

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 2020

* For identification purpose only

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

About the Group	2
ESG Governance	2
About This Report	3
Identifying Material Issues	4
Environmental Aspects	4
Social Aspects	8
Summary of Key Performance Indicators	13

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE GROUP

KPM Holding Limited (the “Company”) and its subsidiaries (collectively referred to as 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 to target and obtain projects unrelated to road infrastructure.

KPM Holding Limited

Singapore & Hong Kong Operations (included in this Report)

Head Office and Principal Place of Business

14 Loyang Way 4, Singapore 507601

Principal Place of Business in Hong Kong Registered under Part 16 of The Companies Ordinance (Cap 622)

Unit 1104A, 11/F, Kai Tak Commercial Building, 317-319 Des Voeux Road, Central, Hong Kong

ESG GOVERNANCE

The Board formulates the Group’s Environmental, Social and Governance (“ESG”) strategies which are then executed by the executive directors and senior management. The executive directors and senior management are responsible for reviewing and monitoring the Group’s ESG policies and practices to collaboratively discuss with external professional consultants regularly to ensure compliance with relevant legal and regulatory requirements. The executive directors and senior management also respond to the latest ESG issues, report to the Board on major issues and make relevant recommendations to enhance the Group’s ESG performance.

The Board reviews the Group’s ESG report annually, where they discuss the key risks and make recommendations for the coming year. Thereafter, the executive directors and senior management report the assessment results of the key risks and the execution progress of the recommendations at regular Board meetings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present its ESG Report (the “Report”) for the year ended 31 December 2020 (the “Reporting Period”). This Report provides an annual update of the Group’s sustainability performance, achievements and challenges over the year.

Unless otherwise indicated, the Report covers KPM Holding Limited and its subsidiaries.

Reporting Principles

The Report is prepared 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 guidelines, the following principles are underpinned:

1. **Materiality:** ESG 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 ESG 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.

Confirmation

The information documented in this Report is sourced from official documents, statistical data, management and operation information collected from the Group in accordance with relevant internal policies. The Group has established internal controls and a formal review process to ensure that any information presented in this report is as accurate and reliable as possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 (the "Board") of directors of the Company.

IDENTIFYING MATERIAL ISSUES

Through conducting an internal materiality assessment, the Group has identified ESG issues which are sufficiently important to investors and other stakeholders. In consideration of the "relevance" and "importance" of various ESG factors to our business, we have been able to prioritise the following aspects as the material focus of this report: **employment, health and safety, labour standards, anti-corruption, use of resources and development and training.**

Stakeholder Engagement

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

In order to further promote effective communication with investors, we arrange annual general meetings to provide opportunities for the shareholders to maintain communication with the Board, thereby giving shareholders the opportunity to clarify and deepen their understanding of the Group's performance and allowing the Group to communicate with shareholders and answer performance-related questions.

ENVIRONMENTAL ASPECTS

Use of Resources

The Group is committed to conserving resources for the purposes of environmental and operating efficiency. To accomplish our commitment, we have implemented multiple measures in enhancing energy efficiency, minimising the use of papers, reducing water and energy consumption and driving behavioural changes in our employees. Given the Group focuses on 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 resource management and is committed to the proper use of all materials.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Consumption

The Group has adopted a series of energy efficiency initiatives to reduce our energy consumption. To ensure the efficient use of energy resources, we take the rating of energy labels as one of our key considerations when purchasing equipment, switch to use more energy-efficient appliance models and strive to increase the use of natural lighting.

Energy saving notices are also put on the wall and bulletin boards to remind our staff to switch off unused electrical devices and use air-conditioning in a more reasonable manner.

During the Reporting Period, the Group's total amount of energy consumption was approximately 642 MWh-equivalent; and the energy consumption intensity was 100.6 MWh-equivalent per million revenue in Singapore Dollar. The details of energy consumption by type are shown in the below table.

Type of Energy	Quantity	Unit
Direct Energy Consumption – Diesel	1,619.3	GJ
Direct Energy Consumption – Petrol	334.5	GJ
Indirect Energy Consumption – Electricity	99.1	MWh
Total Energy Consumption	641.8	MWh-e

Water Consumption

Sustainable and responsible use of 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, tips to conserve water are shared internally to raise awareness and encourage employees to reduce consumption. Reminders have posted in the toilet and notice boards to also remind employees to save and use water more efficiently.

During the Reporting Period, the Group's total amount of water consumption was 2,325 cubic meters with an intensity of approximately 364.3 cubic meter per million revenue in Singapore Dollar.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Emissions

The Group is engaged in the selling of signage and related products, as such we do not have significant emission discharges into water, land, and air such as 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. In addition, during the reporting period, the National Environment Agency regularly sent officers for uninformed inspection of our production activities. Their comments illustrated that emissions generated from our production of signage and related products are immaterial. Therefore, emissions are immaterial regarding the Group's 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, therefore decreasing the pollutants emitted by the use of transportation.

Greenhouse Gas Emissions

The major sources of air and greenhouse gas (GHG) emissions from our business originates from fuel consumption of company cars and vans and energy consumption in regard to the purchased electricity used in offices and daily operations.

The total amount of greenhouse gas generated by the Group during the Reporting Period was 174.8 tonnes of carbon dioxide-equivalent, with an intensity of 27.4 tonnes carbon dioxide-equivalent per million revenue in Singapore Dollar.

Scope	Quantity	Unit
Scope 1 – Direct emissions	134.3	tCO ₂ -e
Scope 2 – Energy indirect emissions	40.5	tCO ₂ -e
Total GHG Emissions	174.8	tCO ₂ -e

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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. We maintain a strong focus on minimising the waste we produce from our operations. We adopt the use of environmental-friendly materials in our products. In addition, we recycle and reuse scrap metal, cardboard and plastic generated from the production and sale 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.

Due to our business nature, the Group did not generate a significant amount of hazardous or non-hazardous waste. During the Reporting period, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact concerning generation of hazardous and non-hazardous waste.

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 insignificant. Consumption of energy mainly stems 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 criteria of suppliers and service providers also adopt various green initiatives, including sense of responsibility for environmental protection, in addition to delivery time and the quality of goods and services. With the aim of further reducing our paper consumption, where conditions are appropriate, the Group store its documents, records and archives in electronic files instead of paper.

We promote our green policy on environmental protection through notices 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SOCIAL ASPECTS

EMPLOYMENT AND LABOUR PRACTICES

Employment

The Group adopts the practices and policies as governed by the Ministry of Manpower's Employment Act to ensure an equal and fair working environment. The Group provides equal opportunities for all regardless of their age, gender, race, sexual orientation, disability and marital status.

The Group upholds fairness in their recruitment process and our hiring criteria are built on the qualifications, abilities, experiences and technological skills of the applicants. Each applicant has equal rights to apply for a position and will not be affected by gender, pregnancy, family status, marital status, race, disability etc. The Group's existing employees come from different countries, including Singapore, Malaysia, China, India, Bangladesh and other places.

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.

Work-life Balance

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

Compensation

The Group establishes labour contracts in accordance with the law. We adopt a clear dismissal system, of which if either the employer or the employee terminates the contract during the period, 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.

As at the end of the Reporting Period, the Group had a total of 75 (2019: 81) employees which were all working full-time. 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 such as recruitment, dismissal, promotion and remuneration of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Health and Safety

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.

We were awarded the certificate of compliance with ISO 45001: 2018. Following the standard, the Group has developed 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, specifically being:

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 which focuses on occupational health and safety policies, risk management and practical safety knowledge. In addition, we have formulated and published a set of workplace safety procedures which allows employees to familiarise with the topic.

We have established contingency plans and organise drills regularly. This can strengthen the employees' response to emergencies such as when there is a fire or injury. Moreover, we regularly hire qualified consultants to conduct checks on fire equipment.

At the work sites, we prepare sufficient and suitable personal protective equipment such as safety helmets, safety shoes, masks, earmuffs and gloves, etc for employees. 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 find areas for improvement, which serve to avoid similar incidents from happening again in the future.

During the Reporting period, the Group did not identify any casualties and accidents, nor did the Group identify any violations of laws and regulations in relation to the provision of a safe working environment and protecting employees from occupational hazards in the past three years.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

The Group acknowledges that training and development are essential for achieving a distinctive competitive edge for the Group and its employees. We spare no effort in providing resources and integrated support to improve talents and add value for our employees. A wide range of training starts from their first day of work, where employees are provided with orientation activities. These orientation activities 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 nurture a sense of belonging.

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

During the Reporting Period, apart from on-the-job training, the Group sponsored a total of 257 hours training programs of training for 22 staff.

Labour Standard

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

The Group strictly complies with the Labour Laws of Singapore and provides the required labour protection, safety and health conditions to ensure employees' safety during their services. The Group has paid wages and salaries, benefits and compensations on schedule.

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.

During the Reporting Period, there have been no cases of prosecution against the Group due to violation of any relevant labour laws and regulations including but not limited to the prevention of child and forced labour.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OPERATING PRACTICES

Supply Chain Management

The Group's supply chain process was developed and implemented under a top-quality management system. We acknowledge the importance of selecting the best suppliers to safeguard its production process and therefore product quality. We have developed an evaluation and management program for the 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 review and approval from the management. Purchase orders to suppliers can only be submitted by manager level employees and reimbursement can only be approved at a director's level unless it is under \$1,000, which is deemed immaterial.

During the Reporting Period, the Group awarded contracts to 129 suppliers for production activities. The purchasing department monitors and conducts an annual performance review of all suppliers through email and telephone. This ensures the performances of all qualified suppliers remain in line with the requirements of the Group.

Product 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 fully comply 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' level of technology 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 up 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 has strictly complied with the laws and regulations related to product responsibility. During the Reporting Period, there have been no cases of prosecution against the Company due to violation of any product responsibility or privacy laws. 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.

Anti-corruption

The Group does not tolerate any form of corruption, fraud, money laundering, bribery and extortion in the course of its 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. The Group also strictly complies with the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act. We have developed whistle-blowing measures regarding conflicts of interest and allowing employees to 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 by the Group in a timely manner.

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 may 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 measures to plug 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.

COMMUNITY

Community Investment

The Group acknowledges a sustainable business is dependent on the stability and well-being of the community where it operates and regards improving the community's well-being as an important way to realise its value.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SUMMARY OF KEY PERFORMANCE INDICATORS (KPIs)

	KPIs	Quantity	Unit
	ENVIRONMENTAL ASPECTS		
	<i>Aspect A1: Emissions</i>		
A1.2	Greenhouse gas emissions in total and intensity		
	Total GHG emissions	174.8	tonnes CO ₂ -e
	Scope 1 emissions	134.3	tonnes CO ₂ -e
	Scope 2 emissions	40.5	tonnes CO ₂ -e
	Greenhouse gas intensity (by revenue)	27.4	tonnes CO ₂ -e/S\$ million
	<i>Aspect A2: Use of Resources</i>		
A2.1	Direct and indirect energy consumption by type		
	Total energy consumption	641.8	MWh-e
	Direct energy consumption	1,953.8	GJ
	Indirect energy consumption	99.1	MWh
	Energy intensity (by revenue)	100.6	MWh-e/S\$ million
A2.2	Water consumption in total and intensity		
	Total water consumption	2,325	cubic metres
	Water consumption intensity (by revenue)	364.3	cubic metres/S\$ million

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	KPIs	Quantity	Unit
	SOCIAL ASPECTS		
	<i>Employment and Labour Practices</i>		
	<i>Aspect B1: Employment</i>		
B1.1	Total workforce by gender, employment type and age group		
	Total No. of Workers	75	Number of employees
	By Gender		
	– male	59 (79%)	Number of employees (%)
	– female	16 (21%)	Number of employees (%)
	By Employment Type		
	– permanent	75 (100%)	Number of employees (%)
	By Age Group		
	– <30	11 (15%)	Number of employees (%)
	– 31-40	37 (49%)	Number of employees (%)
	– 41-50	18 (24%)	Number of employees (%)
	– >50	9 (12%)	Number of employees (%)
B1.2	Employee turnover (rate) in the category by gender and age group		
	Total turnover (rate) of employees	12 (16%)	Number of employees (%)
	By Gender		
	– male	11 (18.6%)	Number of employees (%)
	– female	1 (6.3%)	Number of employees (%)
	By Age Group		
	– <30	4 (36.4%)	Number of employees (%)
	– 31-40	8 (21.6%)	Number of employees (%)
	– 41-50	0 (0%)	Number of employees (%)
	– >50	0 (0%)	Number of employees (%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	KPIs	Quantity	Unit
	Aspect B2: Health and Safety		
B2.1	Number and rate of work-related fatalities		
	No. (rate) of work-related fatalities in 2018	0 (0%)	Number of employees (%)
	No. (rate) of work-related fatalities in 2019	0 (0%)	Number of employees (%)
	No. (rate) of work-related fatalities in 2020	0 (0%)	Number of employees (%)
B2.2	Lost days due to work injury		
	The no. of lost-days as a result of work injuries	0	days
	Aspect B3: Development and Training		
B3.1	The percentage of employees trained by gender and level		
	Percentage of employees trained	22 (29%)	Number of employees (%)
	By Gender		
	– male	22 (100%)	Number of employees (%)
	– female	0 (0%)	Number of employees (%)
	By Level		
	– managerial	1 (5%)	Number of employees (%)
	– senior	1 (5%)	Number of employees (%)
	– middle	20 (90%)	Number of employees (%)
	– junior	0 (0%)	Number of employees (%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

	KPIs	Quantity	Unit
B3.2	The average training hours completed per employee in the category by gender and level		
	By Gender		
	– male	4.4	hours/employee
	– female	0	hour/employee
	By Level		
	– managerial	2.5	hours/employee
	– senior	2.7	hours/employee
	– middle	6.2	hours/employee
	– junior	0	hour/employee
	Operating Practices		
	<i>Aspect B5: Supply Chain Management</i>		
B5.1	Number of suppliers by geographical region		
	Total number of suppliers in the issuer’s supply chain	129	suppliers
	By Geographical Regions		
	– Singapore	129	suppliers
	<i>Aspect B7: Anti-corruption</i>		
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases		
	No. of concluded legal cases regarding corruption brought against the issuer or its employees	0	–