

# SUSTAINABILITY STATEMENT

## INTRODUCTION

AT Systematization Berhad and its subsidiaries (“the Group”) believes in conducting business responsibly and in an ethical manner by ensuring that sustainability is integrated across our business and that the Group continues to contribute to the sustainable development of our environment and community.

The Board of Directors (“Board”) is pleased to present our Sustainability Statement for the financial year ended 31 March 2022 (“FY2022”) which reflects on the sustainability efforts undertaken by the Group. All information published herein covers our main activities and key business operations in Malaysia, namely the fabrication and automation, gloves, renewable energy and property segments over which we have direct managerial control. Accordingly, our associated companies have been excluded. This Sustainability Statement has been prepared in accordance with Bursa Malaysia’s requirements and the 2<sup>nd</sup> Edition of the Sustainability Reporting Guidelines.

The Board recognises the need for the Group’s strategies to promote sustainability and regularly reviews the strategic direction of the Group in order to integrate sustainability development into the Group’s business strategy and to adopt corporate governance best practices in delivering performance and long-term growth for its stakeholders. The Group is committed to implementing initiatives that ensure the integration of sustainability and Environmental, Social and Governance (“ESG”) considerations into our business strategy and practices.

## SUSTAINABILITY GOVERNANCE

### Governance Structure

The Group has developed a sustainability framework that is driven through a “tone from the top” approach across the organisation. This sustainability framework is implemented and driver by our Board across all operations of the Group, with the help of our senior management team. The Board is tasked to integrate and promote sustainability into the Group’s long-term strategic plans and key business processes. The senior management of the Group work in unison to oversee sustainability management through managing the associated impacts, risks, and opportunities in an integrated manner that optimises value creation.

### Ethical Business Conduct

We uphold integrity in the way we conduct our business, guided by good governance practices outlined in our corporate governance framework and terms of reference. Our Code of Conduct sets the behavioural standards and provides a communicable and understandable guide for all employees on ethical and compliance issues.

### Whistleblowing

We ensure that the Group’s zero-tolerance stance towards any form of misconduct is strictly adhered to. Our Whistleblowing Policy and procedures encourages our employees as well as contractors, suppliers and customers to raise genuine concerns of any malpractices or misconduct. Our whistleblowing mechanism allows us to deal with such allegations in a confidential manner, providing appropriate protection to the whistleblower against any form of reprisals.

### Anti-Bribery and Anti-Corruption

We are committed to conducting our business free from any acts of bribery or corruption. All our employees, contractors and suppliers are required to adhere to all anti-bribery and anti-corruption legislations.

### Risk Management




Our risk management framework is embedded within the Group’s management systems and clearly outlines the responsibilities and accountability in implementing our risk management processes and internal control system. Our Risk Management Group oversees the Group’s risk management, including sustainability risks while our internal audit function monitors and conducts regular reviews of the Group’s system of internal controls. An effective risk governance and management framework not only safeguards our business operations, but also reinforces the confidence of our stakeholders.

## SUSTAINABILITY STATEMENT

(cont'd)





### Stakeholder Engagement

As part of the Group's sustainability strategy, we continue to actively engage with our various stakeholders to determine matters of concern to them. The Group has always worked closely with our stakeholders to understand their expectations and requirements so as to better manage matters pertaining to Group's sustainability. The Group believes that engaging with stakeholders can bring important issues to light and continuous improvement can boost the chances of success in the long term. The engagement approach to key stakeholders is summarised as below:-

STAKEHOLDER GROUPS	ENGAGEMENT CHANNELS	AREAS OF INTEREST
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Training programmes</li> <li>• Management meetings</li> <li>• Informal periodic departmental meetings</li> <li>• Company dinners and events such as birthday celebration</li> <li>• Whistle-blowing channel</li> <li>• Annual performance review</li> <li>• Telephone and e-mail</li> </ul>	<ul style="list-style-type: none"> <li>• Work life balance</li> <li>• Safe and conducive workplace</li> <li>• Compensation, welfare, and employee care</li> <li>• Career enhancements</li> <li>• Fair human resource policies and practices</li> <li>• Job security</li> <li>• Development through training</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>• Proposals/Quotations/Agreements</li> <li>• Brochures</li> <li>• Customer feedback form and survey</li> <li>• Advertisement</li> <li>• Site visits</li> <li>• Website, social media</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing</li> <li>• Service delivery</li> <li>• Product's quality assurance</li> <li>• Payment terms and timeliness</li> <li>• Business continuity</li> </ul>
<b>Suppliers/Vendors</b> 	<ul style="list-style-type: none"> <li>• Pricing review - Proposals/Quotations/Agreements</li> <li>• Supplier/Vendor registration</li> <li>• Business meetings</li> <li>• Site visits</li> <li>• Supplier assessment review and performance</li> </ul>	<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Competitive price and terms of payments</li> <li>• Vendor selection process</li> <li>• Clear procurement policies and practices</li> <li>• Sustainable supply chain management</li> <li>• Health &amp; safety policies</li> <li>• Maintaining good relationship</li> </ul>

## SUSTAINABILITY STATEMENT

(cont'd)

STAKEHOLDER GROUPS	ENGAGEMENT CHANNELS	AREAS OF INTEREST
<b>Shareholders</b> 	<ul style="list-style-type: none"> <li>Annual General Meeting or Extraordinary General Meeting</li> <li>Annual Report or Circular</li> <li>Press releases</li> <li>Company's website</li> <li>Announcements on Bursa Malaysia website</li> </ul>	<ul style="list-style-type: none"> <li>Company's financial performance</li> <li>Corporate governance</li> <li>Regulatory compliance</li> <li>Internal control and risk management</li> <li>Business Strategy</li> </ul>
<b>Community</b> 	<ul style="list-style-type: none"> <li>Community welfare and engagement</li> <li>Responsible corporate citizen - giving back to the community</li> <li>Employment opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Product sponsorships through CSR activities</li> <li>Local recruiting and hiring</li> <li>Internship programme</li> </ul>
<b>Regulatory Authorities</b> 	<ul style="list-style-type: none"> <li>Consultation sessions and conference meetings</li> <li>Training programmes and dialogue</li> <li>Audit and verification</li> <li>Updating and renewal of permits &amp; license</li> <li>ISO and relevant certificate compliance</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Approvals of permits and certifications</li> </ul>
<b>Financiers</b> 	<ul style="list-style-type: none"> <li>Meetings and continuous correspondences</li> <li>Annual reviews</li> </ul>	<ul style="list-style-type: none"> <li>Business direction and key corporate developments</li> <li>Business strategy &amp; economic performance</li> </ul>

## SUSTAINABILITY STATEMENT

(cont'd)

### Sustainability Matters

The Group has identified and assessed sustainability matters that are relevant to the Group's business operations and influence stakeholders' decisions. These material ESG matters are determined based on their likelihood and potential impact on the Group's business and long-term growth. These are discussed below.

### Economic Sustainability

#### Economic and Business Performance

Our Board of Directors, together with the management team identify the opportunities that are relevant to the long-term success of the Group. Various efforts are continuously being undertaken to improve the efficiency and profitability of the Group. Through its businesses, the Group creates employment opportunities for Malaysians.

The Group constantly endeavours to extend market presence and expand our customer base by constantly improving the quality, reliability and efficiency of our products and services. At the same time, we also prioritise business ethics and good governance to build trust and maintain the confidence of our customers.

Economic performance & growth is one of the primary factors that contributes to the business sustainability of the Group. It is crucial that the Group continues to be prepared and resilient against potential disruptions to our business strategies or operations. The Group is committed to achieving sustainable economic growth to enhance our shareholders' returns and deliver fair rewards to our employees.

The Group's economic performance is measured to ensure the economic sustainability of the Group, which is elaborated in the Management Discussion & Analysis section, as set out on Page 9 to Page 16 of this Annual Report.

#### Continuous Innovation for Sustainable Manufacturing

In the Industry Revolution 4.0 ("Industry 4.0") era, the Group is subject to rapid technological changes and new product developments. To maintain a strong competitive advantage, the Group constantly innovates and adopts new technologies to ensure the Group's continued success in the market. We have a dedicated research and development team that is well equipped for this very purpose. At the same time, we practise stringent quality control checks on all innovative new technologies adopted by the Group in our business operations, as a reflection of our commitment to providing only the best in-class products and services.

The Group has invested in an industrial balancing machine which allows the balancing process to be implemented before setting up the Group's machineries. As a result, tool life has improved, and this contributed to significant reduction in tooling cost. The Group has also invested in a tool presetter machine which helps to reduce machines down time. The application of these advanced equipment has enabled the integration of tool condition monitoring and tool life prediction into the Group's business process. As a result, the Group has seen machine productivity improved, while also being better equipped to maintain the quality and integrity of machined parts, minimise material waste and reduce manufacturing cost.

To further prepare our engineering factory to move forward for Industry 4.0, the Group has invested in a set of digital system to manage multiple revisions of the bill of material, alternate sources, alternate parts and real time inventory tracking. This has established a strong foundation towards a scalable digital supply chain management system. Our real time shop floor control system with business intelligence analytics on various operational data such as production output, work in progress, yield and quality of production has increased the intensity of operations towards a trend of continuous improvement. As of today, the system is 80% implemented and is on track to be fully operational by September 2022. The Group has also commenced an upskilling programme to train and equip operation floor personnel with the knowledge and skills to operate these new systems. More on the Group's upskilling efforts can be found in the Talent & Training section on Page 30 of this Sustainability Statement.








## SUSTAINABILITY STATEMENT

(cont'd)

The above reflects the Group's commitment to continuously investing in technology and automation towards Industry 4.0, with the aim of propelling business growth and performance to the highest levels. The advent of Industry 4.0 and the Internet of Things has given rise to the development of various technologies such as Artificial Intelligence and cloud computing, which have immense potential to strengthen and boost performance. The Group believes that further integration of such new technologies and automation would eventually produce products and services that are not only superior but are made in a sustainable and ethical manner. Therefore, the Group is committed to adopting and leveraging said innovations where applicable.




### Certification & Accreditation

We continue to strive for excellence in all areas of our business by achieving accreditation and complying with international standards in the industry. Our accreditations achieved with various certification bodies are as follows:-

AT Precision Tooling Sdn Bhd	
	ISO 9001 : 2015 Certified by BSI Certified since May 2015
	ISO 13485 : 2016 Certified by BSI Certified since November 2016
AT Engineering Solution Sdn Bhd	
	ISO 9001 : 2015 Certified by BSI Certified since August 2019
AT Glove Engineering Sdn Bhd	
 ISO 9001 / ISO 13485 CERT NO: 110733	 QS 18042014 CB 15 MDQMS 15102014 CB 01
 ISO 9001 / ISO 13485 CERT NO: 110733	 QS 18042014 CB 15 MDQMS 15102014 CB 01
	ISO 9001 : 2015 Certified by KGS Certified since May 2021
	ISO 13485 : 2016 Certified by KGS Certified since May 2021

## SUSTAINABILITY STATEMENT

(cont'd)

AT Glove Engineering Sdn Bhd (Cont'd)	
	CE Certificate of Compliance Certified by EuropeCert Certified since January 2021
	Medical Device Registration Certified by Medical Device Authority Malaysia Certified since June 2021
	FDA Certificate of Registration Certified by U.S. Food and Drug Administration Certified since December 2021

### Procurement Practice

The Group is committed to ensure that speed, efficiency and quality are adhered to in the supply chain management process. As we progress up the value chain, we remain committed to our internal procedures through which our vendors work towards improving and strengthening their capabilities as well as pursuing accreditation to international quality certifications. We conduct regular audits and visits to our vendors and suppliers to ensure that they are progressing well against targets. Concurrently, we maintain our strong adherence to risk management and fraud prevention by ensuring all procurement procedures are governed by best practice compliance and governance policies. All sourcing and procurement processes are conducted in strict adherence to these policies which are designed to detect fraud and/or corruption, and to enable procurement procedures to be carried out in an effective and transparent manner.

As a Malaysian company, the Group fully supports local suppliers who have been providing us with the best solutions in terms of quality, delivery and value, and thus enabled us to ship reliable products in a timely manner. The Group endeavours to practice the procurement of parts or services with the best interest of the Company in mind. Among the contributing factors driving procurement decisions include but are not limited to just the quality of the parts (or services), the timeliness of delivery, and the overall value. In line with the Group's efforts to ensure that our business processes and practices have a positive impact on the Malaysian society, economy and environment, we practise a buy local policy when it practical.

The number of Malaysian suppliers engaged this year increased from 93% in FY2021 to 95% of total suppliers in FY2022. However, the value of orders given to Malaysian suppliers reduced from 65% in FY2021 to 62% of total value in FY2022.

## SUSTAINABILITY STATEMENT

(cont'd)

### Environmental Sustainability

#### Waste Management

We have a responsibility to the current and future generations to minimise our impact on the environment and address the pressing issue of climate change. To this end, we comply with the Environment Quality Act 1974 and the Group's waste management system adheres to the requirements set by the Department of Environment ("DOE"). This system is implemented through various operational procedures to minimise waste generated. We have also established a Safety, Health and Quality Management working committee that monitors our compliance with DOE requirements. A monthly reporting of scheduled waste generated and disposal record is maintained in compliance with the DOE through the eSWIS system. An analysis of total waste generated is also conducted quarterly to control excess waste production. To meet DOE requirements, we also send our effluent samples to external labs for regular testing. All chemicals used and waste materials such as coolants, hydraulic oil, zinc phosphates and other chemical compounds are safely disposed through a licensed waste transporter and contractor.




#### Energy and Water Conservation

The Group undertakes conscious efforts to improve our manufacturing processes and continuously reduce the use of energy and water resources throughout our factory. We harvest rainwater and use recycled water for general cleaning of areas such as floors, and drainage system at our production facilities. Our manufacturing facilities have also been installed with transparent roofing and energy-saving lights to reduce energy consumption. We have implemented energy efficiency practices including using solar powered energy-saving devices and shutting down air conditioning 30 minutes before offices are closed. We have also installed a flowmeter at our new factory to monitor the usage of water and power inverters in certain machines.

#### Green Initiatives

Care for the environment is one of the Group's key sustainability interests. We strive to achieve a sustainable balance between development and conservation to protect and minimise any adverse impact on the natural environment. In line with the growing interest in renewable energy in Malaysia and towards creating a greener portfolio with sustainable capacity, the Group has diversified into the business of power generation and renewable energy. The Group is now operating two (2) solar photovoltaic plants of 425kW at Plot 82 and 300kW at Plot 49 respectively. These solar photovoltaic plants are built on the rooftops and covered car park areas of the Group's manufacturing plants, equipped with photovoltaic modules and able to produce clean energy annually for the national grid using photovoltaic technology.

The environmental benefits of solar energy generated by our solar photovoltaic plants in Year 2022 are as follows:-

	 <b>Carbon Dioxide</b>	 <b>Passenger Cars</b>	 <b>Tree Seedlings</b>
<b>PLOT 82</b> <i>Generated 552kw per year</i>	<b>482</b> metric tons avoidance per year	<b>105</b> taken off the road for 1 year	<b>9,117</b> grown for 10 year
<b>PLOT 49</b> <i>Generated 411kw per year</i>	<b>359</b> metric tons avoidance per year	<b>78</b> taken off the road for 1 year	<b>6,789</b> grown for 10 year

## SUSTAINABILITY STATEMENT (cont'd)

The Group has also replaced thermal oil heaters with hot water boilers powered by the latest and environment-friendly technology, to reduce used oil waste. Further, we practice the reuse, reduce and recycle concept across our business operations.

### Social Sustainability

#### Workforce Diversity

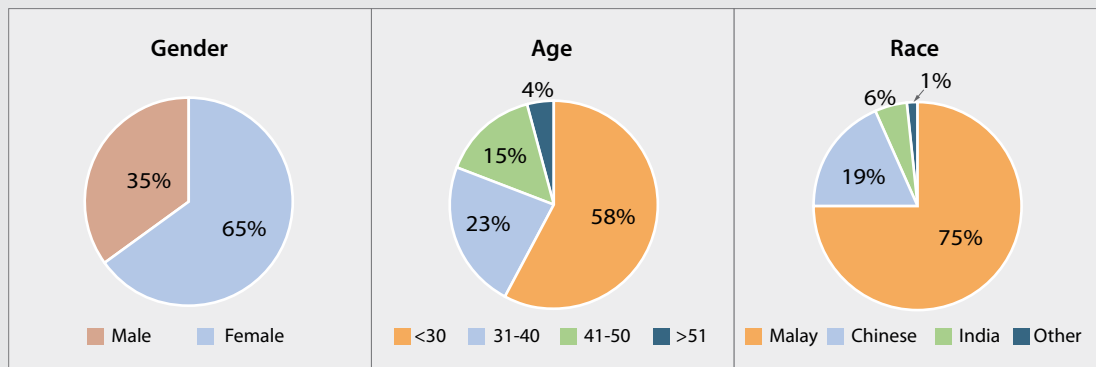
We value employees as they are the backbone of the Group. We do not discriminate against the race, gender, religion or age of a potential candidate. The selection process is solely based on the candidate’s competency, experience and capabilities.

Our Group complies strictly with labour laws and code of employment practices. We are committed to eliminating practices of using child and illegal labour. The Group does not employ any person below the legal age as defined by the Employment Act in Malaysia. All employees are treated fairly and based on our employment agreement which clearly stipulates the terms of employment and compensation.

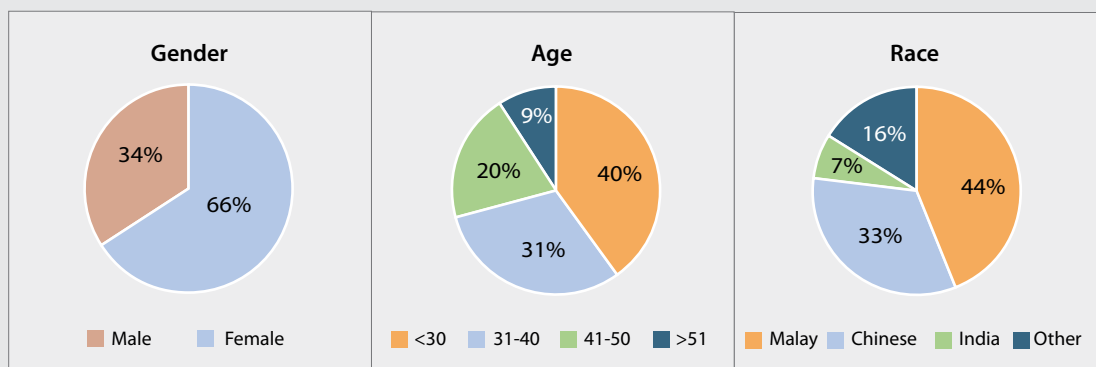
While the Group appreciates the opinions and perspective contributed by women, they are less likely to be employed in our factory due to the nature of the work. As such, male and younger workers account for the majority of the Group’s employees.

Below is our diversity report on the age, gender and race of our workforce:-

#### FY2022



#### FY2021





## SUSTAINABILITY STATEMENT

(cont'd)

### Talent Training & Development

The Group believes that human capital development is important to ensure that the Group has the right and relevant skill sets and knowledge essential for business sustainability and growth. Hence, we invest in the training and development of our employees so that they are able to excel in their given positions. This is especially true in our industry where technologies are constantly evolving, and we must change and upskill accordingly to ensure we are at the forefront of all advancements and therefore well equipped to serve our customers. We constantly upgrade our employees' skills, knowledge and experience through training and practical programmes, held both internally and externally. Training on the job is provided to equip our factory workers with the knowledge and skills essential to carrying out their responsibilities. We believe that enhancing an individual employee's competency levels will lead to an increase in productivity and further improve their quality of work and workplace. In turn, this will boost the Group's overall productivity and performance. Beyond profitability however, we also believe that providing employees with opportunities for career expansion and upskilling amid rapid technological advancements is key to their personal growth and wellbeing, and this in turn contributes to societal growth and development.

The Training & Development Programmes implemented by the Group during FY2022 are summarised as follows:-

#### Internal Training

- ISO 9001:2015 awareness training
- ISO13485:2016 awareness training
- QMS internal audit training & ISO 9001:2015 standard awareness training
- Code of conducts, Anti-corruption & Anti-bribery policy, Whistleblowing policy
- Work instructions on receiving goods and materials and shipment procedures for the warehouse
- Amendments for compensation, benefits, rules and regulation, anti-bribery and corruption policy, guideline on coronavirus, bonus guideline

#### External Training

- ISO 14971:2019 risk management for medical devices
- Process failure mode effects analysis (Version 1)
- Malaysia Tax Budget 2022
- Uncertainty of measurement - calibration of equipment
- Import / export documentation and procedures
- DOE seminar "Pematuhan Akta Kualiti Alam Sekeliling 1974"
- 7 Quality Control tools for rubber products industry
- Bar Code GS1 – coding products with global identification numbers
- Ergonomics Risk Assessment at workplaces
- Update global medical device registration and regulation process
- Certified professional Halal executive course
- Authorised gas tester & entry supervisor for confined space
- Safety Edge Virtual Conference 2022

## SUSTAINABILITY STATEMENT

(cont'd)

### Health & Safety in the Workplace

The Group's Health & Safety Committee oversees the Occupational Health and Safety Management System ("OHSAS") by reviewing the safety and health policy of the Group's work and making recommendations for any revision of such policies. Safety issues are always top of the agenda at staff meetings and a key performance indicator in the performance evaluation of employees. Employees are required to wear personal protection equipment such as safety goggles, gloves, boots and face mask when entering high risk areas inside the factory to prevent the occurrence of any unsafe act or accident. Supervisors are required to monitor work practices performed by employees to ensure safety procedures are followed in accordance with the safety guides and manuals. These protocols ensure the reduction of incidents such as injuries and lost working days recorded. Medical surveillance is performed on employees who are likely to be exposed to occupational health hazards. Fire drills and safety training as well as risk awareness campaigns are conducted regularly to ensure that employees understand how to respond properly in the event of an emergency.

### Coronavirus Disease – COVID-19 Precautionary Measures

As the COVID-19 situation evolves, it is the Group's priority to safeguard the health and safety of all employees and the people involved in the Group's operations on a continuing basis. The Group has implemented standard operating procedures ("SOPs") outlined by Malaysia's Ministry of Health ("MOH") and Ministry of International and Trade Industry ("MITI") to ensure that all employees are aware and maintain a safe working environment to limit the spread of COVID-19 virus, as follows:-

- Temperature check is required, those employees or visitor whose temperature measured to 37.5°C & above are not allowed to enter.
- Distribute face masks to all employees and setup hand sanitiser stations at each main entrance, as well as carry out disinfection activity across all workplaces twice a day.
- Keep physical distance of at least 1 metre from others.

### Community Engagement

Beyond integrating sustainability in our areas of operation, we believe in engaging and strengthening relationships with the surrounding communities to establish goodwill and contribute towards community health and well-being. The Group continues to play its role as a socially responsible corporation to provide positive force to the community. As part of our way to serve and give back to the community, we have from time to time made donations and provided sponsorship to various charitable and non-profit organisations as well as government agencies, and give aid to the less fortunate members of our community. During the year under review, the Group made sponsorship to Kelab Polis Petaling Jaya.

### CONCLUSION

As a responsible corporate citizen, the Group remains committed to driving sustainability across our business operations and workforce. We believe a business that is run sustainably and with best practice corporate governance principles will not only be beneficial to the environment and surrounding communities but also be able to deliver strong returns for our shareholders. We will therefore continue to integrate sustainability into all areas of operation while seeking new areas to be developed for long-term value creation.

This Statement has been approved by the Board on 27 July 2022.