

# SUSTAINABILITY STATEMENT

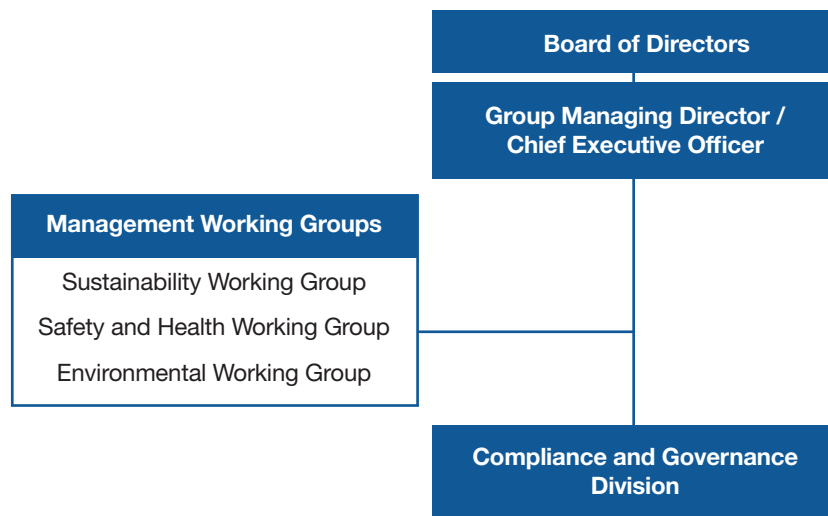
Sustainability is central to Kossan Rubber Industries Bhd’s (“KOSSAN” or “the Group”) business and is driven by our focus on Business Stability with Long Term Sustainable Growth. We have anchored our business on economic, environmental and social themes. These are encapsulated in three Strategic Pillars upon which our business has been built:



Our core business units are Gloves and Technical Rubber Products (“TRP”), both of which are located primarily in Malaysia. The scope of this Statement covers both these business units. There is no change to the scope of our Sustainability Statement from the previous financial year.

## GOVERNANCE STRUCTURE

The responsibility to embed sustainability in KOSSAN’s business strategy and operations rests with the Board of Directors. The Board had established a Sustainability Working Group at management level to oversee the incorporation of sustainability in the Group’s business. Subsequently, a Safety and Health Working Group and an Environmental Working Group was established to provide more focus on key areas. Each working group is chaired by an Executive Director and comprises key members of management and relevant operational team members from both the Gloves and TRP business units. The Compliance and Governance Division acts as secretariat and supports the working groups in carrying out their functions.



The management working groups were set up with the following responsibilities:

*Sustainability Working Group*

Responsible to oversee stakeholder engagement and the materiality assessment process, the management of material sustainability matters and the preparation of sustainability disclosures.

*Safety and Health Working Group*

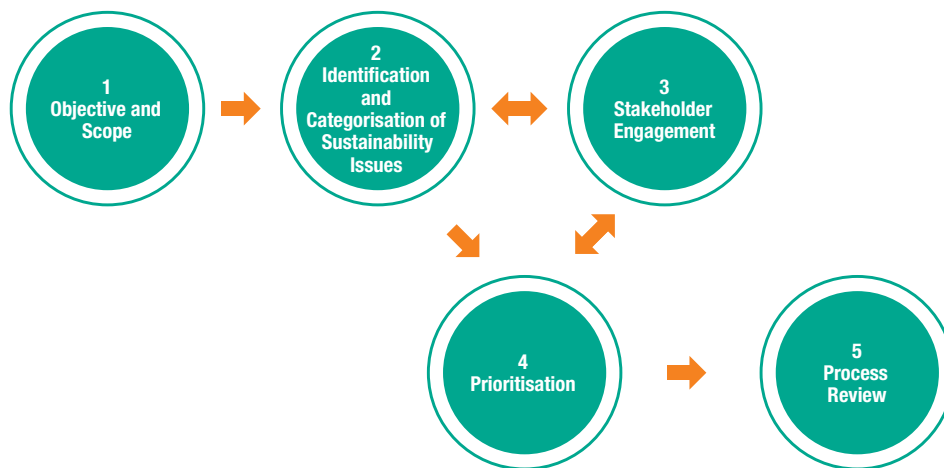
Drives the consideration of safety and health risks and opportunities at plants, including issue resolution and implementation of best practices.

*Environmental Working Group*

Drives the consideration of environmental risks and opportunities at plants, including issue resolution and implementation of best practices.

**MATERIALITY ASSESSMENT PROCESS**

Our materiality assessment process identifies sustainability matters that are significant to our business and stakeholders. This facilitates the response to and management of key sustainability opportunities and risks.



**STAKEHOLDER ENGAGEMENT**

Stakeholders are critical to our business and have been engaged in various ways. The table below summarises how key stakeholder groups have been engaged.

Key Stakeholder Groups	Engagement Methods
Employees	Survey forms, briefings, employee portal
Customers	Client communications, survey forms
Shareholders and investors	Annual general meetings, other briefings
Government agencies and local authorities	Questionnaires, dialogues
Suppliers	Supplier audits, survey forms
Local communities and society	Dialogues, community initiatives

## Sustainability Statement (Cont'd)

### MATERIAL SUSTAINABILITY MATTERS

Following the materiality assessment process and stakeholder engagements, eight sustainability themes were prioritised. These have been clustered under KOSSAN's three Strategic Pillars.

Strategic Pillars	Sustainability Themes
#1 Sustainable Business Growth	Ethical business and transparency
	Business resilience
#2 Environmental Stewardship	Environmental compliance
	Toxic and hazardous material management
#3 Social Responsibility	Human rights and equal opportunities
	Occupational safety and health
	People development
	Community outreach

### STRATEGIC PILLAR #1: SUSTAINABLE BUSINESS GROWTH

#### Ethical Business and Transparency

At KOSSAN, we conduct ourselves with integrity in our dealings with stakeholders.

- The **KOSSAN Code of Ethics and Conduct** outlines guiding principles for general ethical standards that are applicable to all our employees and directors.
- The **Anti-Bribery and Anti-Corruption Policy** prohibits any acts, either directly or indirectly, of inducing, soliciting, seeking, offering and receiving any and all sorts of benefits, incentives, commissions, gifts and advantages, either in cash or kind, in all business dealings with KOSSAN.
- Our **Whistleblowing Policy** provides an avenue for employees and the public to lodge complaints of corrupt practices or wrongdoings in a confidential manner. Employees or other persons making such reports will be treated fairly and protected from reprisals.

KOSSAN adopts a zero-tolerance approach to violations of the KOSSAN Code of Ethics and Conduct, Anti-Bribery and Anti-Corruption Policy, and Whistleblowing Policy (collectively referred to as "ethical policies and standards"). We continue to increase efforts to ensure employees receive communication on the ethical policies and standards through orientation, our in-house online learning platform, workshops and our employee portal. Additionally, our ethical policies and standards can be accessed on our KOSSAN website. We make this stand transparent to all stakeholders and have worked collaboratively with our business partners in upholding ethical business practices.

#### Business Resilience

KOSSAN's core purpose is to be a key manufacturer and supplier of gloves and technical rubber products, continually emphasizing on operational excellence and capacity expansion.

#### Operational excellence

KOSSAN's journey in increasing operational excellence is built upon three key foundations – (i) technological advancements and innovations; (ii) digitalization of data; and (iii) targeted process reviews. We continuously review strategies in these areas and monitor performance for improvements.

#### Capacity expansion

Despite the challenges of the COVID-19 pandemic, KOSSAN remains focused on providing high grade medical and surgical gloves to meet increasing demand. Expansions in Selangor in the near term are projected to increase capacity by 5 billion pieces of gloves, while our new facility in Bidor, Perak is projected to significantly increase capacity in the next ten years.

Our TRP business unit continues to expand capacity through innovations and expansion of product capabilities. While we saw a decrease in demand for our TRP products as a result of shifting client timelines and uncertainties during the pandemic, we remained steadfast in promoting research and development to continually improve our product quality and performance.

## STRATEGIC PILLAR #2: ENVIRONMENTAL STEWARDSHIP

One of KOSSAN's focus areas over the years has been to reduce the impact of its manufacturing activities to the environment. This stems from our commitment to conduct business in a responsible manner, with a view of a sustainable green tomorrow for future generations. This commitment is encapsulated and driven through our **Environmental Policy** of C.A.R.E.



### Environmental Compliance

At KOSSAN we conduct business in line with the environmental laws and regulations of Malaysia. In this regard, the following measures have been put in place:

- Technically competent persons manage and monitor environmental compliance at plants.
- Competent persons and relevant departments are regularly trained to ensure that they are equipped and updated with technical knowledge and keep abreast with environmental matters and best practices.
- The Environmental Working Group provides a platform for plants to highlight environmental risks and opportunities, brainstorm and resolve environmental issues.

Additionally, we actively manage our environmental footprint through consumption initiatives that include reduction in energy and water usage. The consumption metrics of each plant is consistently tracked and targets are driven by top management.

In our pursuit of environmental best practices, we had also embarked on two multi-year initiatives:

- ISO 14001:2015 certification – To date, two of KOSSAN's plants are ISO 14001:2015 certified.
- Renewable energy – To date, two of KOSSAN's plants have completed the installation of photo-voltaic solar panels.

### Toxic and Hazardous Material Management

At KOSSAN we continuously strive to improve our management of effluents and scheduled waste generated from the plants in a responsible manner. In 2020, our initiatives included:

- Tightening of scheduled waste management processes across all plants, including targeted scheduled waste reduction initiatives.
- Improving the performance and monitoring of our waste water treatment plants, while maintaining a Standard B rating target for effluent discharge.
- Review of hazardous materials management to improve safe storage and minimise toxic discharge.

Sustainability Statement  
(Cont'd)

**STRATEGIC PILLAR #3: SOCIAL RESPONSIBILITY**

**Human Rights and Equal Opportunities**

KOSSAN is committed to protect the rights of our people and to create a fair, safe and healthy working environment. We adhere to Malaysian labour laws and regulations, and our human rights policies are consistent with international benchmarks. Some of the key practices in KOSSAN are listed below:

- **Minimum wage**

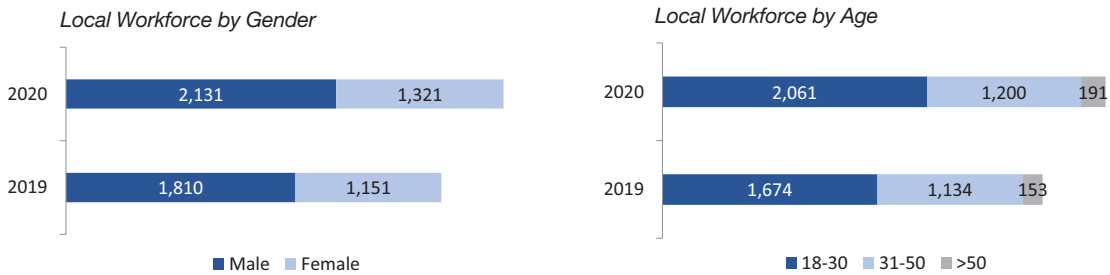
KOSSAN complies with the national statutory minimum wage rate.

- **Employment age**

The minimum age for employment at KOSSAN is 18. KOSSAN prohibits the employment of child labour. The Children and Young Persons (Employment) (Amendment) Act 2010 defines a “child” as any person who has not completed his 15th year of age and a “young person” as any person who has not completed his 18th year of age.

- **Workforce diversity and non-discrimination**

KOSSAN practices equal employment opportunity and fair terms of employment mutually agreed between the company and employee, as well as career advancement to qualified individuals. KOSSAN prohibits any form of discrimination based on background, race, religion, gender, age and nationality. Our workforce diversity is shown below:



- **A voice for employees**

KOSSAN upholds the right of our people to be heard. We have in place a Grievance Policy and clear mechanisms to provide a safe and confidential way for employees to report misconduct, non-compliance, issues with employment conditions or job responsibilities, and other matters related to the work environment. Each grievance raised is treated confidentially and in an unbiased manner, with the aim of facilitating an amicable solution in order to maintain working relationships in the company. Our whistleblowing channel is also available to the employees.

- **Practical care for foreign workers**

KOSSAN respects the right of employees to an honourable livelihood and standards of living. To ensure that this is practiced across the board, a task force was given the responsibility to look into foreign worker concerns and to make continuous improvements where needed. Over the years, we have actively sought the betterment of work and living conditions of our foreign workers.

Foreign worker recruitment agencies are reviewed against our KOSSAN Recruitment Agency Code of Conduct. We do not condone unethical or exploitative recruitment practices and practice a Zero-Cost Recruitment Policy. KOSSAN is mindful that zero-cost recruitment is a continuous process that requires collaboration with stakeholders. To this end, KOSSAN maintains a Supplier (B) membership in Sedex and conducts social compliance audits at our glove plants to ensure that Sedex Members Ethical Trade Audit requirements are met.

On 1 October 2020, KOSSAN announced a remediation programme estimated at RM50 million to address foreign workers who may have unknowingly paid a sum of money to agents in their recruitment process. This is done in line with KOSSAN’s Zero-Cost Recruitment Policy.

## Sustainability Statement (Cont'd)

- **Practical care for foreign workers (Cont'd)**

During the financial year, KOSSAN provided pandemic guidance and care for our foreign workers. This included health and hygiene education on masks and sanitisers, physical distancing, and movement restrictions. As practical care, factory workers were provided masks and sanitisers, while meals were provided for a period of time during movement restrictions. We also reviewed space arrangements at workers' accommodation and set aside quarantine accommodation. Additionally, all our foreign workers were screened for COVID-19 under our groupwide voluntary screening programme in December 2020. This was also in adherence to the government's directive to have all foreign workers in the identified red zones then to be screened.

### Occupational Safety and Health

Employee safety and health has always been a key focus in KOSSAN. During the financial year, additional measures were put in place to ensure employee safety during the pandemic. These included:

Employee and visitor entry logs for ease of traceability	Temperature screening at entry	Daily sanitisation and disinfection of workplaces and workers' accommodation	Physical distancing measures
In-house sickbays at each site	COVID-19 awareness and prevention guides in relevant languages	COVID-19 screening for all employees	Quarantine areas at workplaces and workers' accommodation

Additionally, we continue to improve the safety and health of our employees through the following initiatives:

- **Review of 5S in practice**

A safety audit that focused on the review of workplace organisation at plants in accordance to 5S principles was performed during the year, resulting in improvements made to the safety of the working environment. Plant employees were also given a refresher course on 5S.

- **In-house clinic**

KOSSAN's in-house clinic was launched in September 2020 in partnership with Qualitas Medical Group to serve both local and foreign employees seeking outpatient treatment.

- **Safety training**

Our commitment to safety training continued throughout the pandemic and focused on essential topics of emergency response, first aid training as well as chemical handling and spillage.

### People Development

At KOSSAN we seek to provide a learning environment that helps our employees realise their potential. We have a dedicated in-house learning and development team who designs and rolls out structured and targeted development programmes for our employees. The development plan is reviewed annually by the team, with top management providing active feedback on modules and content. Our suite of development programmes encompasses modules in technical skills, on-the-job training soft skills, management skills and leadership.

The modules are rolled out through on-the-job trainings at plants, our in-house online learning platform and in "classroom" settings. Due to the pandemic, our classrooms were migrated to online collaborative platforms. In 2020, total training hours increased by 55% to 65,887 hours from 42,471 hours in 2019.

Additionally, KOSSAN supports the nation's Technical and Vocational Education and Training ("TVET") initiative through its conscious efforts to recruit TVET graduates for skilled work at our plants. TVET trainees go through a structured and technically targeted training programme in the first four months of their employment.

## Sustainability Statement (Cont'd)

Our TVET training programme comprises:

- Mentorship – Each TVET trainee is assigned a mentor to on-board the trainee into KOSSAN and support the trainee with on-the-job mentorship.
- Technical training – The training is tailored and targeted to the area of work assigned.
- Assessment – The training outcome is assessed through classroom sessions, on-the-job observations by mentors, and a final project to apply their learnings to solve real workplace issues.



Electrical training (pre-pandemic)

### Community Outreach

KOSSAN's primary business was called to the fore during the pandemic. As one of the leading glove manufacturers in Malaysia, KOSSAN extended support to both global and local communities through our initiatives during the financial year.

#### Glove donation during pandemic

At the onset of the pandemic in China, 5 million gloves were sent to various provinces in that country. This was done in partnership with an industry association (the Malaysian Rubber Glove Manufacturers Association) and various community associations.

On the local front, KOSSAN donated gloves and other essential personal protective equipment to frontliners and local authorities, namely the National Disaster Management Agency, the Royal Malaysia Police, Malaysian Armed Forces, Malaysian Civil Defence Force, local councils in the vicinity of KOSSAN's business locations, hospitals and medical care centres.



Arrival of first shipment of gloves in China



Donation of gloves to a Malaysian hospital



Donation of gloves to the Royal Malaysia Police

## Sustainability Statement (Cont'd)

### Yayasan Kossan

KOSSAN established Yayasan KOSSAN (“YK” or “Foundation”) in December 2015 to fund and support activities for education and social welfare, covering a broad range of areas including medical and health, environment, arts and culture. The priority of our Foundation is to provide direct aid to the underprivileged in the community.

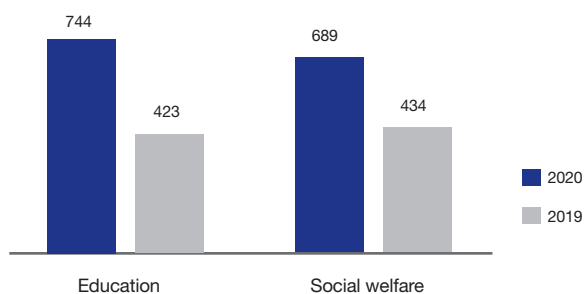
During the pandemic, the financial aid disbursed through our Foundation increased by 67% to RM1.43 million, while the number of beneficiaries increased by 265% to 22,449 people.

In line with the objectives of our Foundation, our support for education remained steadfast throughout the pandemic as education is the right of every child and a crucial building block for national growth. Our support for education included the following:

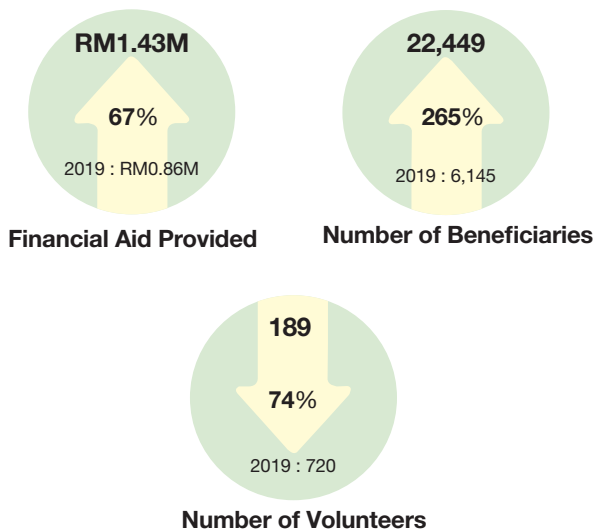
- Financial aid and provision of educational equipment to schools.
- Financial aid for children from the lower income group.
- Scholarships of between RM15,000 to RM20,000 per annum to eligible university students under our Foundation’s structured scholarship programme.
- Internship opportunities in KOSSAN.

In terms of social welfare work, our Foundation responded to the heightened needs of welfare homes for children, the elderly and persons with disabilities, as well as communities in the lower income group by expanding our scope of aid to more communities through financial aid and food aid packages.

Financial aid provided through Yayasan Kossan (RM'000)



Other than financial aid, our Foundation continued our yearly partnership with local authorities for the containment of dengue (drain clearing) and blood donation drives.



Provision of financial aid to a welfare home in the community



Collaboration with local authorities to clear clogged drainage in a nearby community



## Sustainability Statement (Cont'd)



Food distribution to lower income communities in the vicinity

### **Project SMILE**

Project SMILE is a collaborative initiative with KOSSAN's In-Touch customers. The aim of Project SMILE is to develop future leaders through participation in community and conservation projects. In 2020, the theme arising from the pandemic was "We Care, We Help, We Can Win This!" Initiatives included:

- Provision of food aid packages to lower income communities.
- Distribution of hand sanitisers and liquid hand soap to schools, kindergartens and hospitals.
- Provision of gloves and financial aid to PAWS Animal Welfare Society and the National Zoo to support the caring of animals.
- Provision of daily essentials and purchase of calendars to support a Shelter Home for Children.



Donation of gloves to PAWS



Provision of food aid to lower income communities through the local welfare department