



KPM HOLDING LIMITED 吉輝控股有限公司*

Incorporated in the Cayman Islands with limited liability

Stock Code: 8027

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

* For identification purpose only

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ABOUT THIS REPORT

KPM Holding Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is pleased to present its second Environmental, Social and Governance (“ESG”) Report (the “Report”). This ESG Report provides an annual update of sustainability performance, accomplishments and challenges over the past years. It has been updated to reflect the interest of various stakeholders.

ABOUT KPM HOLDING

The Group is principally engaged in the design, fabrication, installation and maintenance of signage and related products in both the public and private sectors in Singapore. Our competitive strength is the ability to provide timely and reliable products. Over the years, our solid track record and experienced management team have established an excellent reputation within the industry.

The corporate objectives of the Group are to achieve sustainable growth in its business and financial performance, to actively expand and strengthen its market position within the public and private sectors in Singapore, to expand its business portfolio and the scope of product offerings, as well as targeting and obtaining projects unrelated to road infrastructure.

KPM Holding Limited Singapore & Hong Kong Operations

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| Included in this Report | <ul style="list-style-type: none">• Head Office and Principal Place of Business
424 Tagore Industrial Avenue, Sindo Industrial Estate, Singapore 787807• Principal Place of Business in Hong Kong Registered under Part 16 of The Companies Ordinance (Cap 622)
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|-------------------------|--|

SCOPE OF THIS REPORT

This Report details the ESG performance of the Group for the financial year ended 31 December 2017 (the “Reporting Period” or “FY2017”). We apply the concept of materiality in planning and developing the Report – unless otherwise indicated, the Report covers KPM Holding Limited and its subsidiaries. The reporting scope of FY2017 covers our principal businesses, which provides the greatest potential for managing the environmental and social impacts of our operations in a holistic manner.

REPORTING PRINCIPLES

The Report preparation and presentation of related information are in accordance with Appendix 20 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. According to the guideline, the following principles are underpinned:

1. **Materiality:** Environmental, social and governance issues that have major impacts on investors and other stakeholders must be set out in this Report.
2. **Quantitative:** If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. They must also be able to describe the purpose and impacts of quantitative information.
3. **Balance:** This Report must provide an unbiased picture of the environmental, social and governance performance of the Group. It should avoid selecting, omitting, or presenting formats that may inappropriately influence a decision or judgment by the reader.
4. **Consistency:** This Report should use consistent and disclose statistical methodologies to allow meaningful comparisons of related data over time. Any changes to the methods used must be specified in the Report.

STAKEHOLDER ENGAGEMENT

As part of the business strategies, the Group communicates with the stakeholders in an open, honest and proactive way. To achieve this objective and improve transparency, we take active measures to promote investor relations and communication. In addition, we have developed the investor relations policy to ensure that investors have fair and timely access to the information of the Group.

In order to further promote effective communication with investors, besides regularly issuing annual and interim reports, circulars and announcements to shareholders, we arrange annual general meetings to provide opportunities for the shareholders to maintain communication with the board of directors of the Company, thereby giving shareholders the opportunity to clarify and deepen their understanding of the Group's performance and letting the Group communicate with shareholders and answer performance-related questions.

FEEDBACK

The Group discloses the latest business information regularly to investors and the public through our website: www.kpmholding.com. We also welcome investors and shareholders to write to the Group or send their enquiries to our website and share their views with the board of directors of the Company.

A. ENVIRONMENT

We believe that excellence in environmental management, together with a proactive approach to addressing the challenges and opportunities of climate change, is fundamental to our continuous improvement approach. As part of our strategy to maximise long-term value and deliver superior returns, we embed environmental principles in all areas of our business. As we deliver on our strategy, we have a unique opportunity to contribute to some of the key sustainable development challenges facing society.

1. Emissions

As our Group is principally engaged in the selling of signage and related products, we do not have significant emission discharges into water, land and air, for instance, nitrogen oxides, sulphur oxides and respiratory suspended particles. In addition, we do not produce a significant volume of hazardous waste from our business process. The major emissions of the Group are the greenhouse gases emissions and solid non-hazardous wastes generated from our operations.

The Group implemented a number of measures to reduce greenhouse gas emissions in order to alleviate the impacts to the environment. The Group also encourages employees to maximise the use of electronic communication equipment and carry out general discussions and communications through long-distance telephone calls, video conferencing, or other online communication tools in order to reduce or replace non-essential business trips and avoid increasing the pollutants emitted by the use of transportation.

(a) Greenhouse Gases Emissions

The major sources of air and greenhouse gas (GHG) emissions we associated are energy consumptions in regard to the purchased electricity used in offices and daily operation.

The total greenhouse gases generated by the Group during the Reporting Period was 68.33 tonnes CO₂e, with an intensity of 5.32 tonnes CO₂e per million revenues in Singapore Dollar, comprising of our electricity consumptions and disposal of paper waste.

Scope of GHG Emission	Emission Source	Emission (in tonnes of CO ₂ e)	Total Emission (in percentage)
Scope 1			
Direct Emission	N/A	N/A	N/A
Scope 2			
Indirect Emission	Purchased Electricity	62.79	91.9%
Scope 3			
Other Indirect Emission	Disposal of Paper Waste	5.54	8.1%
Total		68.33	100%

Table 1 – Total Green House Gas Emissions in the Reporting Period

(b) Waste Management

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. Due to our business nature, the Group did not generate a significant amount of hazardous waste during the Reporting Period, while the major non-hazardous waste generated was paper waste, with a weight of approximate 1.2 tonnes, equivalent to approximate 0.1 tonne per million revenues in Singapore Dollar.

We maintain a strong focus on minimising the waste we produce from the operation. We adopt the use of environmental-friendly materials in our products. In addition, we recycle and reuse the scrap metal, cardboard and plastic generated from the selling of signage and related products. On the other hand, those resources that cannot be directly reused are transferred to qualified recyclers for recycling in an effort to minimise the amount of solid waste disposal.

(c) Compliance

The Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning air and greenhouse gas emissions, discharges into water or land, or generation of hazardous and non-hazardous waste during the Reporting Period.

2. Use of Resources

The Group is committed to conserving resources for the purposes of environmental and operating efficiency. To pursue our environmental commitment, we implement multiple measures in enhancing energy efficiency, minimising the use of papers, reducing water and energy consumption and driving behavioural changes of employees. Through active monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprints. Given the Group is principally engaged in the design, fabrication, installation and maintenance of signage and related products, we do not use a significant amount of packaging materials for finished products. Nevertheless, for other resources consumed from our business activities, the Group upholds the principles of resources management and is committed to the proper use of all resources. Details of energy and water consumptions will be discussed in the following sessions.

(a) Energy

In order to reduce energy consumption and greenhouse gas emission, we adopted a series of initiatives to ensure the effective use of resources. In our purchasing of production equipment and office equipment, we take the energy labels on the equipment in account, try to use models with higher energy efficiency and switch to LED lighting systems or increase natural lighting, thus reducing the energy consumption of every kind. The Group also reminds the employees through notice on the wall and bulletin boards to develop a habit of saving energy, including switching off unused electrical equipment, using air conditioning in a reasonable manner, saving water, reducing the unnecessary use of paper and practising double-sided printing.

During the Reporting Period, the total electricity consumption is approximate 148,000 kWh with an intensity of approximate 11,500 kWh per million revenues in Singapore Dollar.

(b) *Water*

The sustainable and responsible use of our water resources is a key issue globally. We are aware that water shortages, excessive demand and usage could pose a serious problem. Due to our business nature, we do not use or discharge a significant amount of water. However, in order to raise the awareness on water conservation, our Group promotes water saving practices in the workplace. For instance, we offer tips to conserve water are shared internally to raise awareness and encourage employees to reduce consumption.

During the Reporting Period, the total water consumption is approximate 3,150 m³ with an intensity of approximate 250 m³ per million revenues in Singapore Dollar.

Resources	Unit	Consumption Quantity	Intensity (Consumption/Million revenues in SGD)
Electricity	kWh	147,941.50	11,515.64
Water	m ³	3,147.80	245.02

Table 2 – Resources Consumption in the Reporting Period

3. The Environment and Natural Resources

With respect to our business nature and activities, the impact of the Group on the environment and natural resources is not significant. Consumption of energy mainly stemmed from the use of electricity, water and papers in office areas. During the Reporting Period, we have stipulated a number of measures to reduce the use of resources and disposal of waste. With regard to the raw materials used in our products, our product designers seek to use environmentally friendly materials to reduce damage to the environment throughout the product lifecycle. Our selection of suppliers and service providers also adopt various green initiatives, of which include a sense of responsibility for environmental protection, delivery time constitute part of the criteria, in addition to the quality of goods and services. With the aim of further reducing our paper consumption, where conditions appropriate, the Group's store its documents, records and archives in electronic files instead of paper.

We promote our green policy on environmental protection through notice on the wall and bulletin boards. In addition, we remind our employees to minimise waste generated from work and actively raise environmental awareness among them. We also encourage our employees to make full use of electronic means to communicate with customers and suppliers in hopes of further reducing the paper consumption of the Group.

We will continue to assess the environmental risks of our business, review the environmental practices and adopt preventive measures as necessary to reduce the risks and ensure the compliance with relevant laws and regulations.

B. SOCIAL

We recognise our success and market leadership are closely linked to the support from our dedicated, hard-working and task-oriented employees. We recognise that employees are our most valuable assets and vital to achieving our sustainability and long-term growth.

Therefore we are committed to safeguarding the legitimate rights and interests of employees, maintaining their physical and mental health and providing various benefits, in addition to providing vast opportunities of career development for every employee, striving to match employees' personal and business development goals of the Group through a comprehensive training system, effective incentive mechanism and fair competition platform, so that the mutual benefits for employees and the enterprise can be achieved.

1. Employment and Labour Practices

We are committed to building a harmonious working atmosphere for employees through encouraging mutual respect which ultimately promotes work creativity, flexibility and commitment.

As at end of the Reporting Period, the Group had an aggregate of 82 (2016: 78) employees. In order to cooperate with the continuously growing business scale, together we acquire talents from different countries and backgrounds to join our globalised team. The Group strictly complies with the relevant laws and regulations in our employment and labour process, for instance, recruitment, dismissal, promotion and remuneration of employees regardless of where we operate. The legitimate rights and interests of employees are protected in accordance with laws and regulations.

(a) Recruitment

We uphold the principle of fairness in recruitment and our hiring criteria are built on the qualifications, abilities, experience and technology skills of the applicants. Every applicant shares the same right to apply for positions. His/her treatment is not affected by gender, pregnancy, family status, marital status, race, disability etc. The Group's existing employee teams come from different countries, including Singapore, Malaysia, China, India, Bangladesh and other places.

(b) Promotion and Remuneration

The Group is constantly improving its employment mechanism. It adheres to the principle of fairness in providing promotion opportunities for outstanding employees. We review our employees' remuneration on an annual basis. We assess employees' performance and their contribution to the Group when reviewing their compensation and benefits, in order to reflect employees' contributions to the Group and enhance the employees' sense of belonging and sense of responsibility for the Group.

(c) Work-life Balance

The Group also organises recreational activities from time to time, such as Christmas lunch, anniversary dinner and raffles, so as to facilitate communication among employees and to help colleagues balance the intense pressures of work.

(d) Compensation

The Group established the labour contract in accordance with the law. We adopted a clear dismissal system, of which either the employer or the employee who terminates the contract during the period, which was stipulated by both parties, unless the contract otherwise specified, appropriate compensation should be made to the other party as stated in the contract. The amount of the compensation shall follow the terms and conditions of the contract.

If an employee, unfortunately, suffers work-related injuries or accidental death, the Group will provide compensation to the employee in accordance with particular local laws and regulations.

2. Health and Safety

The Group's main businesses involve the design, fabrication, installation and maintenance of signage and related products. By that our employees often work outdoors with the use of large engineering tools. In order to prevent the employees from work-related injuries, we stress particular attention to the occupational health and safety in an effort to provide a safe and comfortable working environment for the employees.

The Group is committed to promoting health and safety at work in its business operations. We are awarded the certificate of compliance with OHSAS 18001: 2007. Following the standard, the Group developed a comprehensive occupational health and safety policies, as well as a series of target indicators and procedural documents designed to continuously identify potential risks at the workplaces. We follow a systematic approach to executing occupational health and safety:

1. Identify the hazards
2. Evaluate the risks
3. Determine the risk levels
4. Prepare action plans to eliminate or control the risks

The extensive risk procedures enabled us to prevent work accidents, observe local occupational health and safety regulations, as well as ensuring continuous improvement in our occupational health and safety performances.

In order to promote occupational health and safety among employees, we provide employees with sufficient training, of which focus on occupational health and safety policies, risk management and practical safety knowledge. In addition, we formulated and published a set of workplace safety procedures which allows employees to familiarise with the topic.

We established contingency plans and organise drills regularly. This can strengthen the employees' response to emergencies, for instance, fire or injury. Moreover, we acquired qualified consultants to conduct annual check on fire equipment.

At work site, we prepare sufficient and suitable personal protective equipment's for employees, for instance, seat belts, safety helmets, safety shoes, masks, earmuffs, gloves etc. The Group arranges annual hearing tests and physical examinations for employees who are exposed to noisy working conditions with the aim of further protecting the employee's health.

In case of accidents, detailed records are kept and properly filed. Causes of any accidents are carefully analysed to seek for improvements, which serve to avoid similar incidents from happening.

The Group did not identify any casualties and accidents, nor did the Group identify any violations of laws and regulations in relation to workplace health and safety during the Reporting Period.

3. Development and Training

The Group acknowledges training and development are essential for achieving a distinctive competitive edge for the employees and the Group. We spare no effort in providing resources and integrated support to improve talents and add value for our employees. The wide range of training starts from their first day of work, where employees are provided with orientation activities. These equip them with necessary information about the Group's policies and culture. We believe the comprehensive orientation activities will facilitate the new employees to integrate into the Group and thereby nurturing a sense of belonging.

Continuing education is also highly encouraged by the Group. In order to achieve operational excellence and equip employees necessary skills and competencies, department managers will identify any training needs for their subordinates, as well as formulate training programs for the following period.

4. Labour Standard

The Group's labour standards primarily focus on conformity with local labour laws and regulations. We prohibit any child and forced labour in any of our operations and production process. We established a strict protocol for hiring, of which we screen candidates in accordance with the minimum age of their respective work locations.

We never force employees to work overtime and all overtime decisions are voluntary in nature. In accordance with the Ministry of Manpower (Singapore) guidelines and the Group's compensation policy, we provide reasonable overtime pay to employees working overtime.

There were no non-compliance cases noted in relation to labour standards laws and regulations during the Reporting Period.

5. Supply Chain Management

The Group's supply chain process developed and implemented the quality management system. We acknowledged the importance of selecting the best suppliers to safeguard its production process and therefore product quality. We developed an evaluation and management program for selection of suppliers. The criteria are based on factors such as price, delivery times and quality of goods. In addition, we rate our suppliers by using supplier evaluation form for benchmarking. We consider those with average rating 3.0 or above (Max: 5.0) as approved suppliers after the review and approval from management.

During the Reporting Period, the Group awarded contracts to more than 200 suppliers. The purchasing department monitors and conducts an annual performance review of all suppliers through email, fax and telephone. This ensures the performances of all qualified suppliers remain in line with the requirements of the Group.

6. Product/Service Responsibility

The Group is committed to product safety and adheres the best practices around the world. In order to help drive the commitment throughout the organisation, all the Group's products are inspected prior to the delivery, so as to ensure that they are fully complying with the relevant product specifications and customer requirements.

In relation to the quality control on raw materials, all materials used in our products are provided by qualified suppliers and the materials' specifications are re-inspected prior to formal use to ensure the effectiveness of the materials. The Group assigns dedicated employees to closely follow the progress of a project throughout the fabrication and construction process, to ensure that the raw materials and the construction process meet the requirements of the contracts and regulations. We monitor our subcontractors' technology levels and conduct quality testing according to stipulated plans to ensure that the products meet customer requirements. As for the public signage projects, we work closely with relevant government departments to go through joint inspections in accordance with strict government standards. The Group provides product warranties ranging from 1 year to 7 years based on different products' characteristics and the agreements we have with our customers and we provide appropriate assistance to customers throughout the warranty period.

The Group attaches great importance to the accuracy of information in its product promotion strategies, to prevent customers from being misled before they make their purchase decisions. The Group arranges sufficient training for employees in sales and production departments. Hence, they are equipped with sufficient knowledge of the features and specifications of the Group's various products. We also urge our employees to convey accurate and fair product information to customers.

The project team takes the responsibility of reviewing requirements and regulations concerning the protection of personal privacy at our operating locations. In addition to strict compliance with relevant laws and regulations, we have established criteria for handling customer information and preserving customers' sensitive product design information to minimise the risk of customer information leakage.

The Group did not receive any cases of customer complaints nor dissatisfaction with our products or services during the Reporting Period.

(a) Compliance

During the Reporting Period, there were no incidents of non-compliance with laws and regulations concerning breaches of customer privacy, loss of data, as well as the provision of products/services.

7. Anti-corruption

Honesty, integrity and fair are the corner-stones of the Group's business. In order to ensure high efficiency and integrity of the Group's operations, all employees are required to strictly abide by the Prevention of Bribery Ordinance in their behaviour and are absolutely forbidden from committing any acts of bribery or accepting of bribes, etc. We have also developed a policy on reporting conflicts of interest and employees must report to the management if there is any direct or indirect conflict of interest between an employee and the business of the Group.

As far as corporate governance is concerned, the Group's management regularly reviews regulations on the governance of publicly traded companies to ensure that all newly enacted requirements are implemented within the Group in a timely manner. Each year, the Group also appoints third-party independent auditors to audit the Group's financial records so as to safeguard the interests of investors.

The Group's service and purchasing agreements must, in principle, receive the approval from the management before they are deemed valid. Any employee, material supplier, subcontractor, customer or other stakeholders who have any concerns regarding the corporate governance of the Group or the ethics of the employees may file a complaint with the management. The management will then conduct a thorough investigation of all matters and take the necessary improvement measures for plugging the loopholes in order to maintain the Group's integrity and reputation.

During the Reporting Period, no legal cases regarding corrupt practices were brought against the Group or its employees.

8. Community Investment

The Group acknowledged a sustainable business is dependent on the stability and well-being of the community where it operates and regards improving the community well-being as an important way to realise its value. During the Reporting Period, the Group participated in various types of public benefit activities and encouraged employees to participate in these activities, such as Disabled People's Association and Ronald McDonald House Charities.