmental and social matters, including implementation of sustainability strategy and initiatives approved by the Board falls on the Sustainability Working (“SW”) Committee, which comprises key staff from various departments of the operating companies nominated by the Sustainability Steering (“SS”) Committee. The SW Committee reports sustainability matters to the SS Committee as and when required or at least annually.

The SS Committee, a delegate of the Board, comprises senior Heads of Department of relevant operations and chaired by the Group Managing Director, is responsible to oversee implementation of sustainability strategy and initiatives by the SW Committee. The SS Committee reports to the Board as and when required or at least annually, whom is ultimately responsible for ensuring that KSSC’s business strategy considers sustainability, including the economic, environmental and social impacts on KSSC. The Board is also responsible in providing leadership by approving KSSC’s sustainability strategy and initiatives and oversees the performance of the management of MSM.

APPROACH TO CONSIDERING KSSC’S SUSTAINABILITY MATTERS

In considering the material sustainability matters of KSSC, the Management has deployed the materiality process as promulgated by Bursa’s Sustainability Reporting Guide – 2nd Edition and its accompanying Toolkits. The materiality process focuses on identification, assessment and prioritisation of KSSC’s stakeholders and sustainability matters, with the aim of understanding how material each economic, environmental or social matter is to KSSC’s business and its key stakeholders. Material Sustainability Matters (“MSM”) are identified, assessed and determined largely based on the criteria prescribed by Bursa in Paragraph 6.3, Practice Note 9 of the Listing Requirements, as follows:

- MSMs which reflect KSSC’s significant economic, environmental and social impact; and/ or
- MSMs which substantially influence the assessment and decision of KSSC’s key stakeholders.

KEY STAKEHOLDERS

We believe in, and appreciates, the value stakeholder engagement brings, towards enhancing the value of the Company and the Group, not only in financial terms but also in the context of the economy, environment and society. Engagement with key stakeholders enables us to understand how our business may affect stakeholders as well as how stakeholders may have influence over our business. It facilitates informed decision making for us as a responsible business in its pursuit to deliver optimal value for stakeholders and ensure business continuity.

Each stakeholder group is unique, and we have adopted engagement strategies and methods customised to effectively and efficiently engage with each stakeholder group. A summary of how stakeholders are engaged, including some of the focus areas raised or discussed during engagements, are summarised as follows:

Stakeholders	Mode of engagement	Frequency of engagement	Sustainability material matters	Sustainability issues of concern
Shareholders & Investors	- Annual General Meeting - Announcements on Bursa Malaysia - Press releases - Financial statements - Annual report	- Annually - Quarterly	- Industry environment - Profitability - Dividend - Return on Investment - Financial performance - Share performance - Ethics & integrity - Corporate governance & transparency	- Growth trajectory - Acquisitions & expansion - Market diversification - Risk management - Corporate governance - EES indicators - Sustainability performance & tracking - Reporting standards

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Stakeholders	Mode of engagement	Frequency of engagement	Sustainability material matters	Sustainability issues of concern
Customers	<ul style="list-style-type: none"> - Face to face interaction - Customer feedback - Customer buy-off - Marketing promotions - Engagement surveys - Customer audits 	<ul style="list-style-type: none"> - Weekly - Monthly - Half yearly - Annually - As needed 	<ul style="list-style-type: none"> - Customer satisfaction & brand reputation 	<ul style="list-style-type: none"> - Product quality - Pricing - Quality & workmanship - Product safety - Goods delivery/logistics - Manufacturing capacity - Customer visit & survey - Customer service & experience - Equitable business operations
Employees	<ul style="list-style-type: none"> - Management meeting - Employee performance appraisals - Training programme - Employees feedback 	<ul style="list-style-type: none"> - Weekly - Monthly - Half yearly - Annually - As needed 	<ul style="list-style-type: none"> - Learning & development - Occupational Safety & Health - Employee welfare - Talent retention - Skilled labour 	<ul style="list-style-type: none"> - Job security - Remuneration & benefits - Career development & training opportunities - Workplace health & safety - Labour & human rights - Work-life balance
Suppliers	<ul style="list-style-type: none"> - supplier audit & evaluation - Supplier visit/ interviews - Supplier appraisal/ pre-evaluation - Face to face interaction - Legal compliance 	<ul style="list-style-type: none"> - Monthly - Half yearly - Annually - As needed 	<ul style="list-style-type: none"> - Quality of trading materials - Timely delivery of goods/ logistics - Raw material availability 	<ul style="list-style-type: none"> - Legal compliance - Payment schedule - Pricing of services - Product quality & inventory supply commitment - Agreeable contracts - Maintaining partnerships
Government & Regulators	<ul style="list-style-type: none"> - Regulatory requirement - On-going interaction - Formal & informal meetings - Government programmes & initiatives 	<ul style="list-style-type: none"> - Periodically 	<ul style="list-style-type: none"> - Compliance 	<ul style="list-style-type: none"> - Manufacturing issues & policies - Compliance to applicable laws - Security issues - Waste Management - Public nuisance issues - Labour practices - Environmental issues - Occupational Safety & Health - Economic, environmental & social impacts
Local communities	<ul style="list-style-type: none"> - Donations & financial aid - Contribution to environment & social enhancement - Sustainability related programmes 	<ul style="list-style-type: none"> - As needed 	<ul style="list-style-type: none"> - Community development 	<ul style="list-style-type: none"> - Social & environmental issues in relation to business operation - Support towards community development - Job creation for local community - Undertaking business in a responsible manner

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MATERIAL SUSTAINABILITY MATTERS

Guided by the definition of materiality prescribed by Bursa, KSSC’s Senior Management has, with the facilitation of an external consultant, undertaken a materiality assessment of KSSC’s sustainability matters. The MSM identified from the assessment are as follows:

ECONOMIC

- **Corporate governance and ethical behaviour**

KSSC is committed to maintaining the highest standards in relation to corporate governance, ethics and compliance. We believe that sound and effective corporate practices are fundamental to the smooth, effective and transparent operation of a Company. This is pivotal to protect the interest of other stakeholders.

With the introduction of the corporate liability set out in Section 17A of the amended Malaysian Anti-Corruption Commission Act 2009 and given that good governance and ethical conduct is critical to building and maintaining trust and confidence, KSSC has embarked on several on-going initiatives across all businesses, including in the midst of establishing the Anti-Bribery Management System and relevant anti-bribery related policies and procedures, guided by the Guidelines on Adequate Procedures introduced by the Prime Minister’s Department. The expected implementation timeline is as follows:

Quarter 3, year 2019	Quarter 4, year 2019	Quarter 1, year 2020
<ul style="list-style-type: none"> • Gap identification 	<ul style="list-style-type: none"> • Setting up of the anti-bribery management system and relevant policies and procedures • Perform Risk Assessment and thereafter relevant action plans 	<ul style="list-style-type: none"> • Board approval of the anti-bribery management system and relevant policies

We take cognisance of the importance of continually developing our practices to ensure that we conduct our activities in accordance with the laws, rules and regulations of the local authorities as well as support our employees to consistently uphold the highest standards of integrity and accountability.

KSSC has in place Code of Ethics and Conduct that sets out the ethical principles to guide decisions and behaviours of all the Directors and employees (including for subsidiaries). The Code of Ethics and Conduct specifies the delineation between acceptable and non-acceptable practices, including types and severity of punishments for any non-compliances. Furthermore, the Company has in place a whistle-blowing policy, providing an avenue for internal and external parties to report of suspected misconduct, fraud, corruption or any other illegal acts. The policy also assures confidentiality of the whistle-blower and prohibits retaliation. Our policies are reviewed regularly to ensure they reflect any changes in legislative requirements and the business environment.

There were no cases of ethics and integrity practices breaches reported for the past three (3) financial years, i.e. Financial Year 2016 ("FY 2016"), Financial Year 2017 ("FY 2017") and Financial Year 2018 ("FY 2018").

ENVIRONMENT

We acknowledge our responsibility towards managing our environment-related impacts and are committed to carrying out operations whilst preserving the environment, by complying with environmental related regulations in all our practices and keeping abreast of industry better practices. Our fundamental aim is to sustainably uphold operational excellence across our business value chain, which in return warrants the prudent use of natural resources.

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- **Waste Management**

Given the nature and size of our manufacturing operations, the processes entail the production of wastes. The main production wastes are the rags contaminated with scheduled wastes, spent lubricant oil, spent hydraulic oil and spent mineral oil-water emulsion. As we consistently strive to improve waste management in our manufacturing plant, we have undertaken various efforts and tasked the Safety Department to manage, continuously reduce and monitor our waste. We have also engaged a licensed scheduled waste collector to collect and dispose these wastes ethically twice a year.

Furthermore, KSSC is subject to periodic assessments by the Department of Environment (“DOE”) which ensures that we conduct business in an environmentally friendly and responsible manner.

There were no cases of non-compliances, fines, penalties or warnings issued by the DOE pertaining to waste management for the past three (3) financial years, i.e. FY2016, FY2017 and FY2018.

- **Noise Pollution Control**

Noise is inevitable in some of KSSC’s processes, for example, the polishing and slitting process. The noise generated from these processes may be considered as medium, i.e. approximately from 78dB to 95dB. It may cause damage to physiological health (e.g. hypertension or high-stress levels) but is unlikely to cause hearing loss.

Nevertheless, to reduce the noise pollution or impact arising from noise pollution, we have the following in place:

- Engineering controls as far as reasonably practicable, such as machinery being constructed with noise reducing specifications;
- Ensuring Personal Protective Equipment (PPE) such as hearing protection is worn by employees, especially at sections with higher noise exposure; and
- Audiometry tests for machine operators carried out annually to monitor employee’s risk of detrimental exposure to noise. All employees tested for the past three (3) financial years, i.e. FY2016, FY2017 and FY2018 passed the test.

Additionally, noise levels generated from our manufacturing plant are subjected to periodic assessments by an environmental consultant approved by the Department of Occupational Safety & Health (“DOSH”).

There were no cases of non-compliances, fines, penalties or warnings issued by the DOE and DOSH pertaining to noise for the past three (3) financial years, i.e. FY2016, FY2017 and FY2018.

- **Air Emissions**

The nature of our industry does not generate significant air emissions but that does not exclude us from meeting regulatory standards set by the DOE pursuant to the Clean Air Regulation (2014). The main air emission from our operations is dust, arising from polishing of stainless-steel products.

To reduce the dust discharged into the air, we have installed a dust collector and mandate our workers to put wear mask at all times during work. The dust collector collects approximately 80KG to 100KG of dust per month.

There were no cases of non-compliances, fines, penalties or warnings issued by the DOE pertaining to air emission for the past three (3) financial years, i.e. FY2016, FY2017 and FY2018.

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- **Energy Management/Electrical Energy Consumption**

As a responsible corporate citizen, we believe in taking a proactive approach in managing energy related environmental impact arising from our operations. As any reduction in the use of energy will lead to the abatement of greenhouse gas emissions, we therefore promote efficient use of energy within the Group.

We also believed that effective energy consumption will lead to reduction in utility costs and optimise capital expenditure. Hence, we have taken the following energy saving related initiatives:

- Replace lighting tubes with LED tubes and the usage of timer control for lightings;
- Consistently service air-conditioners (including the filter);
- The use of inverter control for motors and the usage of timer control for blower fan;
- Effective manufacturing planning to optimise energy usage and shutdown of plant machinery when not in use; and
- Conduct energy efficiency awareness briefing to all staff, including daily monitoring of energy consumption.

SOCIAL

At KSSC, we recognise the need to maintain a conducive and inclusive workplace to better position ourselves and exceed customers' expectations. We also believe that our employees are an important driving force to ensure sustainability across our operations. Our goal to support the company's strategy in relation to human resources is to build a trustworthy and honest workforce committed to provide excellent services to our valued customers.

- **Occupational Health and Safety**

Workplace safety is essential to the sustainability of any corporation. At KSSC, the Company's value proposition starts, first and foremost, with an unrelenting commitment to employee safety. Hence, continuous efforts have been put in place to ensure a sustainable safe workplace environment.

We have set up the following health and safety practices based on occupational health and safety risks of our Group, and have considered the requirements of relevant Environment, Health & Safety ("EHS") legislations:

- established Safety Operating Procedures ("SOP") for each work activity;
- ensure compliance with applicable EHS requirements such as Occupational Safety & Health Act 1994, Factory and Machinery Act 1967, Fire Service Acts, and its associated Regulations and Orders;
- implement Technical and Administrative controls for the production and machinery sector;
- monthly inspection on non-compliances of employees on safety requirements;
- established Safety and Health Committee, with periodic Safety and Health Committee member meetings, discussing amongst others, safety at the workplace;
- periodic safety training provided to employees and hold individual employees accountable for any non-compliances on safety requirements;
- an established management system in place to manage safety related risks by identifying, assessing, monitoring and controlling potential hazards;
- communicate openly with employees, government and the community on occupational health and safety issues;
- periodically review occupational health and safety policy to ensure its effectiveness and suitability to the nature of work; and
- incorporate safety as one of the standing agenda items in our management meetings, for us to update, be aware and discuss on any safety related issues.

There were no cases of OHS incidences for the past three (3) financial years, i.e. FY2016, FY2017 and FY2018.

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- **Fair employment practices**

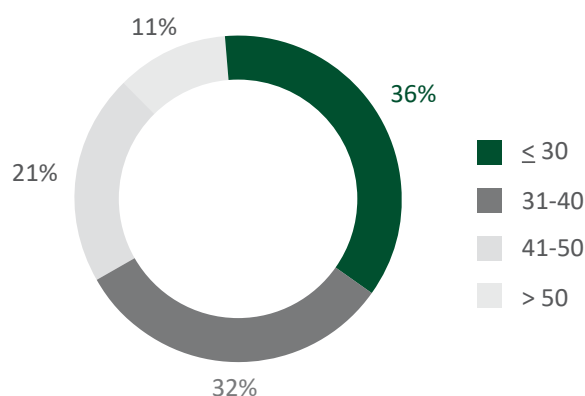
In addition to developing a healthy and safe workplace, we strive to provide our employees with a diverse and inclusive working environment where their human rights are respected and protected. In upholding human rights of our employees and to prevent human rights violations, we practised and also put in place policies and procedures to ensure a healthy, fair, just and secure workplace.

The following are key policies and measures enshrined in our Code of Ethics (dos and don'ts) policy statement as well as our employee handbook.

- i. **Equal Employment Opportunity**

In the appointment and recruitment process of KSSC, we pride ourselves in being an employer that provides equal opportunities and continuously seek to promote it regardless of religious belief, age, creed, marital status, gender, family status or any disability, as evident by the hiring of an employee with disabilities during the financial year under review. In our belief of providing and encouraging equal employment opportunities, we are looking to further increase the hiring of employees with disabilities in the future, where possible. Our commitment in that respect applies to all areas of the work environment.

Further to the above, we do not discriminate against or favour employees of a certain age group, despite majority of our current workforce are of the age of 40 and below. Our hiring and retention of employees are based on merit. The current employee demographic by age is as follows:

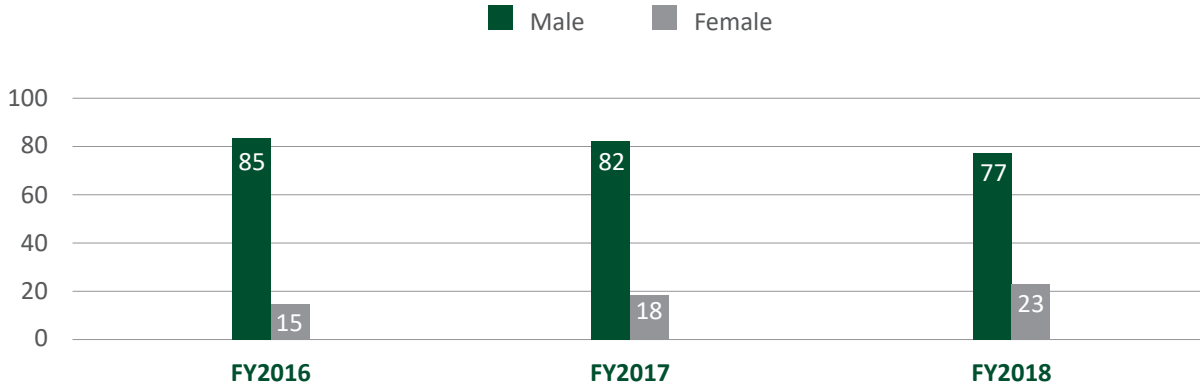


- ii. **Workforce Diversity**

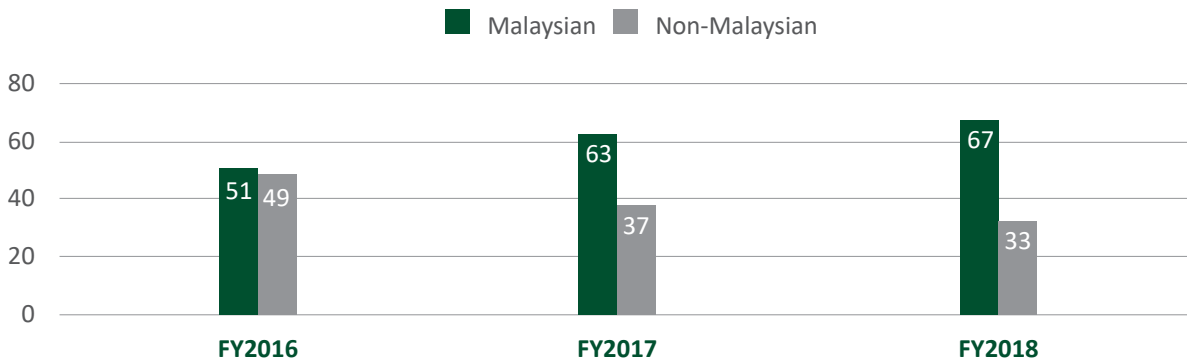
We believe in keeping our employees engaged with the aim to bring forth their full potential and enabling a satisfying career for each of them. At the same time, we are inclusive and are mindful to encourage balanced participation of female employees in our Group, evidenced by the decreasing gap between the number of male and female employees (in percentage) for the past three (3) financial years as follows:

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Furthermore, we continue to promote and attract talents from the local community or within the same state which we operate in. We are proud to contribute to the local economies by creating employment in the communities and country in which we operate, evidenced by the increased in Malaysian employees as compared to Non-Malaysian employees (in percentage) for the past three (3) financial years are as follows:



iii. Prohibition of Discrimination and Harassment

The Group already set in policy, rules, regulations and work ethics on prohibition of discrimination and harassment. Any employee found guilty of such misconduct will be subject to disciplinary actions which may result in dismissal.

There were no cases of discrimination and harassment at the workplace for the past three (3) financial years, i.e. FY2016, FY2017 and FY2018.

iv. Prevention of Child Labour

We observe Children and Young Persons (Employment) (Amendment) act 2010. Hence, we have a strict recruitment policy against employing minor, i.e. persons below the age of 18 years old. This practice is in line with the policies of the international labour organisation.

- Employee welfare**

We value the contributions of our diverse employees and continuously attract talents to join us by providing a supportive working environment as well as development opportunities. We provide an integrated welfare system and treat all employees equally on all of our sites.

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i. Benefits and Compensation

To reward employees and to promote work-life integration, we provide our employees with, amongst others, benefits such as travel allowances, subsidies for medical benefits, Group Personal Accidents insurance, communications expenses, uniform and personal protective appliances, application of residence permits for current employees, staff compensation leave, festive gifts and events.

ii. Training and Development

We recognise that a strong workforce not only benefits personal growth and development of our employees, but it also improves the company's growth as a whole. Accordingly, we are committed to providing an environment for our employees to enhance their skills and knowledge within the industry. We therefore encourage our employees to expand their knowledge and to foster personal growth and development by taking on new roles and responsibilities.

Training is an essential element to increase and improve our employees' competencies, which will improve their work quality and delivery output. Training required will be suggested or identified through the training needs analysis incorporated into the employee performance evaluation process. We provide our employees with internal training, external training as well as on-the-job training.

Examples of training provided to employees throughout the financial year are:

- Sustainability Reporting;
- Budget 2019 Malaysia: Income Tax, Real Property Gains Tax ("RPGT"), Sales and Service Tax ("SST") latest updates and tax planning;
- Forklift operator and safety training course 2018; and
- Safety briefing including the use of personal protective equipment and safety of overhead crane.

CONCLUSION

Pursuant to our aim in delivering sustainability performance, we will continue to adopt practical measures and initiatives as part of our corporate strategy towards addressing issues on economic, environmental and social elements that have a material impact on our business on an ongoing basis. This Sustainability Statement is made in accordance with the resolution of the Board of Directors dated 1 April 2019.