



**KHONG GUAN**  
LIMITED

**2021 Sustainability Report**

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## CONTENTS

01 Board Statement	Page 2
02 Sustainability Governance	Page 3
03 Corporate Profile	Page 4-6
04 Approach to Sustainability	Page 7-9
05 Material Assessment	Page 10
06 Environmental	Page 11-12
07 Employee Data	Page 13-15
08 Occupational Health and Safety	Page 15-17
09 Governance	Page 17-18
10 GRI Standards Index	Page 19-21

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## Board Statement

The Board is pleased to present our fourth Sustainability Report for Khong Guan Limited (“KGL”) and its subsidiaries, and associates, for the financial year ended 31 July 2021 (“FY2021”).

This Report is set out on a “comply or explain” basis in accordance with Rule 711B and Practice Note 7.6 of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual on Continuing Listing Obligations. This Report has been prepared in accordance with the GRI reporting guidelines, at “Core” option. Corresponding to GRI’s emphasis on materiality, the Report highlights the key environmental, social and governance (“ESG”) related initiatives carried out by the Company throughout a 12-month period, from 1 August 2020 to 31 July 2021.

In defining our reporting contents, we have applied the GRI principles by considering the Group’s activities, impacts as well as expectations and interests of our stakeholders. We observe the following four principles: materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability. The ESG data and information provided have not been verified by an independent third party. The relevant data has been obtained from reports generated from internal accounting systems and we have relied on internal data monitoring and verification to ensure accuracy.

As we continue to navigate the challenges of the COVID-19 pandemic in FY2021, the Board has, in its review of the Group’s operations, believes that Occupational Health and Safety of our employees continues to be of key importance in ensuring the continued growth and sustainability of our operations.

Additionally, the Board has also embraced the view that the Group should embark on a practical and measured approach in adopting the use of more sustainable energy sources in its operations, particularly that of its energy-intensive entities, in order for the Group to play its part in minimizing our carbon footprint, and contribute to the fight against climate change.

The Board is committed to further incorporating sustainability into our business decisions, and assures our stakeholders of our commitment in conducting our business in a transparent and sustainable way.

We welcome feedback from our stakeholders with regards to our sustainability efforts as this will enable us to improve our policies, systems and results. Please send your comments and suggestions to [enquiries@kg.com.sg](mailto:enquiries@kg.com.sg)

BOARD OF DIRECTORS 31 July 2021

## Sustainability Governance

At KGL we believe strong governance is the key to a sustainable business. Throughout FY2021, we continue to comply with the Singapore Exchange (“SGX”) Code of Corporate Governance. Please refer to the Annual Report 2021 for further details.

As part of our commitments together with our subsidiaries and associates, our products and services continue to meet all the requirements of our customers and the regulatory bodies of the countries we operate in. We work towards having all our products meet all the environmental and safety standards that are expected of us.

The Group has procedures in place to enforce good labour practices in all its operations. We also continue to provide training opportunities for continuous employee development. The results are a loyal workforce, many of whom have been with us for decades, as well as the quality and delivery of our products and services. We strongly believe that in the long run, enforcing good labour practices will have a positive impact on our economic performance. We value our relationships with our clients and the wider community in which we operate. These relationships have benefited us in the past and will continue to aid us while we operate during the COVID-19 pandemic.

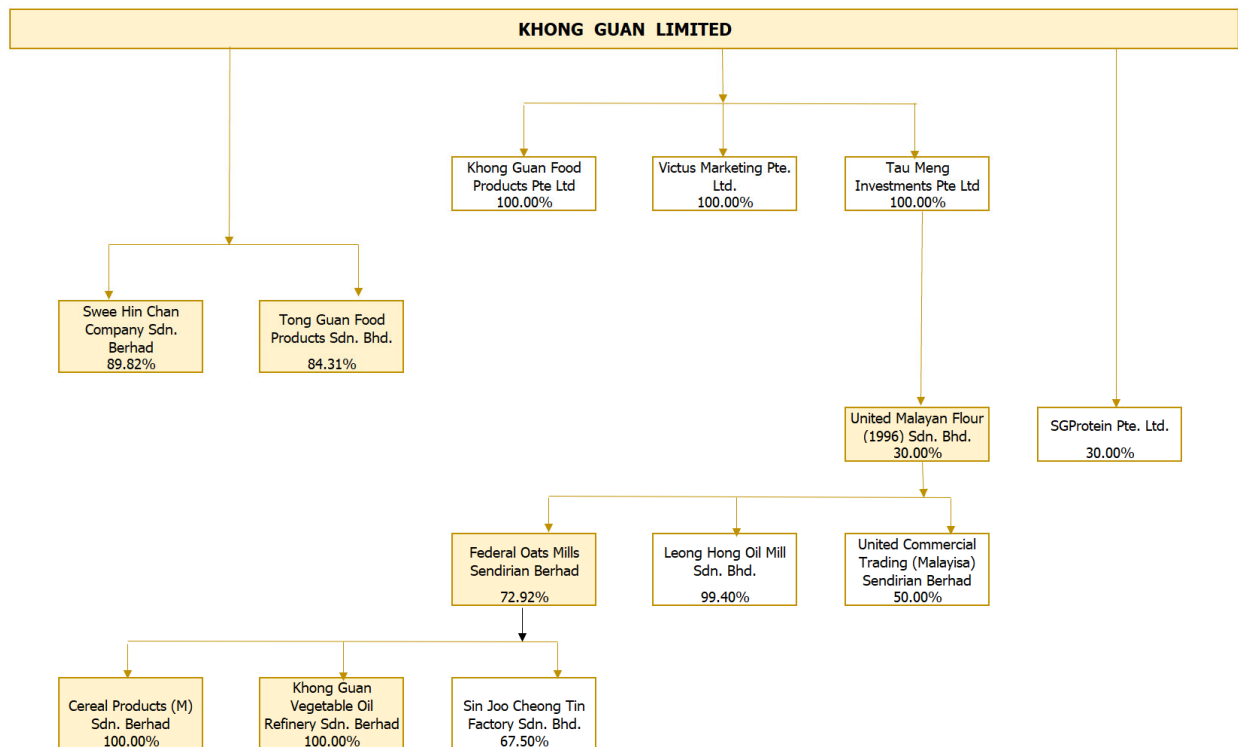
## Corporate Profile

The Group, which comprises KGL and its subsidiaries, and associates, encompasses a thriving trading and distribution business in Malaysia, dealing in Fast-Moving Consumer Goods (“FMCG”) products and food ingredients. These businesses are operated through holdings in our subsidiaries Swee Hin Chan Company Sdn. Berhad (“**SHC**”) and Tong Guan Food Products Sdn. Bhd. (“**TGF**”). In addition, our 30% equity held associate, United Malayan Flour (1996) Sdn. Bhd. (“**UMF**”) is a diversified group supplying wheat flour, oatmeal, pulses, cooking oils and cereal products to our valued customers.

This report focuses on KGL’s subsidiaries SHC and TGF as well as our associates, UMF; and in turn, UMF’s subsidiary, Federal Oats Mills Sendirian Berhad (“**FOM**”), as well as FOM’s wholly owned subsidiaries, Cereal Products (M) Sdn Berhad (“**CPM**”) and Khong Guan Vegetable Oil Refinery Sdn. Berhad (“**KGVO**”). Together, these business units contribute to the majority of our economic activity and/or financial results.

Please refer to the Group chart below showing the relationships of the subsidiaries and associates.

## Khong Guan Limited Group Chart



Re: KGL Group Chart

## Our Markets

The Group derives its revenue from the trading and distribution businesses in Malaysia. We supply FMCG and food ingredients via our subsidiaries, TGF and SHC. The Group's 30% associate, UMF, as well as UMF's subsidiary FOM, and in turn FOM's subsidiaries CPM and KGVO make up a diversified group dealing in wheat flour, oatmeal, pulses, cooking oils, cereals. The Group has a diversified portfolio of products and it exports to over 30 countries worldwide.

In Singapore, the Group continues to supply good quality wheat flour from UMF's wheat flour mill in Penang, Malaysia, to local food manufacturers and bakeries.

## Overview of the Group

### **Swee Hin Chan Company Sdn. Berhad**

Our subsidiary, SHC, is an established and renowned importer and distributor of high-quality flour and starches in Peninsular Malaysia. Steeped in tradition yet enterprising, SHC has built a proven track record of delivering high-quality flour and starch products with value pricings and reliable services.

Our wheat flour and starch products are *halal* certified by Jabatan Kemajuan Islam Malaysia ("JAKIM"). JAKIM is the agency responsible for the Islamic affairs including *halal* certification of products required by Shariah laws in Malaysia. Today, we believe that SHC's starch business is one of the market leaders in Malaysia.

### **Tong Guan Food Products Sdn. Bhd.**

Our subsidiary, TGF commenced business as an importer and distributor of flour and biscuits. It has been entrusted with the responsibility of marketing our wide range of products in the state of Sabah.

Today, TGF has grown into a full-fledged trading house that markets and distributes consumer products, such as foodstuffs and household products, from a variety of renowned brands throughout the entire state of Sabah. A large sales force supports the branch offices and services more than 3,000 retail outlets, in all major towns of Sabah. This dedicated sales force ensures that our branches are able to operate smoothly and effectively.

TGF has been importing and distributing products from renowned brands for over 40 years in Sabah, from cities to small towns and villages through retail outlets such as supermarkets, mini-markets, retail shops, hotels, modern food and beverage outlets, coffee shops and roadside stalls. Our distribution strength has helped our principal partners' brands to reach many corners of Sabah.

### **United Malayan Flour (1996) Sdn. Bhd.**

Our associate, UMF, is an established wheat flour milling company located in Penang, Malaysia, which has been supplying quality flour to manufacturers and households since the 1960s. It also imports and processes yellow peas into dhal which it supplies to consumers in Malaysia.

### **Federal Oats Mills Sendirian Berhad**

FOM, a majority owned subsidiary of UMF, continues to generate growth from health conscious consumers. FOM's Oats products is seen as the economical healthy choice for consumers. As such, our Oats products are now exported to consumers around the region as well as to many parts of the world such as Philippines, China and the Middles East.

### **Cereal Products (M) Sdn. Berhad**

CPM, a wholly owned subsidiary of FOM, is a trusted and established provider of baking ingredients, such as semolina, custard powder and corn flour, which are sold in Malaysia, and exported across the ASEAN region, as well to other parts of world including but not limited to the UAE, Qatar, Somaliland, Saudi Arabia and Iraq.

### **Khong Guan Vegetable Oil Refinery Sdn. Berhad**

KGVO, a wholly owned subsidiary of FOM, and operating out the shared premises with CPM, is a trusted packer of vegetable cooking oils and coconut oils. These oils are packed and sold through distributors in Malaysia, and exported to Saudi Arabia, UAE, Trinidad, Japan, Pakistan and the ASEAN region. There are currently several established cooking oil brands like CPC and Fisherman under its name which it exports to these countries.

### **SGProtein Pte. Ltd.**

As part of its growth strategy and to meet the modern needs of consumers, who are not only health conscious but are also concerned with sustainability of their food choices. In FY2021 KGL had invested in a 30% equity interest in SGProtein Pte. Ltd., a Singapore plant-based manufacturing start-up. The company will commence its commercial production of alternative meat products to service both the large-scale manufacturers and F&B sectors in early 2022.

## **Certifications**

In February 2021, FOM achieved the "FSSC 22000 – Food Safety Certification", and subsequently the "Non-GMO Certification" in June 2021. These achievements will further enhance confidence to existing and future customers of FOM's commitment to ensuring that it has implemented and achieved standards in international best practices in food safety as well as sourcing of raw materials for processing.

## Approach to Sustainability

The Group carries out regular brain storming sessions with its senior staff and external stakeholders to determine the values each entity finds important today, and then visualize these values and maps them against existing sustainability targets and material ESG factors that we will establish on an ongoing basis.

Our Material Assessment of ESG factors was determined by the following steps :

- 1) **Identification** of the list of ESG factors that were relevant to the operations of the Group.
- 2) **Prioritization** of the ESG factors identified by representatives from the subsidiaries and associates.
- 3) **Validation** of the material ESG factors identified by the subsidiaries and associates and presented to the Board for validation.
- 4) **Review** of the material ESG factors approved by the Board will continue to be reassessed in the successive reporting period in order to ensure that these matters remain relevant and material to our operations.

## Occupational Health and Safety

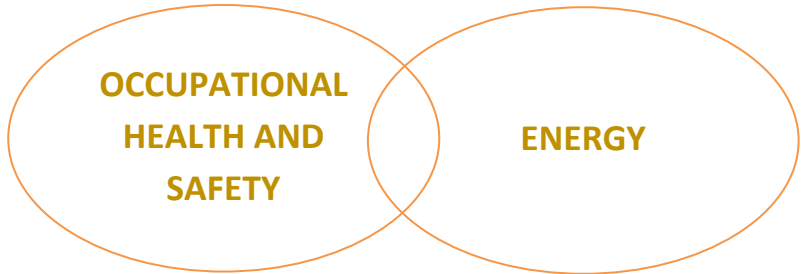
For FY 2021, we have deemed the material ESG factors identified in our previous reporting as still being relevant to the Group today. Indeed, the Group has recognised Occupational Health and Safety as a key material ESG factor today in the midst of the COVID-19 pandemic.

## Energy

With the longer term challenges posed by climate change, the Group has commenced the search for solutions for a sustainable way of powering our operations. In conjunction, we will begin taking a measured approach in minimizing our carbon footprint by replacing some of the traditional energy requirements of operating our production facilities with sustainable energy sources. These will be conducted in a more calculated approach as there are differing challenges for each operation and we will have to conduct careful review before deciding on each of the best approaches to consider.



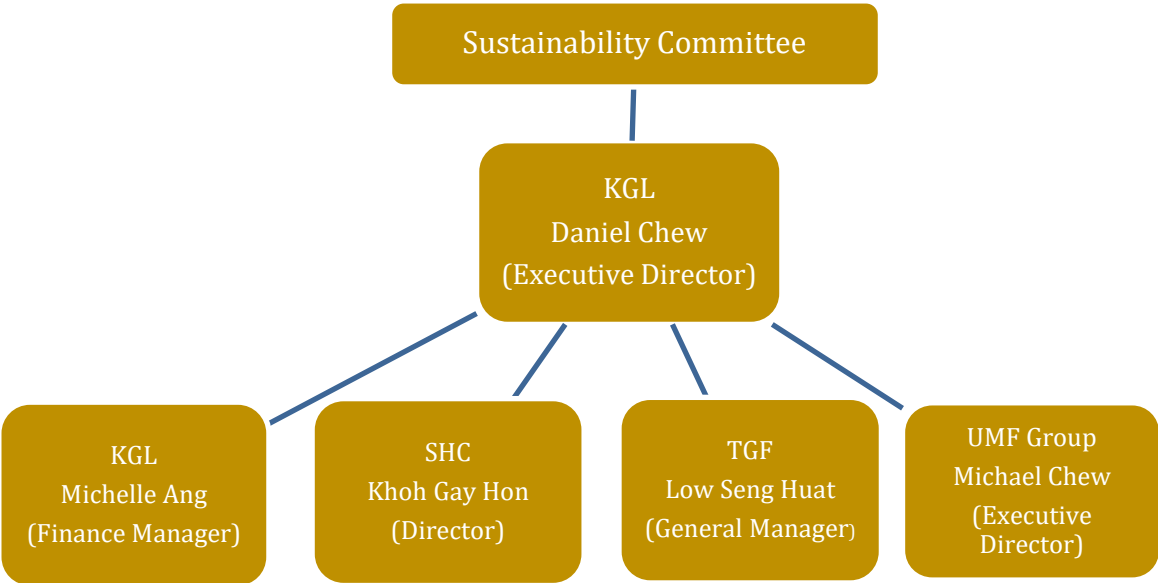
# Material ESG Factors



Re: Material Factors

The Group has constituted a Sustainability Committee with one sustainability officer from each of its subsidiaries: SHC and TGF and two sustainability officers from KGL itself, to further refine and develop our sustainability efforts and goals. In addition, UMF group works closely with KGL on its sustainability initiatives and efforts. Please see below for the “Composition of Sustainability Committee” below.

# Composition of Sustainability Committee



Re: Composition of Sustainability Committee

## Engagement of Key Stakeholders

The Group is committed to engaging all our stakeholders as part of our continued sustainability endeavors. We view stakeholder engagement as a continual process. We engage with our stakeholders in a variety of formal and informal settings from the annual general meeting to ongoing dialogue with our partners and suppliers on how to improve our products and supply chains. We listen to feedback from our consumers regarding our products, including those under FOM, a subsidiary of UMF. Our operations as well as those under our associate, UMF, continually engages with relevant authorities to ensure we stay abreast of any concerns and legal and policy developments. We also listen to our employees and engage with local communities in our day-to-day business.

Below is a summary of the engagement platforms and its frequency with various key stakeholders.

Stakeholders	Engagement Platforms	Frequency of Engagement
Employees	Orientation training for new recruits Annual performance review and appraisals Team-building events Town hall sessions Electronic communication and notice board Virtual meetings	Throughout the year
Customers	Business review meetings Customer visits Virtual meetings	Throughout the year
Suppliers and Service Providers	Supplier surveys Business meetings with critical suppliers Supplier factory audit Virtual meetings	Throughout the year
Shareholders	Web portal & electronic mail Annual General Meeting (Virtual meeting for FY 2021) Group Annual Report	Throughout the year
Local communities	National events such as Singapore National Day. Donation drives.	Throughout the year
Local government	Participation in government agencies' seminars on policy updates On-site advisory visits Regular reports	Throughout the year

# Material Assessment

## Economic

SHC maintains a network of distributors and manufacturers for starches, wheat flour and food products in Malaysia.

In East Malaysia, we operate through TGF where our strength lies in our distribution network across all major towns in Sabah. We supply and deliver a wide range of fast moving consumer products such as flour, cooking oil, dairy products and enable our customers to enjoy the ease of having a single supply source for the majority of their food products. Building on this strength, TGF continues to expand upon its range of products.

UMF serves a wide clientele base, from small-medium enterprises to large-scale multinational manufacturers through an extensive distribution network that spans the Peninsular and East Malaysia, as well as Singapore and Thailand while its subsidiary FOM, and in turn FOM's subsidiaries, CPM, and KGVO supplies quality oats, cereals, and vegetable oil products to consumers around the ASEAN region and other parts of the world.



Re: Products supplied by the Group.

## Environmental

### Energy and Water

Being a stakeholder in the environment in which we operate in, the Group will continue to monitor electricity and water usage to ensure they do not vary greatly from the previous year despite these costs are currently deemed not to be material to our business units.

### Solar Energy

The Board has embraced the view that the Group should embark on a practical and measured approach in adopting the use of more sustainable energy sources in its operations in order to minimize our carbon footprint. This will be implemented only after further studies have been conducted on the extent and practicality of each of the Group's business units and which operations are suited for such endeavors.

A positive example of the cost benefits of having sustainable energy to power our operations was reflected in the energy savings enjoyed by Khong Guan Vegetable Oil Refinery Sdn. Berhad ("KGVO"), a wholly owned subsidiary of FOM. KGVO is involved in the repacking and trading of vegetable oils. While the operations of KGVO are not considered to be energy intensive, it has the necessary infrastructure for the Group to conduct a trial on the cost benefit of using solar energy, a renewable source of energy.

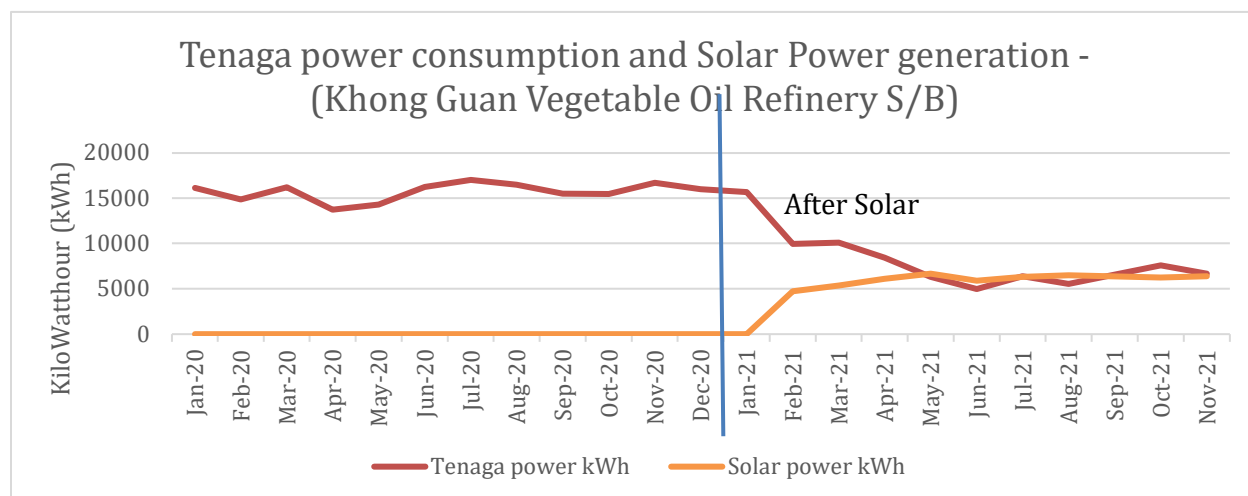
The following are data collected by KGVO pre-and-post implementation of solar energy, illustrating the reduction of traditional energy source (from Tenaga Nasional) through the usage of solar energy. The roof-mounted solar panels were commissioned at KGVO in February 2021.



Re: Khong Guan Vegetable Oil Refinery Sdn. Berhad (a wholly owned subsidiary of FOM).

Month	Tenaga power kWh		Solar power kWh		Total Power kWh
Jan-20	16116		0		16116
Feb-20	14863		0		14863
Mar-20	16175		0		16175
Apr-20	13724		0		13724
May-20	14267		0		14267
Jun-20	16226		0		16226
Jul-20	17032		0		17032
Aug-20	16469		0		16469
Sep-20	15469		0		15469
Oct-20	15437		0		15437
Nov-20	16678		0		16678
Dec-20	15990		0		15990
Jan-21	15674	<b>% Tenaga</b>	0	<b>% Solar</b>	15674
Feb-21	9935	68%	4712	32%	14647
Mar-21	10095	65%	5354	35%	15449
Apr-21	8417	58%	6102	42%	14519
May-21	6304	49%	6654	51%	12958
Jun-21	4966	46%	5890	54%	10856
Jul-21	6354	50%	6309	50%	12663
Aug-21	5509	46%	6491	54%	12000
Oct-21	7563	55%	6243	45%	13806
Nov-21	6658	51%	6386	49%	13044

Re: Monthly kWh usage by Khong Guan Vegetable Oil Refinery Sdn. Berhad comparisons, before and after implementing Solar Energy at its plant.



Re: Graph comparison of the monthly kWh usage by Khong Guan Vegetable Oil Refinery Sdn. Berhad comparisons, before and after implementing Solar Energy at its plant.

## Lists of Memberships in Business Associations

The companies in the Group are members of a number of associations in Singapore and Malaysia including a number of business federations and food manufacturer's associations. In Singapore, they are the Singapore Business Federation ("SBF"), Food Manufacturers Association ("FMA") and Singapore Bakery & Confectionery Trade Association ("SBCTA"). In Malaysia, they are the Federation of Malaysian Manufacturers ("FMM"), and Malaysian Employers Federation ("MEF"). Through participation in these associations, we endeavour to contribute to the overall quality standards of products and services, where applicable, and ethics, sustainability of resources and other initiatives.

## Transportation

The Group has a network of carefully selected outsourced transport partners for goods delivery which has been proven to optimize resources and minimizes delivery costs.

## Social

### Employment

The Group employed 569 personnel as of 31 July 2021. Details of employees within the Group for 2021 and 2020 are as follows:-

#### Personnel

	31-Jul-21	Percentage	31-Jul-20	Percentage
KGL	10	1.76%	11	1.88%
Subsidiaries				
TGF	206	36.20%	212	36.30%
SHC	34	5.98%	33	5.65%
Associates				
UMF	135	23.73%	129	22.09%
FOM	142	24.96%	151	25.86%
CPM	17	2.99%	20	3.42%
KGVO	25	4.39%	28	4.79%
<b>Total</b>	<b>569</b>	<b>100.00%</b>	<b>584</b>	<b>100.00%</b>

Employee retention is of key importance as our long standing and loyal employees have and continue to make significant contributions to the Group. We believe that our employees are happy with the prospect of life-long employment at the Group, where we continue to strive towards the ideals of a "family friendly" working environment.

## Diversity and Equal Opportunity

The Group has a non-discriminatory and equal opportunity employment hiring policy which is reflected in the gender and racial mix of personnel across our subsidiaries and associates.

### Gender

	MALE 31/7/2021	FEMALE 31/7/2021	MALE 31/7/2020	FEMALE 31/7/2020
KGL	6	4	7	4
Subsidiaries				
TGF	158	48	161	51
SHC	26	8	25	8
Associates				
UMF	103	32	100	29
FOM	95	47	101	50
CPM	8	9	9	11
KGVO	15	10	16	12
<b>Total</b>	<b>411</b>	<b>158</b>	<b>419</b>	<b>165</b>
	<b>72%</b>	<b>28%</b>	<b>72%</b>	<b>28%</b>

### Race

	CHINESE 31/7/2020	MALAY 31/7/2020	INDIAN 31/7/2020	OTHERS 31/7/2020	CHINESE 31/7/2020	MALAY 31/7/2020	INDIAN 31/7/2020	OTHERS 31/7/2020
KGL	10	0	0	0	11	0	0	0
Subsidiaries								
TGF	88	118	0	0	92	120	0	0
SHC	11	17	6	0	10	16	7	0
Associates								
UMF	41	67	13	14	40	55	13	21
FOM	33	76	12	21	37	68	18	28
CPM	2	15	0	0	2	18	0	0
KGVO	12	13	0	0	13	13	2	0
<b>Total</b>	<b>197</b>	<b>306</b>	<b>31</b>	<b>35</b>	<b>205</b>	<b>290</b>	<b>40</b>	<b>49</b>
<b>%</b>	<b>35%</b>	<b>54%</b>	<b>5%</b>	<b>6%</b>	<b>35%</b>	<b>50%</b>	<b>7%</b>	<b>8%</b>

## Labour Practices and Decent Work

The Group does not tolerate corruption or child labour in any form. All subsidiaries, including TGF and SHC are expected to adhere to these same policies and we expect the same from all our business partners. Our associate, UMF, also adopts similar policies group wide.

The Group provides maternity leave for female staff in accordance with local labour laws. In Singapore, KGL provides 12 weeks of paid maternity leave, and 16 weeks for Singapore nationals. In Malaysia, SHC and TGF provide 60 days paid maternity leave.

## Child Labour & Forced or Compulsory Labour

We do not tolerate the use of child labour, nor exploitation of children, in any of our operations and facilities. Child labour, as defined by the International Labour Organisation (“ILO”) Convention is “work by children under the age of 12; work by children under the age of 15 that prevents school attendance; and work by children under of age of 18 that is hazardous to the physical or mental health of the child”.

We do not employ children that fall into the definition as stipulated by ILO Convention.

We do not conduct business with partners who do not share our views on zero tolerance for child labour.

The Group is committed to ensuring that there is no forced or compulsory labour in any part of our business and in our supply chain partners. We are committed to ethical and responsible dealings in our business relationships.

## Indigenous Rights

We do not discriminate against any race, gender or creed and hiring is based on merits of the candidates. We will closely monitor compliance with the aforesaid hiring policy.

## Occupational Health and Safety COVID-19 Safety and Response Protocols

The COVID-19 pandemic has become a global health crisis, afflicting many countries and causing them to impose varying degree of social and movement restrictions such as the movement control orders imposed in Malaysia. Such restrictions adversely impacted businesses and disrupt operations and the supply chain. We have therefore put in place Safety measures which are continuously updated at our subsidiaries and associates operating in Malaysia in order to safeguard the health and safety of our personnel, as well to minimize disruptions to our operations. Some of these measures are:

Workplace
1. Provision of temperature screening devices.
2. Provision of facemasks.
3. Provision of hand sanitizers.
4. MySejahtera must indicate LOW RISK or CASUAL CONTACT (without symptoms) before allow entry.
5. Daily disinfection of common areas (production, door knobs and staircase handrails etc.).
6. Demarcation – 1 meter physical distancing.
7. Weekly submission SOP compliance report to MITI (Ministry of International Trade and Industry).
8. Updating of COVID-19-related information through announcements, posters, operation workers toolbox talks and safety bulletins.
9. Encourage virtual meetings with third parties.
10. COVID-19 Emergency Response Protocol.



<b>Public Areas (eg. Canteen)</b>
1. Demarcation – one meter physical distancing.
2. Break time segregation.
3. Canteen caterers serve food (not buffet style) and wear face shields and gloves.
4. Provision of hand sanitizers.
5. Daily disinfection of canteens.
<b>Employee SOP</b>
1. Temperature screening before entry into premises (at Guard house).
2. Fill health screening form (google form- administered by the relevant company).
3. Sanitize hand at entrance.
4. Wear facemask.
5. One meter physical distancing.
<b>Visitor (Contractor / Supplier)</b>
1. Temperature screening before entry into premises (at Guard house).
2. Fill health screening form (MySejahtera form and Visitor Entry manual form).
3. Sanitize hand at entrance.
4. Wear facemask.
6. MySejahtera must indicate LOW RISK or CASUAL CONTACT (without symptoms).
7. Contractor’s foreign workers must attend COVID-19 test.
8. One meter physical distancing.

## **Training and Education**

The Group has internal processes to ensure risks are minimized and that all potential hazards are identified and precautions are taken.

The Group has formal management meetings at least every quarter together with the health and safety committee in order to update workplace safety protocols. If there are new products or equipment to be launched or purchased, as the case may be, more management meetings will be held. These activities are carried by staff appointed to the Group’s safety committee (“Safety Committee”).

UMF and its subsidiaries and associates conduct safety training programmes annually. Key personnel were provided with a total of 95 hours of training in FY2021, covering Halal executive training; regulations on food labelling, nutrition labelling and claims; anti bribery and corruption; amendments on Industrial Relations Act and Employment Act; tax coaching workshop and efficient freight management.

## **Access management**

Access to the Group’s facilities and offices is granted via an access card system with visitors requiring visit permits. The access control system will only provide cards to new employees after job confirmation with the Group. New employees prior to formal job confirmation will be registered as visitors. COVID-19 Response Protocols have also been incorporated into the access management at our subsidiaries, and associates, in Malaysia.

### **Ill-health related to work**

The Group documents all workplace-related health-related incidents along with a medical report. The Safety Committee will study how to avoid a recurrence of an incident and if deemed necessary, updated safety guidelines will be drafted by the Safety Committee for further dissemination and training.

Management strives to ensure that the health and safety of our employees is at the top of our priorities at every level of the Group. KGL and all its subsidiaries abide by government and industry health and safety regulations. We have adequate training for the workforce so that they may carry out their duties safely and confidently.

Environmental matters are one of the issues KGL takes most seriously and the Group remains committed to minimizing our environmental impact in all areas of the Group's operations while preserving and enhancing the quality of life for employees, customers and the communities in which we operate.

### **Labour Practices and Grievance Mechanisms**

The Group has a clear labour grievance procedure. Any affected staff can raise concerns with their Head of Department which will be forwarded to higher management if required.

All employees are subject to an annual performance review and are given constructive feedback for their future development.

## **Governance**

### **Corporate Governance and Risk Management**

Please refer to our Risk Management Policies and Processes in accordance with the Singapore Exchange's Code of Corporate Governance of our financial statements for the financial year ended 31 July 2021 for further details.

### **Regulatory Compliance**

Throughout FY2021, there have been no major incident of non-compliance with the socioeconomic goals, laws and regulations we have identified as relevant to the Group, which are described in more detail throughout this report.

### **Practices to manage regulatory compliance**

Laws and regulations relevant to our operations are mainly the Companies Act (Chapter 50) Listing Rules of the Singapore Exchange, Securities & Futures Act (Cap. 289) and other relevant legislations that may be promulgated from time to time by the Singapore and Malaysia government. The Group believes in instilling its employees with a culture of compliance and a high standard of ethics in carrying out their duties. This would mitigate any non-compliance as we understand good governance would allow the Group to manage its risks and opportunities, and deliver sustainable returns or value for our stakeholders.

## **Employees**

All employees are briefed on the Code of Ethics and Business Conduct, and the Whistleblowing policy during the orientation and induction programme. KGL and its subsidiaries receive regular updates from relevant authorities on changes to regulations, which are relevant to its operations. Staff members may also attend seminars to familiarise themselves with any such updates.

## **Developed and implemented a Board Assurance Framework with an Enterprise Risk Management Framework**

The Group regularly review its operations to identify significant risks it faces, the potential impact and likelihood of such risks, and the effective action plans undertaken to mitigate those risks.

## **Results of Monitoring Effectiveness**

Audit Committee (“AC”) and the Board reviewed the effectiveness of the Group’s internal controls in relation to significant risks, including financial, operational, compliance-related controls, as well as the risk management system and found them to be adequate and effective as at 31 July 2021.

## **Perpetual Target**

The Group aims to maintain “zero” incidents of non-compliance with laws and regulations.

## **Performance for FY2021**

We had maintained a near “100%” compliance, save for an incident reported at UMF, that occurred on 4<sup>th</sup> June 2021, where 4 general workers had entered the premises of UMF failing to scan their MySejahtera app. There was a random check of the premises conducted by the Multi-Ministry task force on the day of incident. UMF was imposed a fine of RM5,000 for this incident. The workers involved as well as the security personnel who had allowed the lapses were disciplined and all staff were reminded to ensure such incidences would not repeat. HR department now conducts regular monitoring at the access point when staff come in for their shifts. There have been no further incidences since 4th June 2021.

## GRI Checklist

GRI Standard Number	GRI Standard Title	GRI Disclosure Number	Disclosure Title	Reference/Description
GRI 102	General Disclosures	102-1	Name of the organization	Khong Guan Limited
GRI 102	General Disclosures	102-2	Activities, brands, products, and services	Annual Report 2021; Sustainability Report - About our Business
GRI 102	General Disclosures	102-3	Location of headquarters	Singapore
GRI 102	General Disclosures	102-4	Location of operations	Annual Report 2021
GRI 102	General Disclosures	102-5	Ownership and legal form	Annual Report 2021
GRI 102	General Disclosures	102-6	Markets served	Annual Report 2021; Sustainability Report - Market Presence
GRI 102	General Disclosures	102-7	Scale of the organization	Annual Report 2021; Sustainability Report - Employment
GRI 102	General Disclosures	102-8	Information on employees and other workers	Sustainability Report - Employment
GRI 102	General Disclosures	102-9	Supply chain	Sustainability Report - Supply Chain
GRI 102	General Disclosures	102-10	Significant changes to the organization and its supply chain	Sustainability Report - Supply Chain
GRI 102	General Disclosures	102-11	Precautionary Principle or approach	Khong Guan does not specifically address the precautionary approach
GRI 102	General Disclosures	102-12	External initiatives	Sustainability Report - Engagement of Key Stakeholders
GRI 102	General Disclosures	102-13	Membership of associations	Sustainability Report - Lists of Memberships in Business Associations
GRI 102	General Disclosures	102-14	Statement from senior decision-maker	Sustainability Report - Board Statement on Sustainability
GRI 102	General Disclosures	102-15	Key impacts, risks, and opportunities	Annual Report 2021; Sustainability Report - Governance

GRI 102	General Disclosures	102-16	Values, principles, standards, and norms of behavior	Sustainability Report - Sustainable Governance
GRI 102	General Disclosures	102-17	Mechanisms for advice and concerns about ethics	Sustainability Report - Labour Practices and Grievance Mechanisms
GRI 102	General Disclosures	102-40	List of stakeholder groups	Sustainability Report - Engagement of Key Stakeholders
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	Sustainability Report - Engagement of Key Stakeholders
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	Sustainability Report - Engagement of Key Stakeholders
GRI 102	General Disclosures	102-44	Key topics and concerns raised	Sustainability Report - Material Factors
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	Sustainability Report - Khong Guan Group Chart
GRI 102	General Disclosures	102-46	Defining report content and topic boundaries	Sustainability Report - About our Business
GRI 102	General Disclosures	102-47	List of material topics	Sustainability Report - Material Factors
GRI 102	General Disclosures	102-50	Reporting period	1 August 2020 to 31 July 2021
GRI 102	General Disclosures	102-51	Date of most recent report	31-Dec-2020
GRI 102	General Disclosures	102-52	Reporting cycle	Annually
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	Sustainability Report - Board Statement
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report - Board Statement

GRI 102	General Disclosures	102-55	GRI content index	Sustainability Report - GRI Checklist
GRI 102	General Disclosures	102-56	External assurance	None.
GRI 103	Management Approach	103-1	Explanation of the material topic and its Boundary	Sustainability Report - Management Approach
GRI 103	Management Approach	103-2	The management approach and its components	Sustainability Report - Management Approach
GRI 103	Management Approach	103-3	Evaluation of the management approach	Sustainability Report - Management Approach
GRI 302	Energy	302-1	Evaluation of the management approach	Sustainability Report - Management Approach
GRI 403	Occupational Health and Safety	403-1	Evaluation of the management approach	Sustainability Report - Management Approach
GRI 419	Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report - Socioeconomic Compliance