



ENGTEX GROUP BERHAD

200101000937 (536693-X)

**SUSTAINABILITY  
& CLIMATE CHANGE  
REPORT 2020**

MESSAGE FROM THE  
CHAIRMAN OF AUDIT  
COMMITTEE

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Engtex Group Berhad

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**Engtex**

Engtex Group Berhad

## Message from the Chairman of Audit Committee

**Dear stakeholders,**

I am pleased to present to you Engtex Group Berhad (“Company”) and its subsidiaries (“Group”) first Sustainability Report (“the Report”). For the last several years, our sustainability initiatives were limited only to Sustainability Statement, however, for the 2019 Annual Report of the Company, the Group sets the baseline incorporating calculation for CO<sub>2</sub> emissions, focusing on minimising environmental harm in areas of our business operations.

We believe sustainability will be the game-changer in the near term and the Environment, Social and Governance (“ESG”) as one of the Group's important pillar will be the main focus on how the Group conducts its business. As one of the nation's leading one-stop solution provider of pipes, valves, fittings, plumbing materials, construction materials, steel and general hardware products, and manufacturer of mild steel concrete-lined and ductile iron pipes and fittings, wire mesh and hard drawn wire, the Group has an impact on a wide range of stakeholders, from clients and employees to regions and local communities. Thus, the Group believes it is very important to operate in compliance with global sustainability practices and principles and to contribute to achieving the United Nation (“UN”) Sustainable Development Goals – by doing so, we can play a significant role, both present, and future generations.

This year's reporting is particularly challenging as we are reaffirming our commitment to sustainability by expanding the scope of our report. Despite the ongoing Coronavirus Disease 2019 (“COVID-19”) pandemic which saw our 2020 revenue decreased by 11.4% to RM989.6 million, the Group has undertaken various initiatives to increase productivity and efficiency and reduce operating costs which resulted in the earnings before interest, tax, depreciation and amortisation (“EBITDA”) for 2020 to improve by 18.0% to RM68.3 million. The Group endeavours to provide the clients with high-quality products and achieves ambitious financial and operational goals, and makes great efforts to protect the environment, support the local communities, provide safe working conditions and various opportunities for our employees.

### *Occupational safety and health*

Sustainability management forms an integral part of our corporate culture. Occupational safety and health for our employees and contractors are of the utmost importance to the Group. We strive to mitigate operational risks and occupational hazard by organising safety-related events, and educational projects for our employees and contractors, improving the working conditions, and developing a safety culture across the Group's business operations.

Some of the main goals of the Group in terms of occupational safety are achieving zero fatality rate and reduction of lost time injury frequency rate (“LTIFR”). In 2020, LTIFR was 12.9 per one million hours worked. I am pleased to report that the Group has zero fatality during the financial year. Complacency is never the Group culture. To improve our safety records, the Group will further improve its safety work hazards and implement safety briefings to all its employees and contractors. This is to remind you that the Group is serious about the occupational safety and health of its employees and contractors.

To further illustrate the Group's commitment to occupational safety and health programmes, the Group will train all its employees to identify potential hazards within its production plants. The training aims to enhance the safety culture and forming a proper attitude towards risk through engaging with employees in safety and health management and risk-oriented approach implementation in everyday activities.

### *Human capital management*

The well-being of the Group employees is of great importance to the Group. And it is important for the Group that employees feel that they are actively contributing to their working conditions and the overall success of the Group with appropriate salary levels.. The Group aspires to create favourable conditions for the development and fulfilment of the potential of our employees to achieve greater heights. The Group human capital philosophy focuses on three main areas: Training and Assessment, Productivity and Rewards, and Innovations, Improvements, and Suggestions.

### *Managing environmental impacts*

The environmental aspects of a company's operations are becoming increasingly important and pertinent in the modern world and the Group intends to play an important role to minimise impacts on the environment. The Group aims to lead by example in providing comprehensive reports on its environmental impact as well as having an addendum report on climate change this year. The Group will be establishing its environmental goals baseline this year and boosting resources efficiently. The Group also upholds global initiatives including the UN Sustainable Development Goals to mitigate impacts on climate change.

### *Community relations*

The Group takes great pride in providing for the local communities and having an effective communication channel with the local communities. In this regard, the Group adheres to the principles of corporate social responsibility, annually sets priorities and creates a budget for social investment, and implements social and charity projects in the fields of education, the welfare of local communities, and others. However, the social funds for 2020 have been channelled towards safeguarding the welfare of the employees and in particular, conducting COVID-19 testing and upgrading the accommodation of foreign workers in response to the COVID-19 pandemic. I am confident that all these comprehensive activities on our part in the areas of corporate social responsibility, shareholders and stakeholder relations, and adopting a responsible attitude towards the environment will help us ensure a sustainable future for the Group.

Dr Lim Pang Kiam  
Chairman of the Audit Committee

This Report is dated on 16 April 2021





# Engtex







# **Engtex'S ROLE**

## **IN RESPONDING TO THE COVID-19 PANDEMIC**

- Suspension of employees' overseas business trip.
- Mandatory self-isolation at home for two weeks without loss of pay for employees identified with COVID-19.
- Limitation of access and contact with external consultants and contractors to Engtex facilities.
- Handling business remotely with the use of conference and video call systems.
- Supplying common areas with sanitisation and temperature checking.
- Regular disinfection of company vehicles and premises.
- Installation of registry for contact tracing and remote temperature checks for all employees, visitors, and contractors.
- Providing adequate Personal Protective Equipment ("PPE").
- Conducting multiple COVID-19 testing using RTK antigen and RT PCR Tests.



## ABOUT THE GROUP



**Engtex**

Engtex Group Berhad

## Who we are

### GRI102-1, GRI102-7

The Group begins with the incorporation of Engtex Sdn. Bhd. in Malaysia in 1983. The Company started with a humble beginning as a hardware retail shop located in Jalan Ipoh, Kuala Lumpur. Together with the rapid development in Malaysia, the Company has made tremendous progress to become a diversified multi-million integrated wholesale and distribution centre with its warehouses located at Selangor and Penang and distribution network. The wide distribution network is supported by subsidiary companies under the Group as they had been individually incorporated to cover a specific geographical location or sector. With our strength and strategic alliances with both local and overseas manufacturers and suppliers, the Group can provide the most comprehensive, reliable, and quality pipes, valves, and fittings solutions to our customers. Together with a proven supply chain management record, the Group is poised to be the leading one-stop solution provider for pipes, valves, and fittings in Malaysia.

Over the years, the Group has also integrated upward into manufacturing activities located strategically in the Northern, Central, Eastern and Southern Peninsular of Malaysia and Sabah. They produce mild steel and ductile iron pipes, valves and fittings, wire mesh, hard drawn wire, steel bar, manhole covers, hydrants and other steel-related and industrial casting products. Our extensive range of integrated steel products, advanced customer integration systems together with the extensive customer network of our distribution division, has enabled us to differentiate from our competitors through the offering of sophisticated products and services. The Group's innovative culture, industrial expertise, and long-term view allow the Group to improve in industrial excellence, competitiveness, and customer service continuously.

We operate with a broad and long-term perspective, and we work towards improving the quality of life of our employees, their families, and the local communities where we operate.

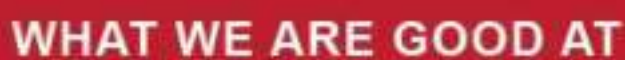
The Group has four operating segments, i.e. Wholesale and Distribution, Manufacturing, Property Development and Hospitality. Property development and Hospitality segments are excluded from this reporting in view of their insignificant size and contribution to the Group. The Group is listed on the Main Market of the Bursa Malaysia Securities Berhad.

### GRI102-3

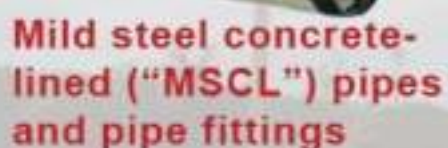
## Corporate Profile

<b>GROUP NAME</b>	ENGTEX GROUP BERHAD	<b>GROUP MANAGING DIRECTOR</b>	Dato' Ng Hook
<b>OFFICE IN SG BULOH</b>	Lot 36, Jalan BRP9/2B, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor, Malaysia.	<b>BUSINESS OPERATIONS</b>	Wholesales and distribution of pipes, valves, fittings, plumbing materials, construction materials, steel and general hardware products, and manufacturing of mild steel and ductile iron pipes, valves and fittings, wire mesh, hard drawn wire, steel bar, manhole covers, hydrants and other steel related and industrial casting products.
<b>OTHER MAJOR OFFICES</b>	East Malaysia, Melaka, Selangor, Pahang, Penang, Johor and Kuala Lumpur.		
<b>ESTABLISHMENT</b>	1983		

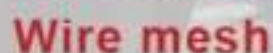




Ductile Iron pipe with internal cement mortar lining, external metallic zinc coating and bitumen finishing with spigot and socket tyton push-in joint and EPDM ring. It is certified by Construction Industry Development Board ("CIDB")'s Certificate of Standard Compliance ('PPS'). Used for water and sewerage applications.



MSCL pipes and pipe fittings with internal cement mortar lining and external bitumen and fiber glass wrap finishing. Used for water and sewerage applications.



Welded fabric mesh of low carbon wire (cut-to-size, engineered, and standard mesh) used as reinforcement of concrete structure for construction purposes.



## **Electric resistance welded ("ERW") steel pipes**

ERW steel pipe manufactured to various international standards for variety of application. It is available for both black and hot-dipped galvanized. For architectural structure, fire sprinkler pipe, handrail pipe, scaffolding pipe, sign post, water transmission pipe.



## **Hot rolled ribbed weldable reinforcement steel or High Tensile Deformed Bar ("HTDB")**

It is a type of steel bar that is normally used as a tension device in reinforced concrete and reinforced masonry structures to strengthen and hold the concrete in compression. The surface of HTDB is often patterned or ribbed to form a better bond with the concrete. It is also accredited in compliance with stringent quality standard MS 146: 2014 and are certified by CIDB's Certificate of Standard Compliance ("PPS").



## Where we operate

CR002-4 GRI 102-2

- Engtex Ductile Iron Pipe Industry Sdn Bhd
- Engtex Ductile Iron Marketing Sdn Bhd



**Sales Office** Lot 68, Jalan Gebeng 1/6,  
Kawasan Perindustrian Gebeng,  
26080 Kuantan, Pahang.

**Factory** Lot 36, Jalan BRP 9/2B,  
Putra Industrial Park,  
Bukit Rahman Putra,  
47000 Sungai Buloh,  
Selangor.

- Allpipes Technology Sdn Bhd
- Nagasari Bitumen Production Sdn Bhd
- Canova Manufacturing Sdn Bhd



**Factory** Lot 3757, Batu 29, Jalan Ipoh- Kuala Lumpur,  
48200 Serendah, Selangor.

**Sales Office** Lot 36, Jalan BRP 9/2B, Putra Industrial Park,  
Bukit Rahman Putra, 47000 Sungai Buloh,  
Selangor.

- LYE Manufacturing Sdn Bhd
- LYE Marketing Sdn Bhd



**Factory** Lot 1844, Jalan KPB 8,  
Kampung Baru Balakong,  
43300 Kajang, Selangor.

**Sales Office** Lot 36, Jalan BRP 9/2B,  
Putra Industrial Park,  
Bukit Rahman Putra,  
47000 Sungai Buloh,  
Selangor.

- Hachita Enterprise Sdn Bhd



Lot 9613, Persiaran KIP Utama,  
52200 Kepong, Kuala Lumpur

- Engtex Sdn Bhd
- Engtex Marketing Sdn Bhd
- Benton Corporation Sdn Bhd
- Mega Alliance Builder Supplies Sdn Bhd
- Engtex Metal Products Sdn Bhd
- Wiki Pratama Sdn Bhd



Lot 36, Jalan BRP 9/2B, Putra Industrial Park,  
Bukit Rahman Putra, 47000 Sungai Buloh,  
Selangor.

- Engtex Metals Sdn Bhd



Lot 443, Off Jalan Abdul Aziz,  
Batu 30, Jalan Kuala Selangor,  
45600 Ijok, Selangor.

**Factory** PLO 24, Jalan Teknologi 6,  
Taman Teknologi Johor,  
Mk Senai, Kulai Jaya,  
81400 Senai Johor.

**Factory** PLO 34, Jalan Teknologi 4,  
Taman Teknologi 4,  
81400 Senai, Johor

**Sales Office** Lot 36, Jalan BRP 9/2B,  
Putra Industrial Park,  
Bukit Rahman Putra,  
47000 Sungai Buloh,  
Selangor, Malaysia.



Factory

**-East Coast Manufacturing Sdn Bhd**  
**-East Coast Metals Sdn Bhd**

Lot 10769, Jalan Gebeng 1/2,  
Kawasan Perindustrian Gebeng,  
26080 Kuantan, Pahang.

Lot 107, Jalan Gebeng 1/6,  
Kawasan Perindustrian Gebeng,  
26080 Kuantan, Pahang.

Factory

**-Engtex Steel Pipe Sdn Bhd**

Lot 67A, Jalan Gebeng 1/6,  
Kawasan Perindustrian Gebeng,  
26080 Kuantan, Pahang

Sales Office

Lot 36, Jalan BRP 9/2B,  
Putra Industrial Park,  
Bukit Rahman Putra, 47000  
Sungai Buloh, Selangor.

**-EngLen Manufacturing Sdn Bhd**

Lot 5, Industrial Zone 7 PH-1,  
Jalan Norowot,  
Kota Kinabalu Ind Park (KKIP),  
88460 Kota Kinabalu, Sabah

**-Eng Lian Hup Trading Sdn Bhd**  
**-Eng Lian Hup Marketing Sdn Bhd**  
**Engtex Metals (Utara) Sdn Bhd**

No. 1171, Lorong Perindustrian  
Bukit Minyak 11, Mukim 13,  
Kawasan Perindustrian Bukit Minyak,  
14100 Simpang Ampat, Penang

No. 910 Jalan Perindustrian  
Bukit Minyak, Mukim 13,  
Kawasan Perindustrian Bukit Minyak,  
14100 Bukit Minyak, Penang.

**Engtex Steel Industries Sdn Bhd**

Lot 1A, Kawasan Perusahaan  
Merlimau, 77300,  
Merlimau, Melaka.

**Engtex Pipe Industry Sdn Bhd**

Lot 2A & 2B, Kawasan Perindustrian  
Harbour Park, Tg Gelang,  
26080 Kuantan, Pahang





A photograph of a steel mill interior. In the center, a large ladle pours molten steel, creating a bright orange glow. To the left, a worker in a grey protective suit and yellow helmet stands near some equipment. The foreground shows a large, dark, curved metal component being processed. The background is filled with industrial structures and pipes.

## ABOUT THIS REPORT

***Engtex***

Engtex Group Berhad

## About this Report

### GRI102-46

### Approach to Reporting

#### GRI102-50

The Report covers the key results of the Group's sustainability performance between 1 January 2020 and 31 December 2020 and includes the Group's plans for 2021 and the medium to long terms.



#### GRI102-54

The Report, covering the events that took place in 2020, was prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards: Core Option ("GRI Standards"). In order to ensure compliance with GRI Standards, the Group's internal procedures relating to the Report preparation were reviewed.

The Report describes the Group's sustainable development and management practices and was prepared in accordance with the interest of the investment community and other stakeholders. The Report is published in English only.

### Reporting Boundaries

The sustainability information contained in the Report covers the performance of the following Group assets unless otherwise indicated in the text of the Report.

#### GRI102-45

#### Assets included in the Report boundaries

Segment	Company (reference in the Report)
<b>Wholesale &amp; Distribution</b>	
<b>Pipes, Valves, Fittings, Plumbing Materials, Construction Materials, Steel Products &amp; General Hardware Products</b>	Benton Corporation Sdn Bhd ("Benton") East Coast Metals Sdn Bhd Eng Lian Hup Marketing Sdn Bhd Eng Lian Hup Trading Sdn Bhd ("ELH") Engtex Sdn Bhd ("ESB") Engtex Ductile Iron Marketing Sdn Bhd Engtex Marketing Sdn Bhd Engtex Metal Products Sdn Bhd LYE Marketing Sdn Bhd Mega Alliance Builder Supplies Sdn Bhd ("Mega") Nagasari Bitumen Products Sdn Bhd Wiki Pratama Sdn Bhd

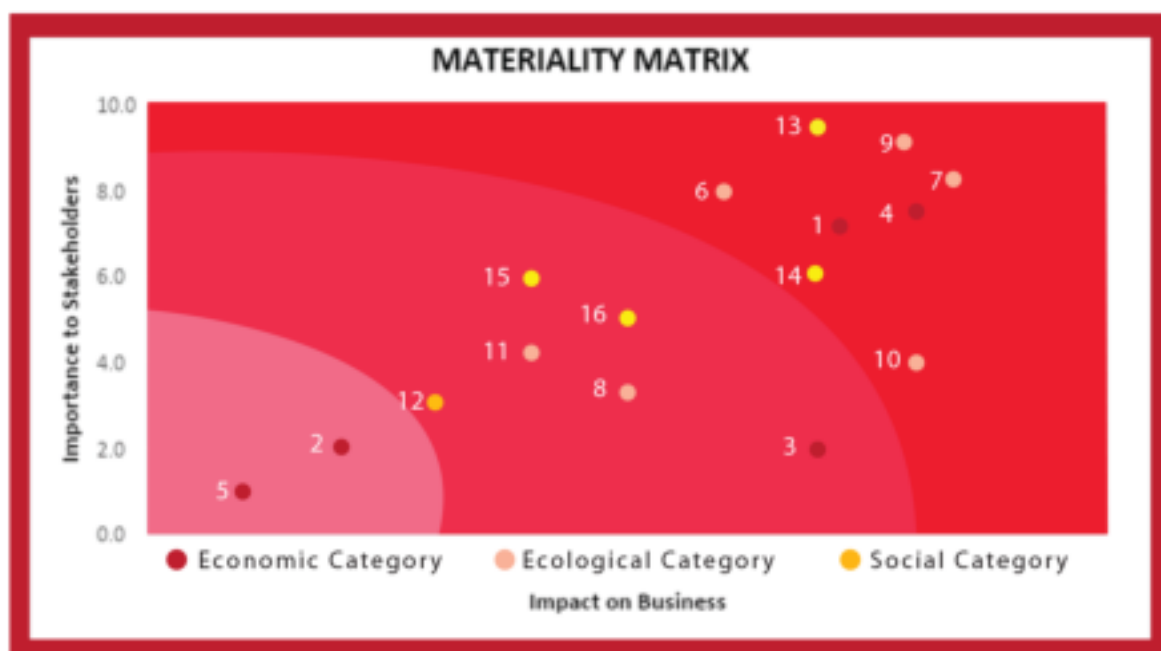


<b>Manufacturing</b>	
<b>Mild Steel Concrete-Lined Pipes &amp; Fittings</b>	Allpipes Technology Sdn Bhd (“Allpipes”) Canova Manufacturing Sdn Bhd
<b>Wire Mesh &amp; Hard Drawn Wire</b>	Engtex Metals Sdn Bhd (“EMetals”) Engtex Metals (Utara) Sdn Bhd
<b>Ductile Iron Pipes</b>	Engtex Ductile Iron Pipe Industry Sdn Bhd (“EDIP”)
<b>Steel Products</b>	East Coast Manufacturing Sdn Bhd EngLen Manufacturing Sdn Bhd Engtex Industries Sdn Bhd Engtex Steel Industries Sdn Bhd Hachita Enterprise Sdn Bhd (“Hachita”)
<b>Valves, Hydrants, Fittings &amp; Manhole Covers</b>	LYE Manufacturing Sdn Bhd (“LYE”)
<b>Steel Pipe Piles</b>	Engtex Pipe Industry Sdn Bhd
<b>ERW Steel Pipe</b>	Engtex Steel Pipe Sdn Bhd

## Identification of Material Topics

### GRI102-46

The Group conducted a materiality assessment to select topics that mattered most to the business for inclusion in the Report. The assessment comprised three main stages: analysis of open sources, collecting stakeholders feedback and drawing up a list of material topics. The materiality assessment was performed in accordance with the GRI Standards. When assessing whether a topic is material, two main criteria are used: the significance of economic, environmental or social impacts, and the influence on stakeholders’ assessments and decisions.



Category	Number	Topic	Page Number
<b>Economic</b>	1	Economic Performance	34,35
	2	Indirect Economic impact	34,35
	3	Market Presence	10,11,12,13, 14
	4	Anti-Corruption	25
	5	Procurement impacts	62,63
<b>Environment</b>	6	Energy	57
	7	Water	57
	8	Biodiversity	NA*
	9	Emissions	53
	10	Effluents and Waste	58
	11	Environmental Compliance	52
<b>Social</b>	12	Employment	37
	13	Occupational Health and Safety	47
	14	Training and Education	42
	15	Diversity and equal opportunity	43
	16	Local Communities	59

\* NA - Not Applicable

#### Data Preparation Methodology

The calculation, collection and consolidation of economic, environmental, and social indicators presented in the Report were carried out in accordance with GRI Standard reporting principles and requirements and on the basis of the current procedures in place for collecting and preparing management information in the Group.

For purpose of establishing a climate change report, we will report based on EDIP manufacturing processes and its emission of CO<sub>2</sub>.

Financial information is presented in Ringgit Malaysia, if amounts other than Ringgit Malaysia, our conversion will be based on Bank Negara Malaysia spot rate. Sources of information related to personnel management, labour protection, industrial safety and environmental protection which are mandatory information submitted to the state, will be used as a basis of our reporting.

In order to ensure the comparability of data, the most significant indicators related to the Group activities are presented with 2019.

#### Contact Information

**GR1102-53**

The Group considers and carefully analyses feedback from stakeholders on the completeness, objectivity, and materiality of the information disclosed in this Report which helps improve our sustainability performance and non-financial reporting processes. We always welcome your suggestions about the Report and our performance.

Please send any questions and suggestions you have to the authorised contact person which can be found at the Company website at [www.engtex.com.my](http://www.engtex.com.my) under the “Investor Relations” section.



An aerial photograph showing a large industrial facility, likely a pipe manufacturing plant. A long barge is docked at a pier, and a large stack of white pipes is being loaded onto it. Several workers are visible on the barge. In the foreground, a green tugboat is positioned next to the barge. The background shows a large industrial building with a corrugated metal roof.

## OUR SUSTAINABILITY APPROACH

**Engtex**

Engtex Group Berhad

## Our Sustainability Approach

### Approach to Sustainability Management

The Group upholds the principles and values of sustainable development and integrates them into its business processes. The Group believes that sustainable development is a crucial part of the reporting success and is a foundation for creating value for stakeholders.

The Group operates in four main pillars of sustainable development

PRIORITY SUSTAINABLE DEVELOPMENT AREAS			
PEOPLE	PLANET	PROSPERITY	EMPLOYEES
Local community development	Environment Protection	Economic Stability	Our Asset
<p>We focus efforts on fostering as well as promoting social and cultural development in areas the Group operates.</p> <p><b>Read the “Supporting local communities” section</b></p>	<p>The Group seeks to reduce adversely and maximise positive environmental impact from our operations.</p> <p><b>Read the “Environmental Management” section</b></p>	<p>The Group aims to maintain solid economic growth and create long-term value for the Group.</p> <p><b>Read the “Ethics and Business Conduct”, and “Direct economic value generated and distributed” sections</b></p>	<p>We strive to ensure safe, working conditions for employees, decent compensation packages, and professional development opportunities.</p> <p><b>Read the “Developing our Employees” and “Evolving Health, Safety and Environment” sections</b></p>





The Group needs to work together with the stakeholders in order to maintain an effective system of sustainable development. The Group endeavours to build and develop strong and transparent relations with all the stakeholders, and actively develops our stakeholder engagement mechanisms and makes efforts to develop new ones.

#### Key Documents

During the process of developing the sustainability approach, the Group elaborates and updates the internal documents regulating the area of sustainable development. The main documents developed for the Group which can be found on the Company website at [www.engtex.com.my](http://www.engtex.com.my) under the “Corporate Governance” section are as follows:

- The Code of Ethics and Conduct
- The Sustainability Policy
- The Anti-Bribery and Corruption Policy
- The Anti-Fraud Policy

#### Sustainability Organisational Structure

Sustainable development is managed at all organisational levels of the Group. The Group’s Board of Directors through its Audit Committee determines the general course for the Group sustainable development, while the Audit Committee is supported by the Group Managing Director and senior key management team to supervise and monitor activities related to sustainability. The Sustainability units in each business units are accountable for goal setting and performing specific tasks corresponding to their functions.



## Attaining Sustainable Development Goals – Our Input and Concerns

### GRI 102-12

The UN General Assembly adopted the Sustainable Development Goals (“SDG”) in 2015 to address significant economic, environmental, and social challenges. The Group endeavours to attain these goals by minimising impacts on the environment and local communities from the Group’s operational activities and maximising positive values. The Group adopts the following SDG goals in our report.

 <b>3</b> GOOD HEALTH AND WELL-BEING	Ensuring healthy lives and promote well-being for all employees.	 <b>8</b> DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, employment and decent work for all.
 <b>4</b> QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learnings opportunities for all.	 <b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE	Built resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
 <b>6</b> CLEAN WATER AND SANITATION	Ensure the availability and sustainable management of water and sanitation by reducing the consumption of freshwater.	 <b>11</b> SUSTAINABLE CITIES AND COMMUNITIES	Make cities inclusive, resilient and sustainable by investing in the development of social infrastructure.
 <b>7</b> AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all by reducing electricity usage in each segment of Engtex business,	 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production by reducing the amount of waste generated and increasing the use of recycling.
 <b>13</b> CLIMATE ACTION	Take urgent action to combat climate change and it impact	 <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS	Promote peaceful and inclusive societies for sustainable development by complying with all legislation including human rights.
 <b>17</b> PARTNERSHIPS FOR THE GOALS	Strengthen global partnership for sustainable development.		



## Ethics and Business Conduct

### Approach to Promoting Fair Business Practices

The Group strives to meet the highest standard of ethical business conduct and adopts an attitude of zero tolerance towards corruption and bribery. The Group takes strict measures to prevent and effectively deal with the consequences of misconduct when it occurs.



**GRI102-16**

## ENGTEX PRINCIPLES FOR CONDUCTING BUSINESS

Daily improvement	Attention to the consumer	Result and responsibility	Active team work	Concern for people
By constantly developing and introducing new ideas, we contribute to the sustainable growth of our company.	By constantly improving products and services, we strengthen long-term relationships with our customers and clients.	We persistently strive to achieve the set goals and are responsible for the result.	We succeed in a team of like-minded people.	Creation of safe working conditions, development of our employees and local communities are an important part of the business.

The Group seeks to ensure full compliance with all applicable laws and regulations including the recent MACC Act Section 17A (Amendment 2018) which was gazetted on 4 May 2018 and effective on 1 June 2020. This approach allows the Group to maintain a reputation of being a fair, responsible and transparent company.

**GRI205-2**

The Group has elaborated a comprehensive set of policies and these documents are available on the Company website at [www.engtex.com.my](http://www.engtex.com.my). Our repository documents at the website are

1. The Code of Ethics and Conduct
2. The Anti-Bribery and Corruption Policy

We conduct background and criminal record checks when considering candidates of managerial position as well as due diligence checks in the case of contractors and suppliers.

The Group communicates documents and policies to our stakeholders including our employees through the Group's Company website, intranet, face to face sessions, internal memo, notice board and other tools. We expect all our employees and subsidiaries to fully comply with the provisions of the documents at all times. Potential employees are acquainted with the key matters on the Code of Ethics and Conduct and the Anti-Bribery and Corruption policies provisions when they attend job interviews.

The Group has a set of approval and notification procedures in place to ensure the business is conducted ethically. These procedures are implemented by the Audit Committee at the headquarters office and by compliance managers. The responsibilities of the Audit Committee which report directly to the Board of Directors include overall monitoring of the efficiency of the anti-corruption system, examining corruption-related issues and monitoring compliance.

Each material subsidiary of the Group is headed by heads of departments and they have duties to monitor employees compliance with internal regulations, investigate reported cases of misconduct and unethical behaviour, and monitor donation and hospitality spending. As per our regulations, donation and hospitality spending above the prescribed threshold shall require pre-approvals by their immediate superiors, the heads of departments and ultimately the senior key management. Heads of departments will vet potential and existing partners and are involved in monitoring tender procedures, which are typically linked with higher risks of corruption.

## Anti-Bribery and Corruption Risk Management (“ABC”)

The Group determines, evaluates and manages corruption-related risk regularly. At the end of each year, the ABC of each business unit analyses corruption risk related to fraud and corruption.

The Group considers its business processes and focuses on those that are particularly prone to corruption risk, and carefully assesses existing controls and procedures in these areas. The ABC compliance unit will look into areas that are particularly prone to corruption typically procurement, payment, sales, charity, sponsorship, business gifts and hospitality and interaction with business partners, government authorities and suppliers.

The main documents regulating ABC risk management are the Anti-Bribery and Corruption Policy which can be found at the Company website at [www.engtex.com.my](http://www.engtex.com.my) under the “Corporate Governance” section.

## Raising Awareness of Ethical Business Conduct

The Group believes that information is key to preventing misconduct, fraud, corruption and bribery. Therefore, the Group consistently informed stakeholders, including employees and business partners, and its principles of business conduct.

The Group initiated wide-based engagement with customers and suppliers in 2020 by sending out notices on its new ABC Policy.

Areas assessed	Responses (Numbers)	Response Rate	Communication Method
Employees	Groupwide	100.0%	Via ABC employee declaration form
Customers	Groupwide	100.0%	Via notification in the monthly debtors' statements
Suppliers	53	76.8%	Via ABC suppliers declaration form

The Group posts the ABC policies and procedures on the Company website at [www.engtex.com.my](http://www.engtex.com.my) under the “Corporate Governance” section and makes documents available for all stakeholders. At the same time, to ensure that employees are informed about corporate behaviour standards and the consequences of engaging in bribery and corruption, we provide ABC training for management and employees.

To satisfy this need, the Group provides training on the ABC course which covers topics such as gifts and hospitality, communications with suppliers, and charity. The course also emphasises the importance of alerting responsible managers and consulting with compliance managers when in any doubt. The Group runs a whistleblowing hotline to make it convenient for individuals to raise concerns. Informing business partners about ethics and conduct is equally important. The Group asks contractors and suppliers to get acquainted with corporate principles related to ethical behaviour and draw references to ABC policies in contract negotiations.



## Whistleblowing Policy

The Group encourages all stakeholders to report any suspicious activities through its corporate whistleblowing channels as contained in the Whistleblowing Policy which can be found at the Company website at [www.engtex.com.my](http://www.engtex.com.my) under the “Corporate Governance” section. For convenience, the stakeholders can raise their concerns through several whistleblowing channels as listed below.

The whistleblower may raise concerns by filling up the prescribed Whistleblowing form and attach relevant supporting documents and other audio and visual evidence and submit them via the following channels:

- a) **Email**  
Email to the Senior Independent Director, Dr Teh Chee Ghee, through either of the following email address:
  - i) whistleblower@engtex.com.my (whistleblowing dedicated email address)
  - ii) sbbeh@engtex.com.my (Head of Internal Audit email address)
- b) **By Post**  
Mail to the Senior Independent Director, Dr Teh Chee Ghee, Engtex Group Berhad (mark “STRICTLY CONFIDENTIAL TO BE OPENED BY ADDRESSEE ONLY”, via the following mailing address:  
Attention to Mr Beh Sui Boon (Head of Internal Audit, Sungai Buloh HQ)  
Lot 36, Jalan BRP 9/2B, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh (Tel: 603-6140 1111)
- a) **Meet In-Person (Walk-In, Texting, Video Conferencing, Calls)**  
Arrange for a meeting appointment with the Senior Independent Director, Dr Teh Chee Ghee, by contacting Beh Sui Boon (Head of Internal Audit, Sungai Buloh HQ) at Lot 36, Jalan BRP 9/2B, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh (Tel: 603-6140 1111)

The whistle-blower may choose to remain anonymous but the Senior Independent Director reserves the right to decide whether to initiate an investigation depending on the merits and adequacy of initial evidence provided.

## GRI205-3

In 2020, the Group did not receive any complaint on issues relating to labour, hazardous working conditions and accommodations. The Group also did not receive any complaint on corruption and fraud.



## SUSTAINABILITY RISK MANAGEMENT



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## Approach to Managing Sustainability Risk

The framework in which the Group addresses the sustainable risk are tabulated below:

Areas to be Assessed	Description	Action to be taken
<b>Health, Safety and Environment (“HSE”): Environment</b>	<p>The environmental risks from steelmaking are mainly related to Climate Change (CO<sub>2</sub> emission related to energy consumption), Emission to Air (dust and harmful contents in gas emitted from production), Emission to Water (contaminated water used in quenching) and Waste (slags or impurities removed from molten iron).</p> <p>The company faces risks of regulatory fines and/or jail term for non-compliance with the Environmental Quality Act, 1974, and risk of suspension or revocation of business licenses either temporary or permanently by local authorities for detection of actual pollution of the environment.</p> <p>The company may also face increasing scrutiny and pressure from local residents, regulatory bodies, environmental activists, and environmentally conscious investors, suppliers, customers as well as prospective employees.</p>	<p>The environmental risk matrix is monitored regularly. Respective mitigation activity is developed and performed in response to the risks.</p> <p>Implementation of air emissions and water use reduction programmes at plants.</p> <p>Waste management improvement programmes.</p> <p>Updating on relevant environment statutory.</p>
<b>HSE: Safety</b>	<p>The potential danger of fire, explosion, electrocution, hazardous chemical substance, moving machinery parts, moving handling equipment, handling heavy inventories, etc. could lead to industrial accidents which may result in loss of human lives, permanent or non-permanent human disability, production disruption, damages to machinery, equipment or inventories.</p> <p>Any breach of Occupational Health and Safety regulations by Engtex or any occurrence of</p>	<p>To introduce Management KPIs which place significant emphasis on safety performance and the standardisation of critical safety programmes.</p> <p>To implement an energy isolation programme.</p> <p>To further develop a programme of behavioural safety observations and to drive a more proactive approach to injuries and accidents prevention.</p> <p>To introduce a maintenance and repair modernisation programmes, downtime management system.</p>



	<p>significant industrial accidents may attract regulatory sanctions which include fines or production suspension, reputational damages, employees' dissatisfaction.</p>	<p>Further development of occupational safety risk assessment methodology.</p> <p>Analysis of the effectiveness of corrective measures to be taken.</p> <p>Analysis of anticipated risk to have occurred.</p>
<b>Business Interruptions</b>	<p>The Group's profitability is subjected to the volatility of metal related commodity prices locally and abroad, and is favoured by an uptrend and adversely affected by a downtrend.</p> <p>The Group places heavy reliance on the capability of the Information and Communication Technology ("ICT") and Enterprise Resource Planning ("ERP") software to initiate, process and record voluminous transactions accurately and reliably. This is critical to provide seamless supply chain solution and audit trails for accounting and tax audits. Therefore, data security and storage are of significant importance and may subject to a cybersecurity threat.</p>	<p>Practice cautious and disciplined procurement to ensure stable medium-term profitability.</p> <p>Prolonged significant business disruptions are carefully analysed for their root causes, and future preventive strategies are formulated to prevent the occurrence and mitigate damages.</p> <p>Currently, the Group has set up a Disaster Recovery site in addition to the Production site. This is to ensure, in the unlikely event of a disaster, the ICT systems continue to function as normal. Recently, a special Digital Transformation Committee headed by the Group Managing Director is set up to chart the strategic direction and to further improve the ICT infrastructure and systems capabilities to cater for the Group's future expansion needs.</p>
<b>Disruptive Governmental Actions</b>	<p>Imposition or removal of trade duties by either the Malaysian Government or by foreign jurisdictions.</p> <p>Sanctions by regulatory bodies (e.g. CIDB, various state water authorities) on certain products. Reprimands by relevant regulatory bodies for breaches of anti-competition laws, dubious transfer pricing practices, tax evasion etc.</p>	<p>Subscribed memberships of various trade or industry bodies for better dialogues with governmental bodies for better resolution formulation.</p> <p>Engaged external consultants or advisors on compliance with various trade and tax-related laws.</p>
<b>Product Competition</b>	<p>The Group businesses are subject to market competitions which are affected by new entry/exit of industry players (local or overseas), the introduction of substitute products, changes in competitors' output capacities,</p>	<p>Maintain a diversified range of products to reduce the effects of cyclical changes in market demand.</p> <p>Looking for business/assets acquisition opportunities and upstream manufacturing activities to reduce procurement risk and enhance profitability.</p>

	and fluctuation in market demands for its products.	Maintain price competitiveness for generic metal products, apart from maintaining acceptable product quality and reliable product deliveries for enhancing market/customer confidence.
<b>Social and Community Risk</b>	While the majority of the Group manufacturing facilities are located in industrial areas, its activities are expected to affect their respective local communities in manners such as noise, effluences, traffic, job opportunities etc.	<p>Erection of sound barriers where noise emitted from operations is known to be affecting residences in the vicinity.</p> <p>Child and Forced Labour Policy to prohibit exploitative employment to protect vulnerable communities.</p> <p>To undertake various initiatives to:</p> <ul style="list-style-type: none"> <li>- Improve employment of local communities.</li> <li>- Improve or maintain local infrastructure to enable a better living environment.</li> <li>- Support education opportunities for needy and vulnerable groups.</li> </ul>
<b>Climate Change Risk</b>	<p>The Group business activities involve the consumption of non-renewable natural resources, and direct and indirect emission of greenhouse gases, all of which contribute to climate change.</p> <p>Risks related to climate change and extreme weather events could lead to business disruptions, resource shortages, and damage to the supply chain, equipment, and reputation.</p>	<p>Implementing energy efficiency projects and, as a result, lowering greenhouse gas emissions.</p> <p>Supporting global programmes to reduce greenhouse gas emissions.</p> <p>Participating in drawing up greenhouse gas emission regulations in Malaysia</p>
<b>Human Resource and Employee Risk</b>	Employees' low productivity, low motivations and morale, low job satisfaction, due to unfair treatment, lack of performance recognition, unhealthy work environment, hostile colleagues etc.	<p>Established employee grievance and conflict handling procedures.</p> <p>Equal employment opportunity.</p> <p>Established employee engagement through annual appraisals and face-to-face meeting.</p>
<b>Quality</b>	Customer dissatisfaction and lack of confidence due to products quality and functionality fail to meet the expectation.	<p>Regular monitoring of customer satisfaction levels.</p> <p>Meetings and feedback sessions with clients and management.</p> <p>Site visits to production assets Production and quality improvement programmes.</p>

## STAKEHOLDERS ENGAGEMENT



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## Stakeholders Engagement

As a part of the business strategy, the Group strives to create value for its stakeholders and makes great efforts to understand their needs and expectations. The Group encourages open dialogue with stakeholders and strives to maintain close and trusting relationships with all of them. To ensure the voices of our stakeholders are heard, the Group has identified the following engagements:

The main stakeholders are persons or entities whose actions, interests, or safety may be affected by or have a potential impact on the Group's activities.

Cooperation with the stakeholders and creating value with them are significant in achieving our strategic goals. The overall key priorities are driven by market conditions and business fundamentals. That is why the Group focuses on several groups of stakeholders.

In the business processes, the Group accommodates the interests and concerns of stakeholders, complies with legislation, contractual obligations and industry regulations, and upholds and always respect human rights. The Group seeks to fulfil the stakeholders' needs. To address all stakeholders the Group engages various Group departments according to their functions.



## Communication Channels and Mechanisms

### GRI102-43

The Group engages various communication channels to engage with our stakeholders, to ensure that the Group covers all stakeholders, initiates a two-way dialogue, and allows stakeholders to provide feedback.

The Group constantly improves various communication channels to enable our stakeholders to gain easier access to the Group. The Group believes that open communication and information transparency are a fundamental aspect of having a constructive dialogue with our stakeholders, therefore the Group strives to use the best and most convenient means of communication in place such as maintaining Company website, annual and extraordinary general meetings, publishing annual reports, corporate announcements, analyst briefings, product briefings by suppliers and to customers, product brochures, e-commerce shopping platform, road-shows and trade exhibitions, etc.

For example, during the COVID-19 pandemic, the Group deploys the use of various internet technologies to conduct virtual meetings with all the management staff and disseminate decision and information to all employees, attend web base seminars for knowledge updates and maintaining communications with the financial institutions for certain indulgences of the banking facilities. The table list both the means of communication channels internally and externally.



### Feedback and Collection

To continually improve the client services and boost the effectiveness of stakeholder engagement mechanisms, the Group collects feedback from internal and external stakeholders.

### Customer satisfaction survey

Every year the Group conducts customer satisfaction survey to gauge customer satisfaction level and how the Group can improve the level of customer service. It normally sends out survey forms covering different aspects of the business. The table below shows the criteria used during the annual customer satisfaction survey.

Customer Satisfaction Survey	
1	Handle your request quickly.
2	Knowledgeable on product/service.
3	Commitment and Positive Attitudes.
4	Accuracy of delivery documents.
5	Fast response to attend problem-related for our product.
6	Maintain close and continuous contact
7	On-time delivery
8	Right destination delivered.
9	Right quantity delivered.
10	Stock availability.
11	Quality of product.
12	Neatly packed.

The survey is conducted to enhance the quality of customer services and to meet their various expectations. The survey uses several research methods to obtain a deep understanding of various issues. The Group conducted its annual customer satisfaction survey during the last quarter of 2020 and the overall average score attained was 3.1 out of 4.0 or 76.8% of the 252 respondents surveyed.

#### Membership, Association and Institutions

##### GRI102-13

The Group plays an active role in collaborating with prominent industry and business associations and institutions. The Group supports the initiatives, conferences and participation in various discussion groups. The Group will consider industrial and operational features in adopting sustainable principles when joining any associations.

The Group wishes to report that some of its subsidiaries are members of the following active associations in 2020:

Association and Institutions	Membership Type
Malaysia Steel Institute	Associate Member
Malaysia Water Association	Ordinary
Malaysia Steel and Metal Distributors Association	Ordinary
Malaysia Iron and Steel Industry Federation	Ordinary
Federation of Malaysian Manufacturers	Ordinary

#### Direct economic value generated and distributed

##### GRI201-1

Through its business operations, the Group creates value for the stakeholders, including shareholders, investors, employees, suppliers and contractors, government authorities and local communities. The direct economic value generated and distributed demonstrates the wealth that the Group creates through business operations and the economic value distributed among these stakeholders.

The difference between the value created and the value distributed is explained by the economic value being retained and the Group uses this approach to further develop its business. The Group endeavours to boost the value generated and distributed, increases our contribution to society, maintains transparency and acts with integrity when it comes to information disclosure.



The Group uses information from the audited financial statements of the Group which were prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”). In 2020, the value generated by the Group (excluding the Property development and Hospitality segments) totalled RM989.4 million, the value distributed totalled RM958.3 million and the value retained totalled RM31.1 million.

#### GRI201-1

Item	Stakeholder	2020 (RM'000)
<b>Direct Revenue Generated</b>		
Revenue from		
- Sales of goods		976,877
- Financial investments		7,896
- Other operating income		4,665
<b>Direct economic value generated</b>		<b>989,438</b>
<b>Economic Value Distributed</b>		
Operating Expenses	Suppliers and contractors	(879,833)
Salaries and benefits	Employees	(63,879)
Payments to providers of capital	Shareholders and investors	(3,231)
Taxes	Government authorities	(11,351)
Community investment	Local communities	-
<b>Economic Value Distributed</b>		<b>(958,294)</b>
<b>Economic Value Retained</b>		<b>31,144</b>

## DEVELOPING OUR EMPLOYEES



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## Developing our Employees

### Management Approach

The Group recognises that the achievement and success it takes pride in would not be possible without the considerable efforts of the employees. For this reason, the Group works continuously in ensuring the effectiveness of the personnel management practices, including those relating to employee recruitment, retention, and education; increasing employee engagement; and developing internal social programmes. Besides, the Group takes measures to ensure respect and to provide equal rights and opportunities to all our employees.

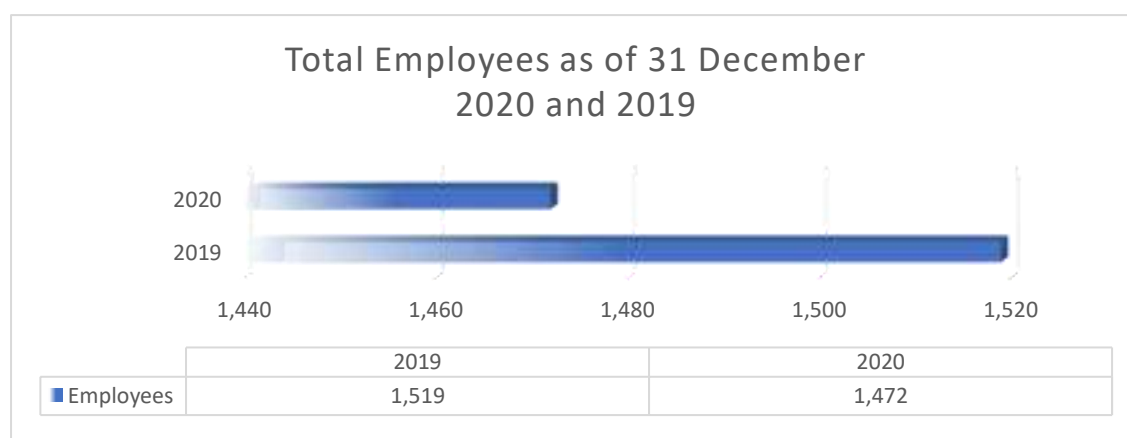
The Group is committed to creating favourable working conditions and guaranteeing social security and safeguarding employee rights and adheres to the principles of equality and non-discrimination.

All types of modern slavery are strictly prohibited and also among the suppliers of the Group. The Group is committed to conducting business ethically and requiring the suppliers to agree to the same ethical framework.

The Group complies with the respective legislations and applicable international labour standards. The activities in this area are regulated by the Code of Ethics and Conduct Policy, the Anti-Bribery and Corruption Policy and Anti-Fraud Policy which can be found at the Company website at [www.engtex.com.my](http://www.engtex.com.my) under the “Corporate Governance” section.

### Our Employees Structure – Our Asset

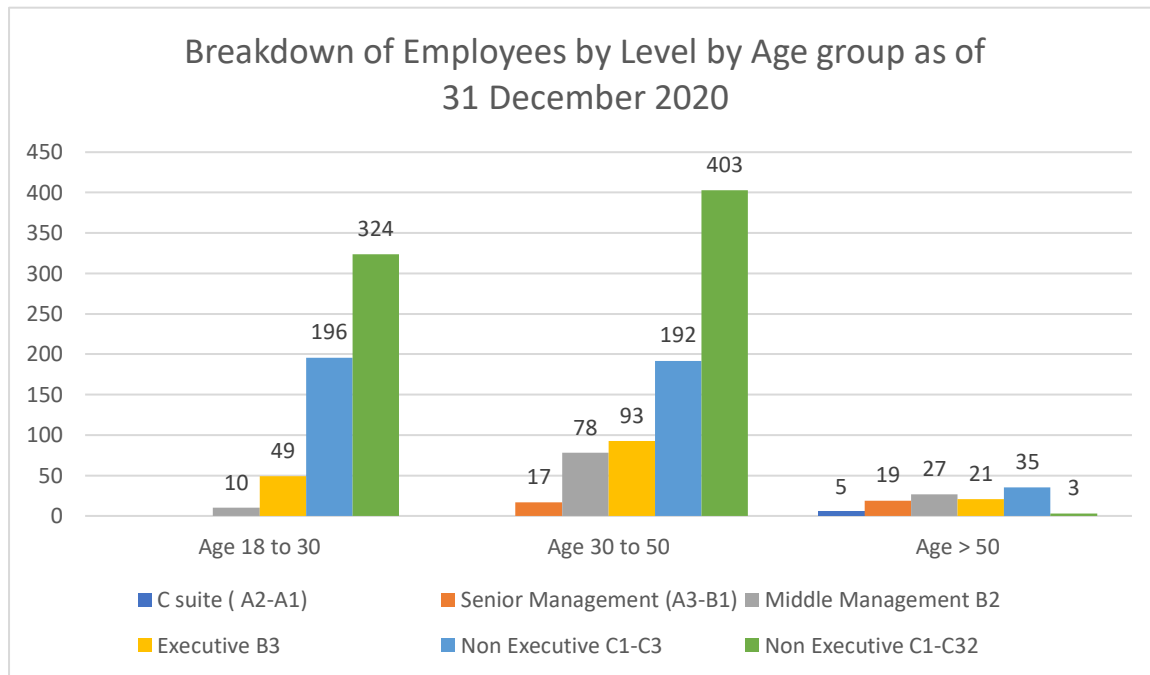
The Group places great importance on its employees. As of 31 December 2020, the Group boasts a family of 1,472 employees and ensures everyone in the family is taken care of as a socially responsible company.







ENGTEN / EDP / QUALITY  
KUALITI

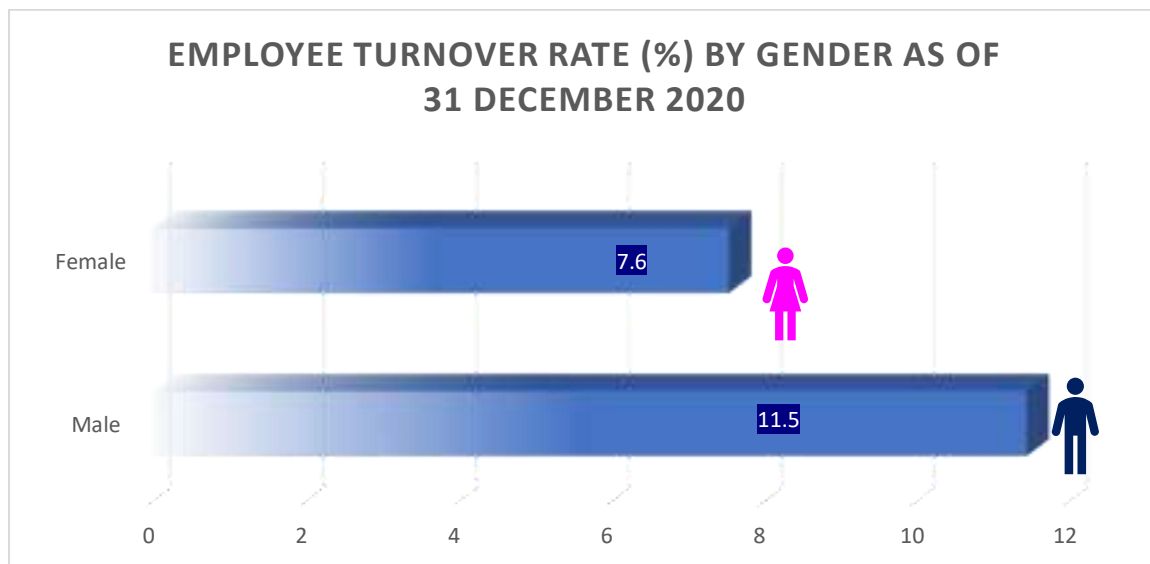


## Employee Turnover

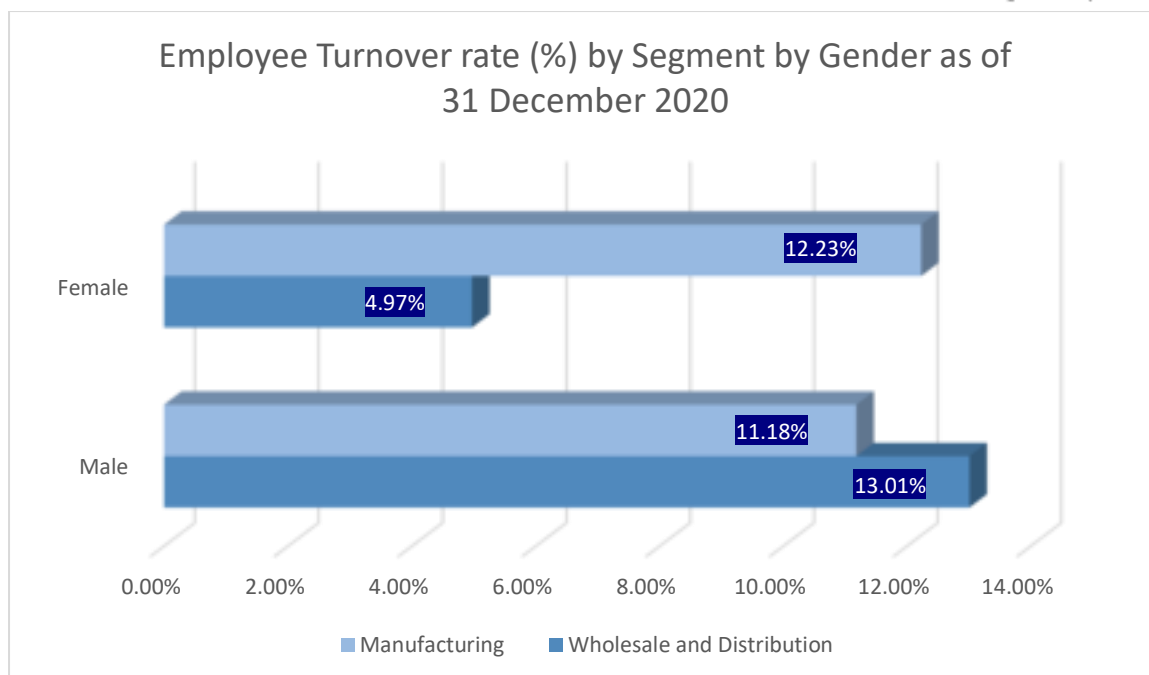
### GRI401-1

Employee turnover of varying degree is shown in the graph below.

$$\text{Employee Turnover rate \%} = \frac{\text{Number of Separation}}{\text{Average number of employees}} \times 100$$



Based on the chart above, the Group employee turnover rate in 2020 for the female is 7.6% whereas for the male is 11.5%.



Employees turnover by business segment, as shown above, indicates a higher turnover rate among females for the manufacturing segment and a higher turnover rate among male for the wholesale and distribution segment.

### Recruitment, Adaptation and Retention

Effective recruitment provides companies with employees with the required level of qualifications. It is also important to ensure that new employees adapt successfully in a company, in order to help them realise their talents as early as possible.

#### Recruitment

As part of the continuous development, in 2020, the Group pays particular attention to improving the practices related to attracting new talent. The Group operates on a Human Resource Payroll software where it promotes transparency, accurate payroll calculations and minimises error in computing annual leave, medical leaves etc.





## Motivation and Engagement

The Group recognises that factors such as employee engagement, financial and non-financial motivation, and working conditions largely determine the operational efficiency. For this reason, the Group devotes special attention to these issues as part of the Group Human Resources (“HR”) strategy.

### Financial Motivation

The Group endeavours to make the remuneration system transparent and comprehensible for employees, as well as consistent with internal regulations and external competitiveness. Salary levels are determined based on the market range established for each grade and are reviewed annually.

#### GRI202-1

The Group pays based on prevailing industry market rates and draws reference to the minimum wage as stipulated by the Act 732 National Wages Consultative Council Act. The Group pays according to the act for non-executive levels.

### Non-Financial Motivation

As a socially responsible company, the Group offers the employees a broad non-financial compensation packages that commensurate with the industry practices and forms part of total remuneration. The employees receive medical leave, maternity leave, annual leave, the group personal accident insurance for its outdoor sales and marketing personnel, and the group director and officer liability insurance for all the directors, managerial and executive staff.

### Social and Labour Conditions

The Group cares for the employee’s health and well-being. Therefore, the Group believes that it is essential to provide a comfortable working living condition. As a caring company, the Group took the initiatives to test all its foreign workers located at all the plants nationwide for COVID-19 in early February 2021 and 3 were tested positive out of the total of 697 foreign workers. They have been reported to the Ministry of Health (“MOH”) and the workers were quarantined for further evaluation at the quarantine centre set up at the plant. They were later released after been cleared by the MOH. The Group provides all necessary support to the infected foreign workers.

The Group places importance on the well-being of its employees. The Group's COVID-19 initiatives measures are listed below:-

Sustainability Report 2020 was issued in April 2021 and due to the prevalence of COVID-19 pandemic, the Group took additional measures to protect its employees and ensure uninterrupted operations as follows:

- Suspension of employees' foreign business trips
- Organisation of mandatory self-isolation at home for ten to fourteen days as directed by the MOH without loss of pay for those employees who are tested positive or is classified as patient under investigation by the hospital or having close contact under the guidelines issued by MOH and approved by the HR department
- Limiting the access of suppliers and contractors to the Group's facilities
- Holding business meetings remotely with the use of conference and video call systems
- Purchase of new equipment and installation of new software to allow efficient and safe remote work for office personnel
- Providing employees whose work cannot be performed remotely with additional personal protective equipment
- Supplying common areas with antiseptics
- Regular disinfection of vehicles and premises
- Installation of thermal imagers at all access points to check the temperature of employees and site visitors
- Adhering to strict social distancing and wearing face and protective masks at all times at the workplace
- The Group was monitoring the spread of the virus by setting up staff quarantine centre and working with the healthcare institutions to proactively protect its employees in a way that has a minimal impact on operations.
- The Group incurred RM55,294 for conducting COVID-19 test to all its foreign workers in compliance with the requirement by MOH and invested RM262,573 in upgrading the foreign worker accommodation in compliance with the Employees' Minimum Standards of Housing, Accommodations and Amenities Regulations 2020.

## Learning, Training and Reskilling

### GRI404-2

The Group believes that employee development is an essential part of a company's growth. The Group continuously seeks to provide a full variety of high-quality training and development programmes. In 2020, the Group developed its core competencies to provide reskilling for its employees and ensuring all necessary skills are imparted to improve job satisfaction.

The approach to achieving this goal includes endeavouring to fill our target positions with employees from the Group's personnel talents.

## Human Rights

The Group understands the importance of respecting human rights and will do its utmost to prevent human rights violations, minimise the consequences if violations occur, and devote special attention to ensuring a diversity of personnel.

The Group endeavours to act ethically and requires the suppliers to conduct their businesses within the same ethical framework. Our Code of Ethics and Conduct includes a commitment to treat the employees in a way that ensures equal opportunities.

To amplify our commitment towards human rights, the Group has approved the Child Labour and Forced Labour Policy on 25 February 2021. A copy of this policy can be viewed on the Company website at [www.engtex.com.my](http://www.engtex.com.my) under the “Corporate Governance” section.

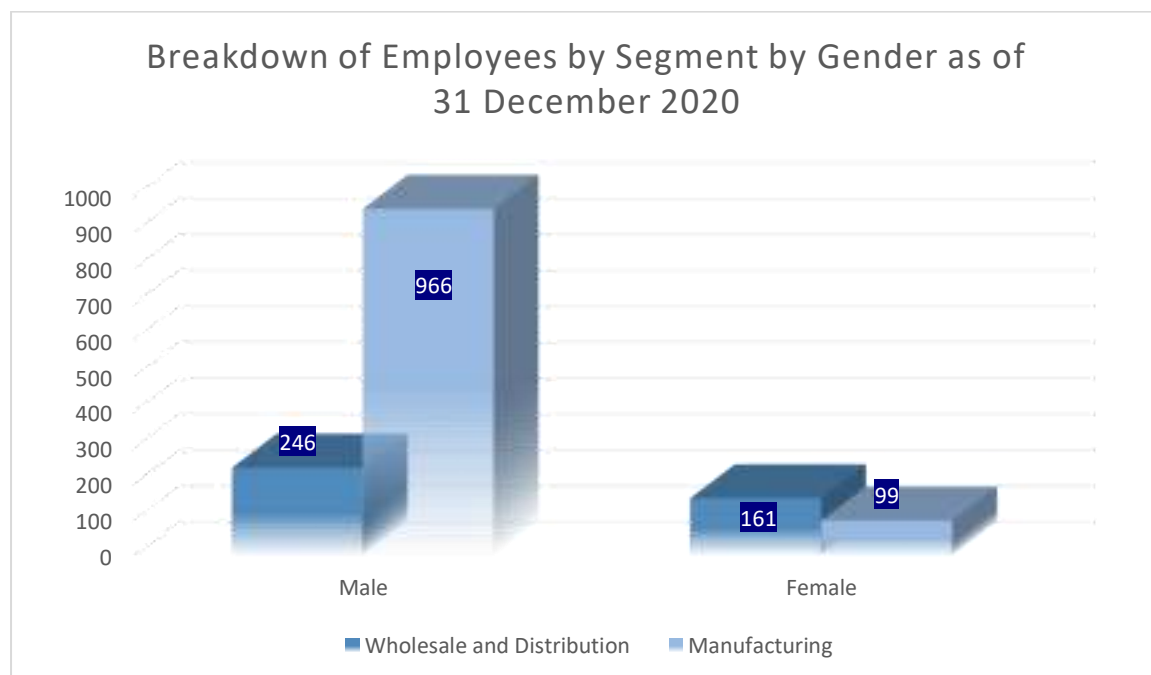
## Diversity

The Group appreciates how workforce diversity can ensure both business development and compliance with ethical standards. Irrespective of race, nationality, gender, or age, the Group will provide its appropriate level playing field for all its employees.

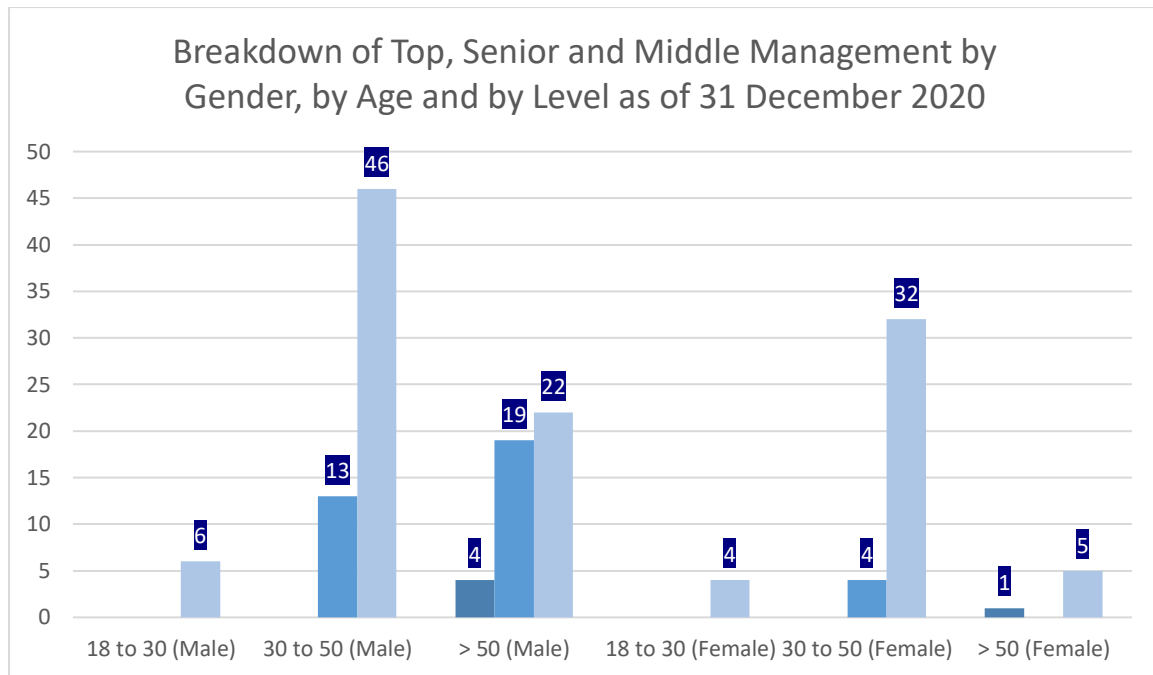
The Group is committed to create and support a healthy work environment that is free from discrimination of any kind. All work-related decisions on the current and potential employees are made based on their professional's skills, abilities and qualities.

The Group recorded a lower percentage of women within the employees' structures, particularly in the production areas due to the harsh nature of the industries that the Group is involved in as shown in the chart below.

### GRI405-1







#### Goals for 2021 and Mid-Terms Plans

The goal of the Group in 2021 is to set up an in-house training centre to educate, provide upskilling and as well as to understand the competency gap within the organisation. This training centre will provide the Group with the necessary skills to ensure the competency gap in today's dynamic business environment.



EVOLVING HEALTH, SAFETY AND ENVIRONMENT

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## Evolving Health, Safety and Environment (“HSE”)

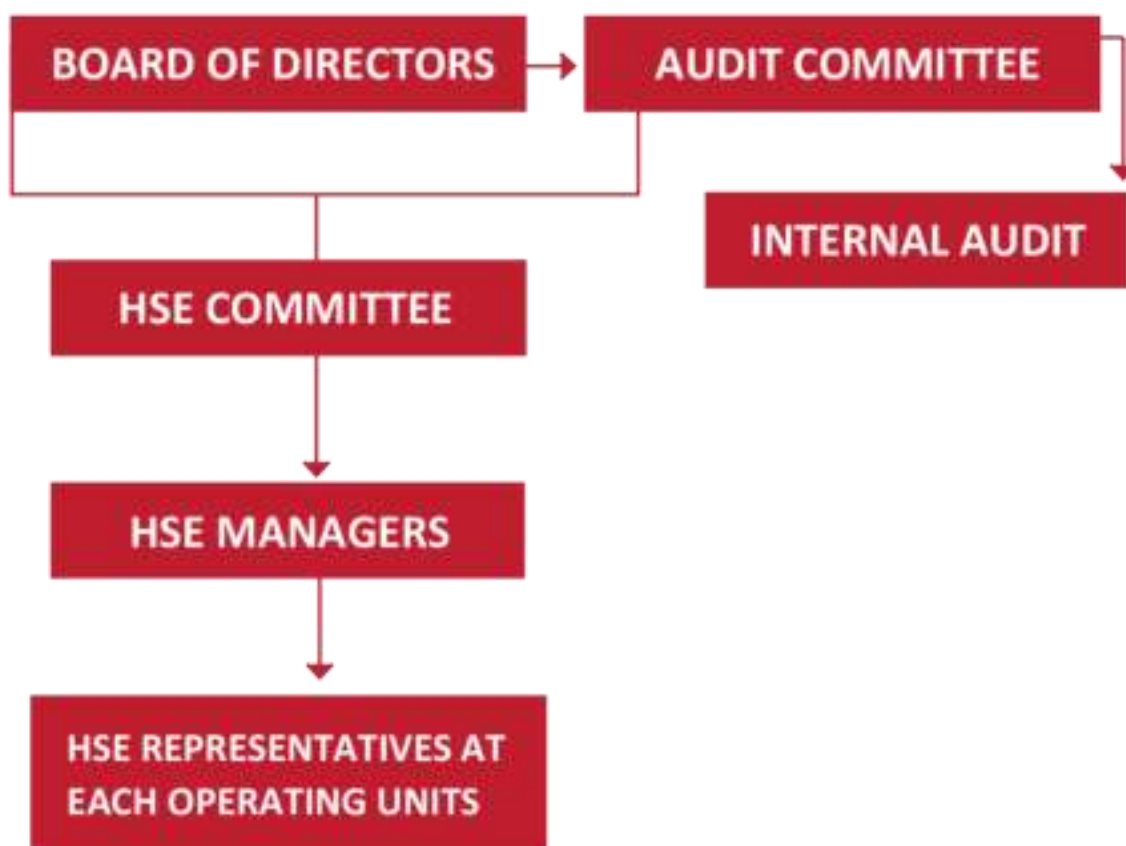
### GRI403-3

Protecting the employees and ensuring a favourable living environment are key considerations. HSE management forms an integral part of our business from strategic decision-making to operational activities. The Group applies a structured management approach to continuously improve the HSE processes. The Group possesses a reporting framework to report on any breaches of health and safety issues concerning the employees.

In order to ensure that this approach is integrated into our operational HSE performance, the Group has developed policies concerning HSE in compliance with the Department of Occupational Safety and Health (“DOSH”).

### GRI403-4

The Board of Directors through its Audit Committee will set up a HSE management framework with the involvement from all level of employees at key operating units. HSE Committee will be set up to assist Audit Committee and to regularly organise meetings on HSE issues. The HSE Committee shall be headed by the Group Managing Director who shall exercise the overall control over the HSE activities and approves respective HSE measures in concerned areas. The Internal Audit department shall review the HSE management procedures deployed by the HSE Committee to provide an assurance to Audit Committee. The HSE corporate governance structure is formulated as follows:-





## Health, safety, and environmental governance

### Distribution of responsibilities in the HSE Governance Structure.

Units	Responsibilities
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>Assessing the effects of the Group's HSE initiatives on key stakeholder groups and on the Group reputation</li> <li>Liaising between the management and the Board when there have been fatalities or serious incidents in the workplace, including to ensure that remedial action is implemented effectively</li> <li>Reviewing HSE strategy, monitoring pertinent parts of any independent operational audits and making recommendations for action or improvement</li> </ul>
<b>Group Managing Director</b>	Overall supervision of HSE activity <ul style="list-style-type: none"> <li>Approval of HSE Key Performance Indicators ("KPIs")</li> </ul>
<b>HSE Committee</b>	Setting HSE goals <ul style="list-style-type: none"> <li>Approving and monitoring HSE programmes and initiatives</li> <li>Incidence investigation review</li> <li>Setting corrective measures to improve HSE management system</li> </ul>
<b>HSE Managers at each operating unit</b>	Strategic and detailed supervision of HSE activity <ul style="list-style-type: none"> <li>Reporting to the HSE Committee</li> <li>Delivery of the HSE strategy through developing and monitoring KPIs, initiatives and procedures</li> <li>Developing health and safety, industrial safety and environment requirements</li> <li>Incidence investigation</li> <li>Implementation of internal process safety audits and risk assessment</li> <li>Continuous monitoring and analysis of applicable legislation in order to ensure compliance</li> <li>HSE-related data consolidation and analysis</li> </ul>
<b>Internal Audit Department</b>	Performing an independent assessment of the Group's HSE management procedures
<b>HSE representatives at each operating unit</b>	Regular (monthly, quarterly, and annually) reporting of HSE performance <ul style="list-style-type: none"> <li>Reporting on the implementation status of HSE projects</li> <li>HSE-related data collection</li> </ul>

### External Initiatives by the Group

As a member of the various trade associations and institutions as referred to on page 34 of the Report, the Group obliges to practise the best practices to mitigate against operational risks, facilitate the rational use of resources, and share information on HSE practices from these associations.

### Health and Safety management

#### GRI403-1

The Group endeavours to create a safe and favourable working environment. Occupational Health and Safety ("OHS") forms a core part of the Group sustainability activities and long-term success and focuses on preventing work-related injuries, illnesses and fatalities.

The approach incorporates a number of elements, including compliance with OHS legislation, monitoring key risk factors, and promoting safe behaviour among employees and contractors. The Group is constantly introducing improvements to the health and safety management system.

In 2020, the Group has evaluated the OHS management system and identified two major drivers for improvement – developing the safety culture and implementing a risk-oriented approach.

Based on best practices to develop OHS risk-oriented approach, the Group has identified six core OHS management elements including

- Goal Setting
- Training
- Leadership
- Risk Management
- Monitoring the management system
- Improvements across all areas.

The above approach will help the Group to reduce business downtime and ensure the well-being of its employees to adopt the OHS approach set out by the Group.

#### **GRI403-7**

Within the framework, the Group will embark on a risk management project to improve overall safety through enhancing the safety culture and changing attitudes towards risk. This can be achieved by involving the workers in health and safety management and implementing a risk-oriented approach in everyday operations. In line with this new and proactive approach, we will establish several risk assessment teams comprising workers and management, whose objective is to support the implementation of OHS risk management tools across the Group.

#### **GRI403-2, 403-7**

The Group has framework to identify, monitor and report risk assessments based on the feedback from the risk managers at respective operating unit. The Group will be able to describe the key risks facing each business operations and will have its own list of hazards that potentially could lead to fatalities. Critical risks will be identified and described using risk registers, which primarily set out the effects of these risks on safety and its mitigating factors.

#### **Developing the safety culture**

With such diversity workforce from more than 5 countries, the Group needs to develop a strong and safe culture for improving the Group's overall safety performance within the OHS management.

When developing the company safety culture, the Group focuses on fostering appropriate safety among all employees, the environment in which the people work, and systems and processes related to occupational health and safety.

#### **Occupational Health and Safety Promotion**

Over the last few years, the Group has carried out appropriate administrative procedures, raising awareness and helping workers to apply safe working practices.

The Group will initiate regular OHS forum which encompasses various health and safety initiatives. Employees will have opportunities to get tested for an audiometric test, eyes test, and simple health check.

The Group will also focus on incorporating technology tools such as a dedicated website portal, containing OHS safety measures and social media campaign, to promote OHS safety among its employees and create safe cultural habits.

## Occupational Health and Safety Training

### GRI403-5

The aim of our regular and comprehensive OHS education courses and training is to provide employees with the knowledge and skills that they need to perform their work safely. The Group delivers a variety of training programmes and courses on its premises for different business segments. In line with promoting safe practice, the Group provides training to all staff involved in its operations.

## Behaviour Safety Practices and Safe Work Procedures

### GRI403-7

Measures related to improving the safety culture and further engaging employees in OHS are key metrics within the Group. There is a six-step procedure that helps determine safety risks and streamlines communication channels.

- An employee comes to the workplace
- The employee observes the surrounding environment
- The employee identifies risks to their life and health and to the safety of other workers
- In case of a threat to life or health:
  - The employee refuses to perform their work
  - The employee reports the identified risks
  - The identified risks are properly mitigated

## Occupational Injury Prevention

### GRI403-9

The health and safety of employees are one of our most important measures of performance. The Group continues to monitor occupational health and safety issues, alongside other parameters, including the LTIFR and the number of fatalities in order to ascertain and implement required mitigation strategies and responses.

### LTIFR

The Group will use several different tools to assess safety performance. One of the important KPIs in this regard is the LTIFR. Target KPIs will be cascaded down throughout the Group and each business entity as part of the scorecards.

In 2020, LTIFR stood around 12.9 per 1 million hours worked.

## Treating occupational diseases

### GRI403-6

The Group implements several measures to prevent occupational diseases and seeks to provide a healthy and safe environment for all employees. In accordance with DOSH-related regulations, the Group<sup>1</sup> provides basic medical needs to cover all employees, audiometric test for high-risk areas, Chemical Health Risk Assessment (“CHRA”) for specific workers and monitoring of health conditions for its employees.

The Occupational Medical Surveillance Program consists of the following examinations:

- a. Blood Test
- b. Lung Function Test
- c. Urine Manganese
- d. Biological Monitoring

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<sup>1</sup> For purpose of this reporting, we will only report EDIP data due to the nature of its manufacturing process.



## 2. Chemical exposure analysis of the followings:

- a. Silica
- b. Respirable Dust
- c. Methanol
- d. Asphalt
- e. Zinc

## 3. Base Line Noise Assessment

## 4. Boundary Noise Assessment

## 5. CHRA

In 2020, a total of 155 workers were tested, 9 workers required further evaluation on hearing impairment and 14 subjected to Standard Threshold Shift (“STS”).

### GR1403-10

### External OHS activities

The overall safety performance of the Group also depends on the active engagement of our external contractors and adhering to our comprehensive HSE management system. The Group constantly strive to ensure minimal injuries and fatalities involving our external consultants. In our ISO certified manufacturing plants, each external contractor is required to adopt the HSE Policy and sign a waiver of indemnity should they failed to adhere to the HSE policy.

### Emergency prevention and response

The Group operates several emergency preventions and response on both internal and external stakeholders. Risk hazards identification and emergency risk evaluation procedures are embedded into the Group culture. This set of documents is documented and serve as Engtex standard operating procedure.

### Goals for 2021 and the Mid-Term period

Emergency Prevention and Response	Digitalisation	Risk Management Project	Contractor Safety
Further improvements in emergency response and prevention	Installing CCTV surveillance system	Implementing risk assessment project across the group	Contractors require to undergo safety guidelines prior to entering the plant.

## ENVIRONMENTAL MANAGEMENT



**Engtex**

Engtex Group Berhad

## Environmental management

The Group's diverse businesses both in manufacturing and wholesale and distribution segments create significant environmental obligations. In order to manage business operations responsibly, the Group will take several initiatives to reduce the adverse environmental impact as one of the primary priorities. The Group has set long-term environmental performance indicators to reduce the potential negative effects on our day-to-day activities to provide a safe environment where the Group operates.

We strive to comply with all applicable environmental regulations in the areas we operate and to meet the expectations of our stakeholders.

## Environmental strategy

As we approach environmental protection, the Group is developing sustainable practices and implement environmental practices into each area of the value chain and use all available tools to deliver the environmental strategy.

The Group has identified the key areas of concern as shown in the table below.

Environment risk assessment
Waste management
Air pollution and wastewater discharge control
Environmental equipment maintenance
Operational logistics and processes
Industrial environment monitoring
Lead environmental compliance assurances
Environmental licenses and permit



The Group's five-year environmental targets.

Area of Assessment	Five-year target (2021-2025)	2020 results (Baseline) (Units)
NO <sub>2</sub>	Reduction of 2% per annum from the year 2020 for particulate matter. (NO <sub>2</sub> & SO <sub>2</sub> ) – is not applicable	Not applicable because NO <sub>2</sub> and SO <sub>2</sub> are not significant.
SO <sub>2</sub>		
Particulate matter		
Water consumption	Maintain an intensity ratio of less than two tonnes of CO <sub>2</sub> ("t/CO <sub>2</sub> ") per tonne of crude steel production.	The Group's baseline for CO <sub>2</sub> in 2019 was 260.5 t/CO <sub>2</sub> and in 2020 was 301.99 t/CO <sub>2</sub> .
CO <sub>2</sub>		

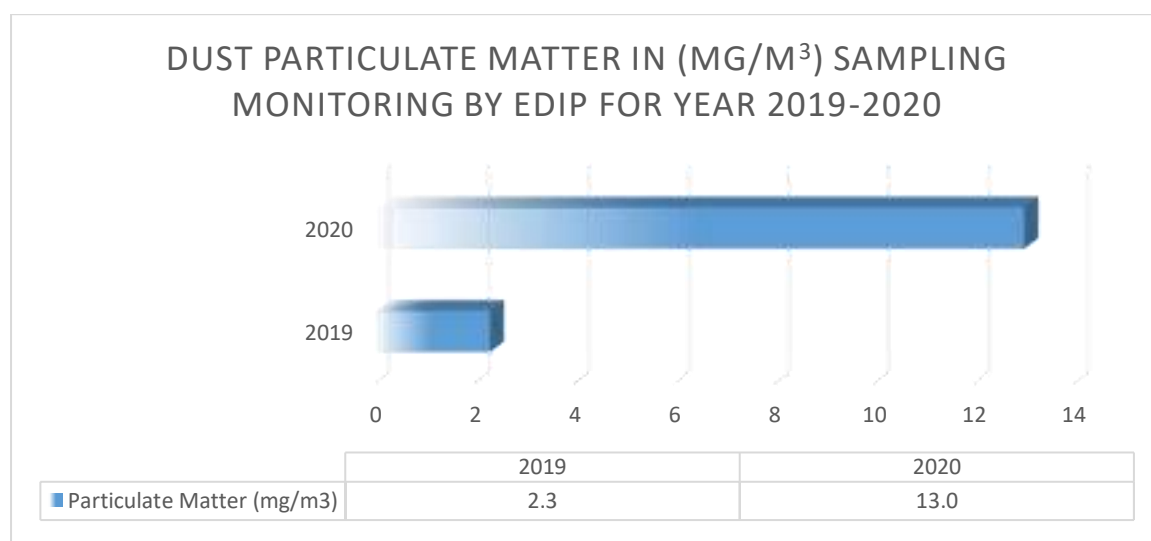
### Lowering air emissions

The Group's growing production levels are inevitably accompanied by higher air emissions which could potentially impact the environment and human health. To minimise the air emissions, the Group acquires technological advancement, replacing obsolete equipment with modern systems and monitoring air quality within the manufacturing plants.

Regular monitoring of air emissions will prevent the Group from contravening any environmental regulations. **GRI305-7**

For purpose of this Report, EDIP was selected to report their air emissions. EDIP would like to report that both NO<sub>2</sub> and SO<sub>2</sub> was minimally detected <1 mg/m<sup>3</sup> during sampling testing. This was based on an independent assessment by ES Techventure Sdn Bhd via its report dated 23 November 2020.

EDIP will also strive to reduce carbon monoxide ("CO") emissions as part of sustainable transition efforts, by boosting the efficiency of the fuel combustion processes at its facilities. EDIP reported that the dust particulate concentration was at 2.3 mg/m<sup>3</sup> based on the assessment by ES Techventure Sdn Bhd on 19 July 2019, and 13.0 mg/m<sup>3</sup> on 23 November 2020, and no CO was detected during both examinations. Both of these readings were lower than the limit of 50mg/m<sup>3</sup> stated under Schedule 3 of the Environmental Quality Clean Air Regulations 2014.



## Climate change

### GRI201-2

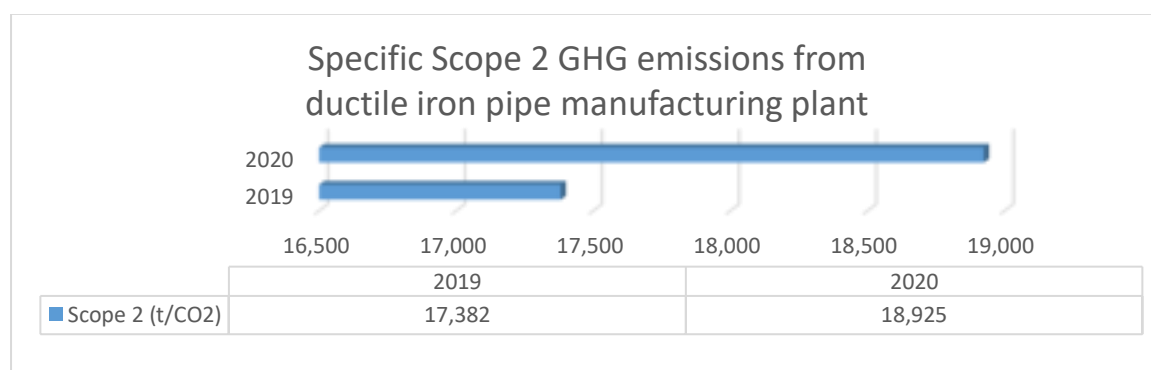
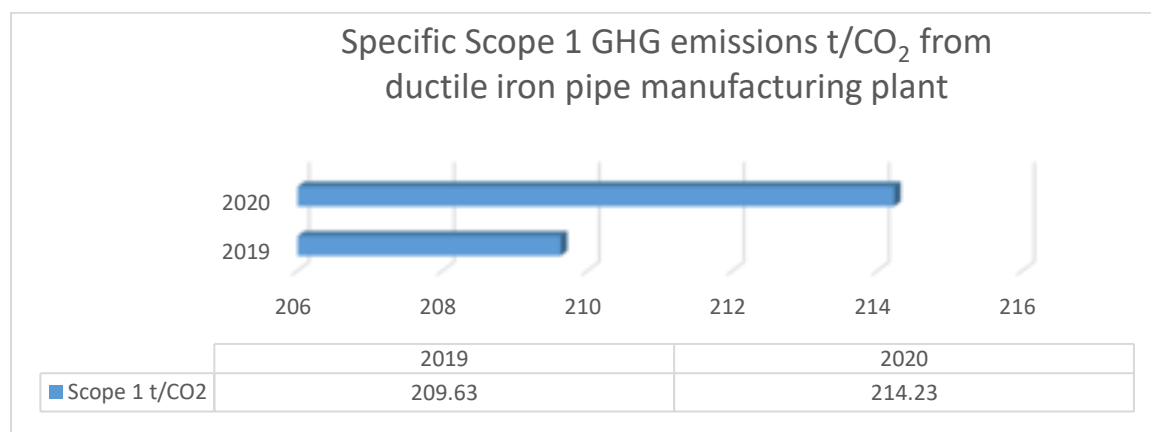
Climate change has severe consequences and responding appropriately to this issue will be one of the Group primary priorities. Since several manufacturing plants require a significant amount of energy, managing GHG emissions in our operations are important to address issues related to climate change.

In order to reduce the impact on the climate and to lessen the risk, the Group supports the global initiatives as stipulated in the Paris Agreement and also Malaysia owned Nationally Determined Contribution (*Source: Rajakumar and Sieh, 18 December 2020*)<sup>2</sup>. The Group adheres to the requirements of the 2006 Intergovernmental Panel Climate Council (“IPCC”) Guidelines for National Greenhouse Gas Inventories (“IPCC 2006”) and the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard and applies the following approach to GHG emissions accounting.

- Evaluating direct emissions of all seven GHG stated in Kyoto Protocol (Scope 1).
- Assessing indirect emissions linked to the purchased electricity (Scope 2)

The Group reports the GHG emissions for both segments expressed in t/CO<sub>2</sub>, calculated using the IPCC 2006 global warming potentials.

The Group is committed to managing climate change by introducing a five-year target for its ductile iron pipe manufacturing plant located at Kuantan. Such climate change target will be rolled out to other major manufacturing plants in the Group after the successful implementation of the pilot plant.

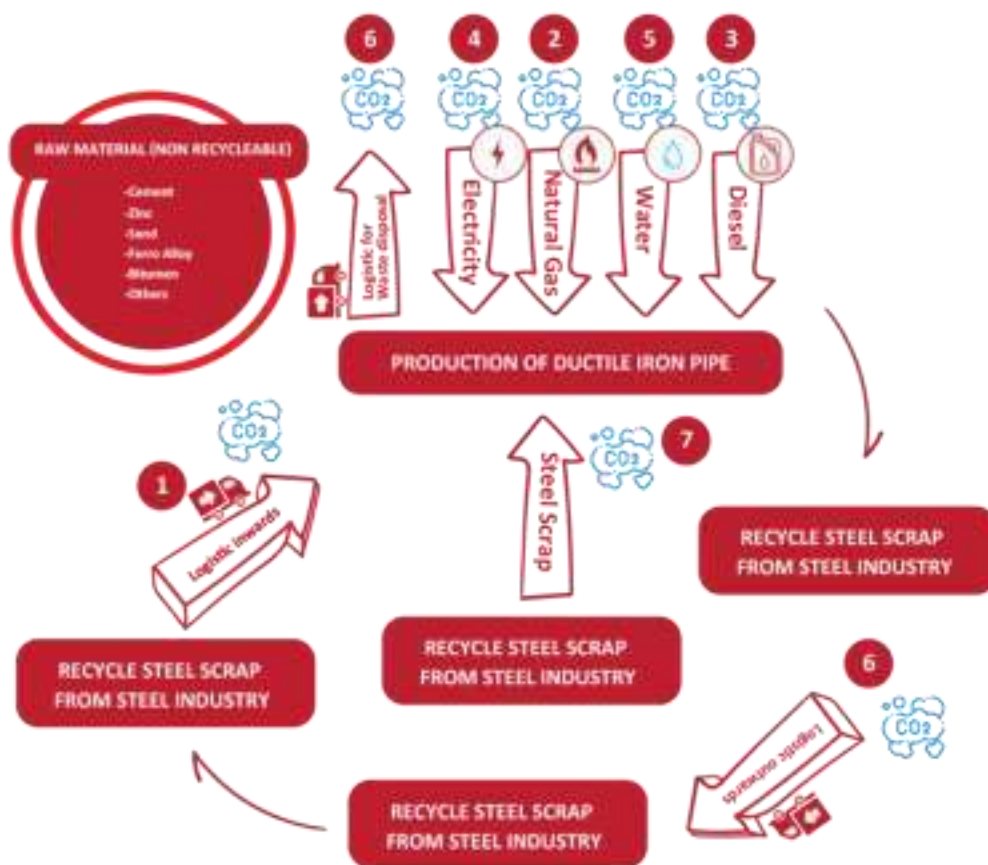
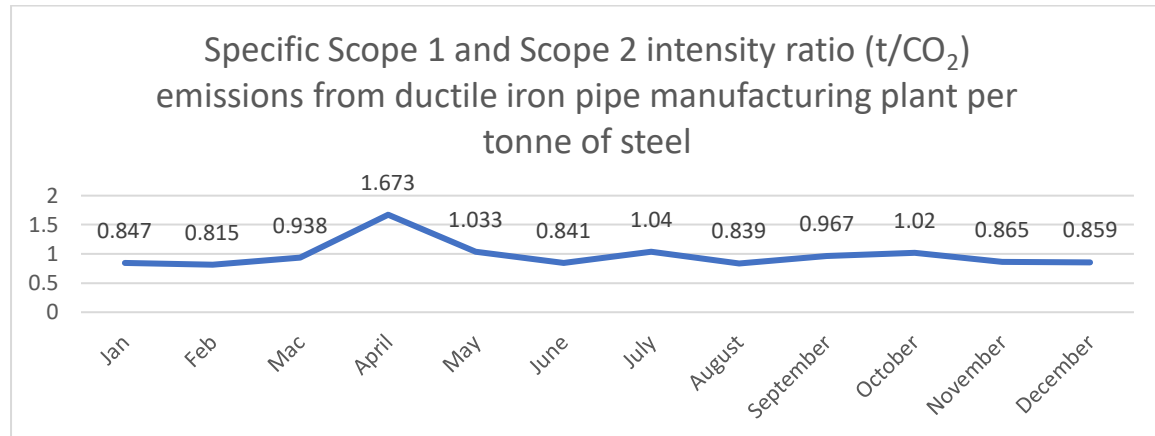


<sup>2</sup> Rajakumar and Sieh dated 18 December 2018, Climate and environmental Governance: Five years on from the Paris Accord, where are we?

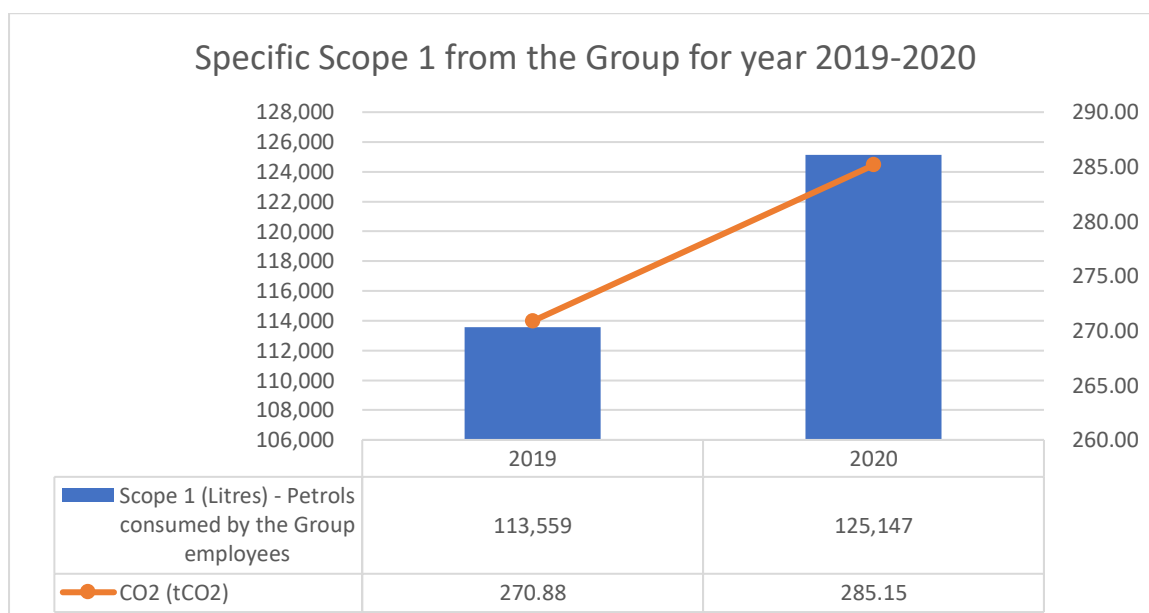
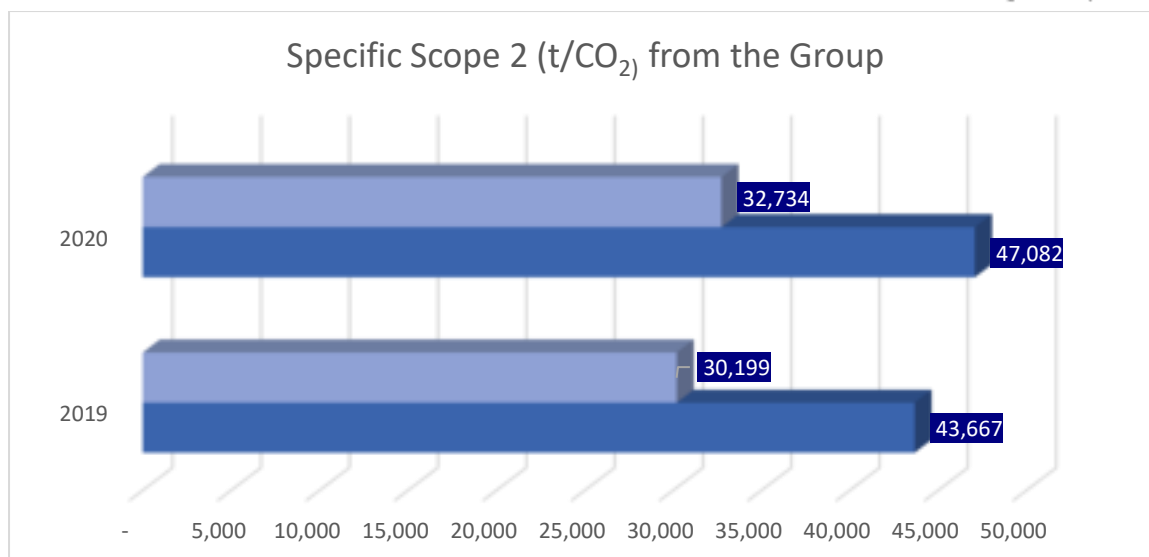
**GRI305-5**

The GHG Emissions from the ductile iron pipe manufacturing plant in 2020 accounted for 0.978 t/CO<sub>2</sub> (average of 12 months – refer to the chart below) intensity per tonne of steel. The picture below shows how the GHG emissions readings are being derived.

**EDIP target is to reduce 2% of t/CO<sub>2</sub> Scope 1 and Scope 2 emissions by looking into managing its resources and logistics.**

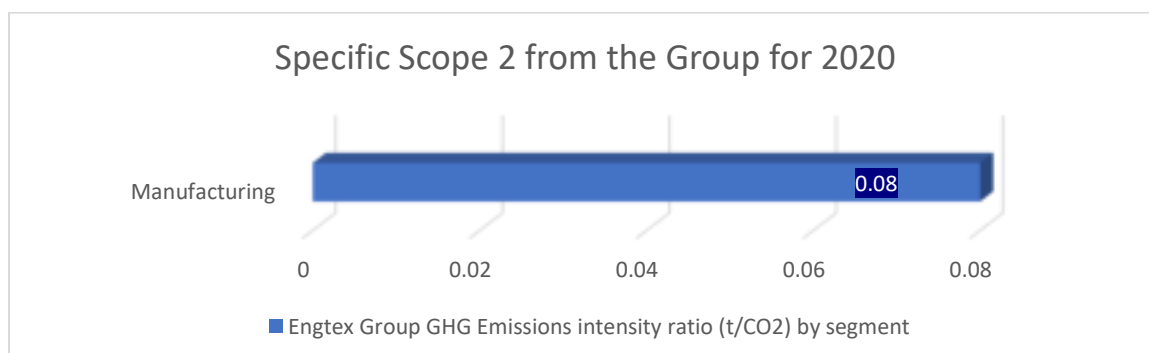






#### GRI305-1, 305-2

The Group also reports GHG intensity ratio by revenue broken down by reporting segments i.e., Wholesale and Distribution and Manufacturing. The GHG intensity ratio for the Wholesale and Distribution segment is negligible while the Manufacturing segment GHG intensity ratio recorded 0.08 Kg/CO<sub>2</sub> per revenue. The Group will look into mitigating its intensity ratio to reduce Scope 2 by setting the air-con temperature at 25°C, conserving non-critical areas by switching off lighting etc.



In view of the pressing climate change, the Group begins to develop strategies to carry out scenario analysis and mapping of risks and opportunities. We will begin to hold a managerial discussion with the Board of Directors to discuss in detail climate strategy issues.

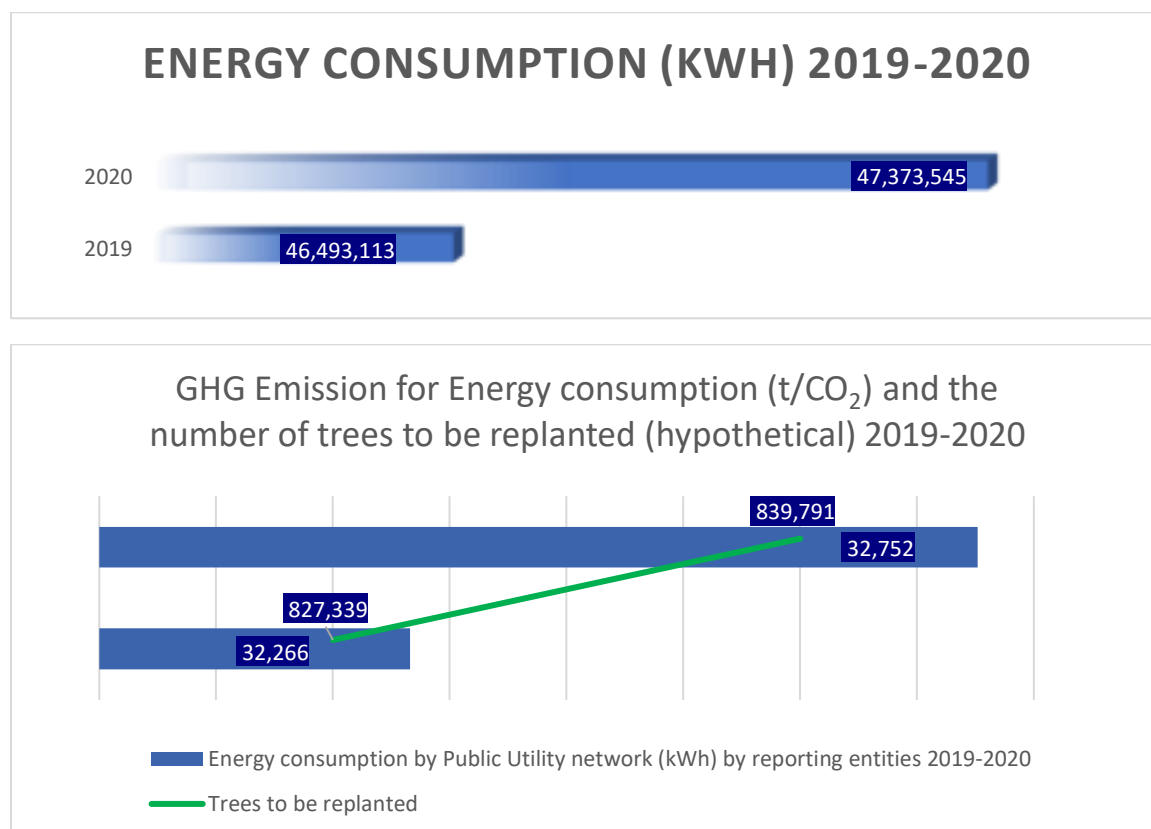
### Boosting energy efficiency

The Group consists of more than 25 subsidiaries and managing these subsidiaries to tackle energy consumption is one way that the Group can lower their environmental impact. The Group has strived to reduce its energy consumption for non-core facilities by looking into lowering the intensity of such resources.

#### GRI302-1

The Group will look into ways to reduce energy consumption and invite consultants to study the possibility of installing solar panels for production and non-production use. Production accounts for nearly 85% of the total energy usage. The Group will also study best practices in procurement processes and investment activities to reduce energy consumption.

The Group also records the energy consumption, GHG emission and the number of trees to be replanted (hypothetical) in order to balance the energy consumption.



### Balancing water supply

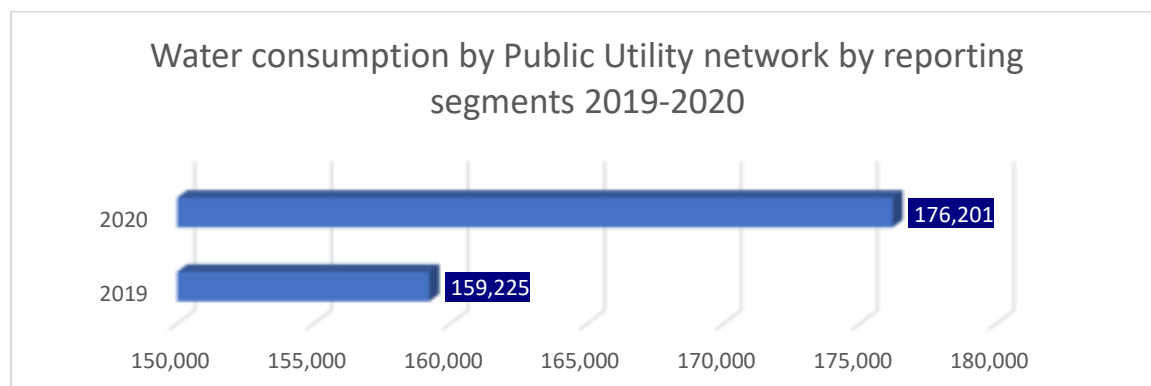
#### GRI303-1

The Group business operations require a significant amount of water daily, as water is an essential part of our production processes, the Group will seek to develop effective water management practices by water intake, water recirculation and the treatment of wastewater.

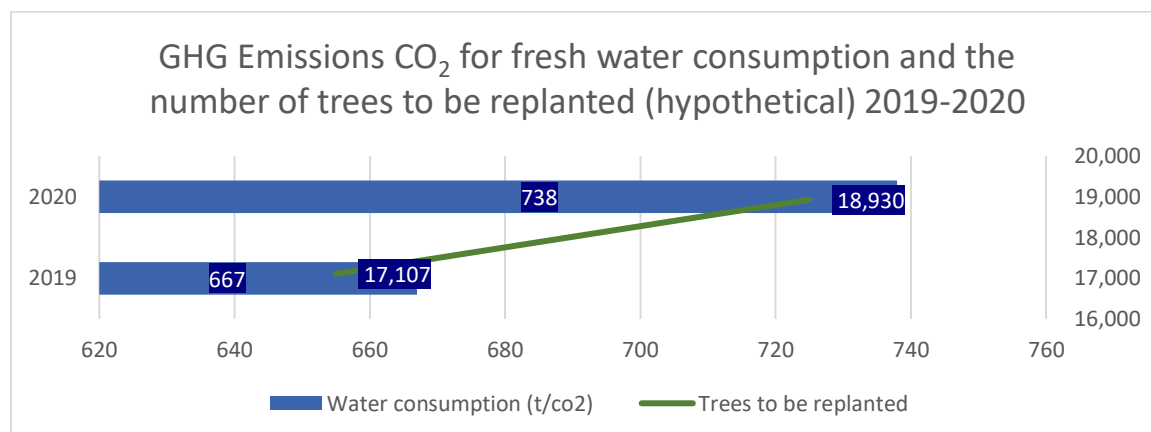
The Group primary water intake comes from public utility networks based on the location of operations for production processes, equipment cooling needs, fire safety as well as drinking and household purposes.

### GRI303-3

The Group sources its water only from the public utility network in areas where they are located. The chart water consumption below details the water consumption for the water grouped by reporting segment.



The Group has also calculated the emission of CO<sub>2</sub> from the consumption of water and the intensity of CO<sub>2</sub> water consumption increased by 11% as we increased our production capabilities.



Based on our environmental targets, our water consumption for production needs increases as we increased our production capabilities.

### GRI303-5

The biggest consumption of water would be EDIP and EMetals which consumed about 70.0% (2019: 69.8%) of the Group's freshwater consumption needs in 2020. The Group does not calculate the water discharges as it only consumes through public utility network.

The Group will constantly monitor its water consumption usage and strives for different ways to improve its water reticulation by investing in rainwater harvesting, retention of water ponds for water discharges etc.

### Waste stewardship

The Group generates a significant amount of waste from its products such as slag, bitumen and others during its production processes. We aim to reduce, reuse and recycle our waste and to manage our waste efficiently. The Group waste management activities correspond to the following methodology.

- Minimising waste generation at source by improving technological processes.
- Reuse, recycle and reinvent the Group waste resources.
- Safe disposal of waste.



## GRI306-2

The Group mid-term and long-term plans will look into improving its waste management processes and identify areas where waste can reduce, reused and recycle to reduce its carbon footprint.

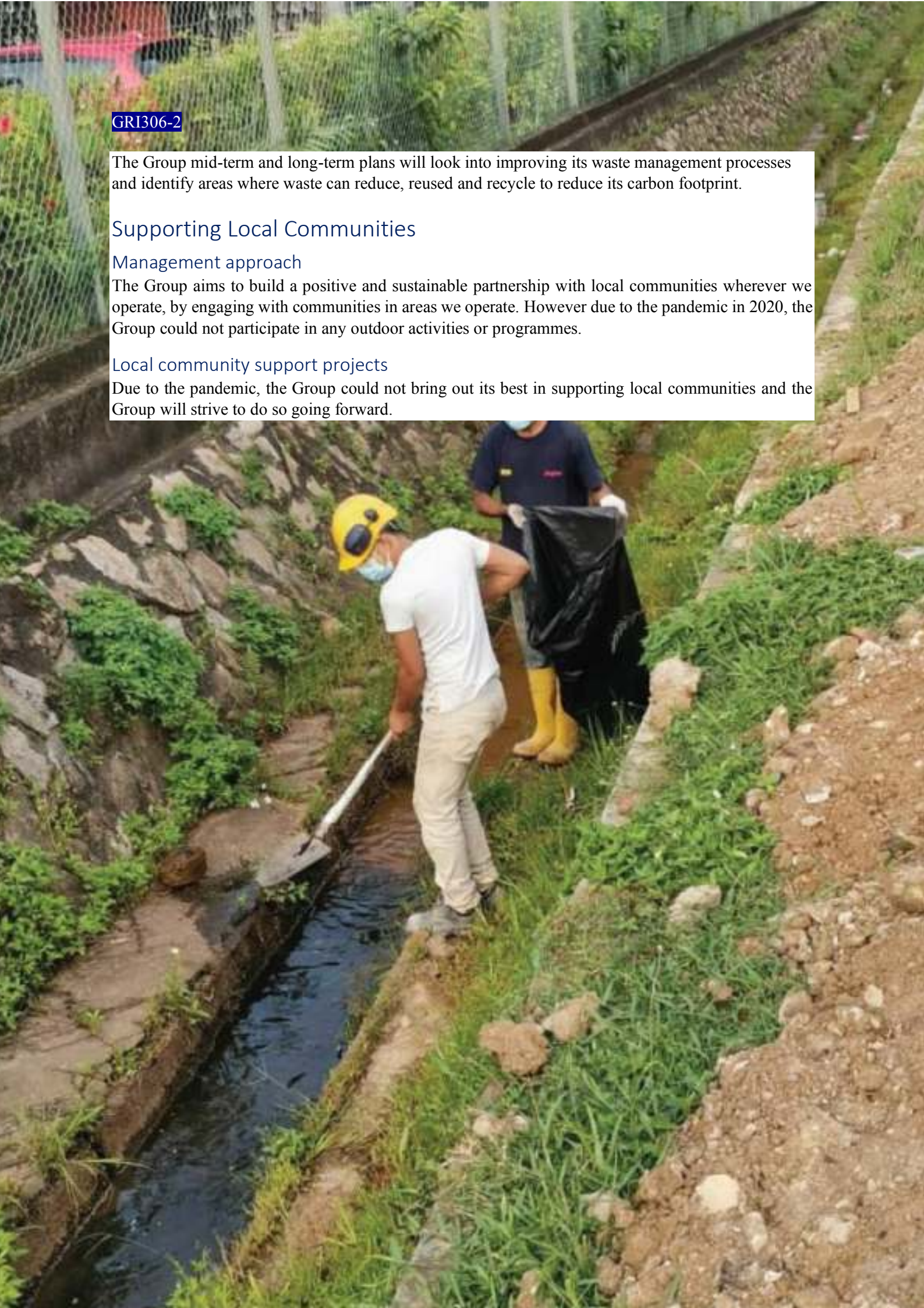
### Supporting Local Communities

#### Management approach

The Group aims to build a positive and sustainable partnership with local communities wherever we operate, by engaging with communities in areas we operate. However due to the pandemic in 2020, the Group could not participate in any outdoor activities or programmes.

#### Local community support projects

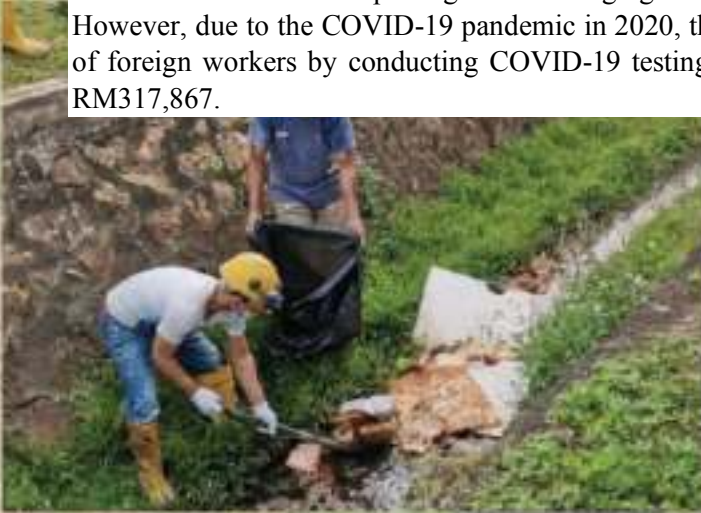
Due to the pandemic, the Group could not bring out its best in supporting local communities and the Group will strive to do so going forward.





**GRI413-1**

All of the Group's social investments are made voluntarily. The Group's headquarters are responsible for engaging and executing projects with stakeholders at the business level. In the last three years prior to 2020, the Group had contributed towards the schools building fund and sponsored charity, culture, trade associations and sporting events ranging between RM100,000 to RM300,000 per annum. However, due to the COVID-19 pandemic in 2020, the fund has been channelled towards the welfare of foreign workers by conducting COVID-19 testing and upgrading their accommodations totalling RM317,867.







RESPONSIBLE SUPPLY CHAIN

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## Responsible Supply Chain

### GRI102-9

#### Management approach

To ensure business continuity and to support business operations throughout the entire value chain, the Group endeavours to practise holistic procurement practices. In our business practices, we need to adhere to all applicable laws.

Our procurement practices principles are as follows:

- Maintaining the quality of services in production and trading facilities.
- Managing procurement cost to ensure the Group optimise its resources efficiently.

#### Promoting sustainability throughout the supply chain

The Group recognises that our operations can potentially lead to social and environmental impacts. Not only does the Group takes responsibility for performing the operations in a sustainable way, but the Group also set high standards for our suppliers to ensure that they adapt to our procurement practices. The Group seeks to work with suppliers that are committed to the principles of sustainable development.

During the selection stage, potential suppliers are assessed based on their competencies via delivering a particular product or service. To demonstrate this, the Group organises field inspections and supplier audits (more so when product certification for imported products is required by the local authorities which entails field audits by licensed certification bodies), checks on the financial standings of the suppliers, and assesses their feedbacks.

The Group also sets requirements for suppliers relating to basic responsible business practices. These are outlined in the Group Code of Ethics and Conduct relating to business ethics, social liability, Anti-Bribery and Corruption way of doing business. Besides, the Group also emphasises zero tolerance towards child labour, all forms of slavery and form an essential part of our business contracts.

The Group also pays close attention to suppliers approach to managing HSE issues. During the selection of suppliers, we carefully review assessment forms completed by potential suppliers in terms of safety and environmental issues.

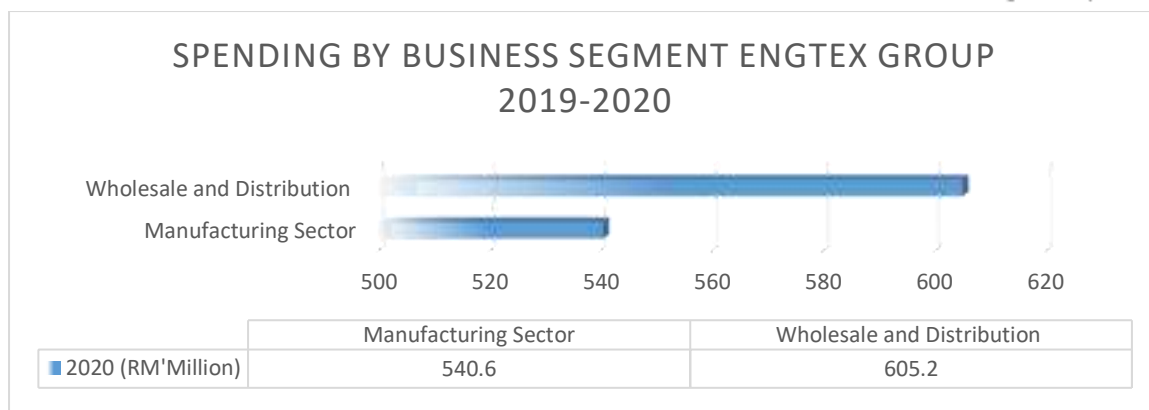
#### Contributing to the prosperity of regions of operation

### GRI204-1

The Group operates in all states in Malaysia and contributes significantly to the socio-economic development of areas in which the Group operates. The Group prioritises the procurement of goods and services from local suppliers that meet our requirements.

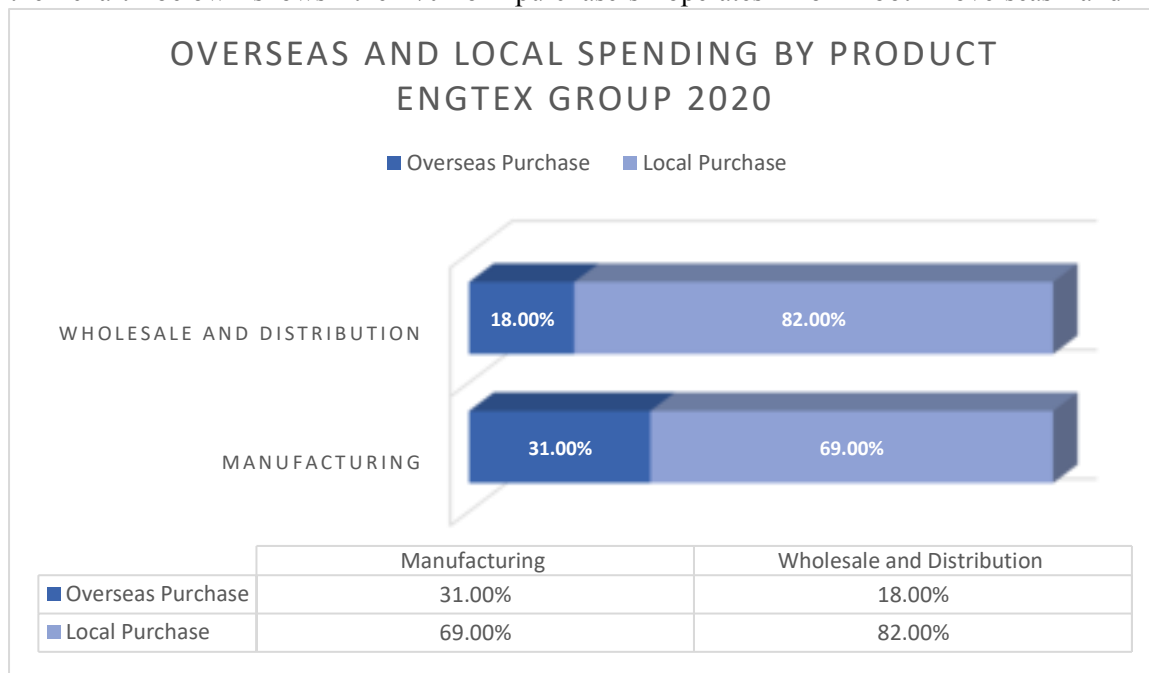
In 2020, the Group has total purchases of RM1,145.8 million in respect of wholesale and distribution and manufacturing segments of which local purchases accounted for 75.9% while the remaining from overseas purchases.





For the wholesale and distribution segment, the Group's total gross purchases were RM605.2 million in 2020 of which 82% from local suppliers and 18% from overseas suppliers. This represented 52.8% of the total purchases. For the manufacturing segment, the Group's total purchases were RM540.6 million in 2020 of which 69% from local suppliers and 31% from overseas suppliers.

To further illustrate the Group's commitment to local purchases in areas in which the Group operates, the chart below shows the % of purchasers operates from both overseas and local.



### Goals for 2021 and the Mid-Term period

The Group will continue to make efforts to enhance the quality and efficiency of procurement processes as part of our major goal of integrating sustainability aspects into supply chain management.

For the Year 2021	Mid Term Plans
Review the business functions of back offices and transferring repetitive operations to them, while front officers focus on negotiations with suppliers and market analysis.	Develop category management and functional interactions.
Unification of supplier web portal commitment and processes.	Developing employee's competencies in procurement.
	Conducting benchmark analysis in procurement practices and implementing best practices.

A photograph of an industrial setting, likely a steel mill, showing molten metal being poured from a ladle into a mold. The scene is filled with bright orange and yellow light from the molten metal, with smoke and steam rising in the background. The image is framed by a red border at the top and bottom.

## APPENDIX

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## Appendix

### Appendix 1 – GRI Content Index

GRI Indicator	Disclosure	Page number (or link)	Comments/ Omissions
<b>GRI 102 General disclosures</b>			
<b>1. Organisational profile</b>			
<b>GRI 102-1</b>	Name of the organisation	About the Report, pg10	
<b>GRI 102-2</b>	Activities, brands, products, and services	What we are good at, pg11,12	
<b>GRI 102-3</b>	Location of headquarters	About the Group, pg10	
<b>GRI 102-4</b>	Location of operations	Where we operate, pg13,14	
<b>GRI 102-5</b>	Ownership and legal form		Engtex Group Berhad
<b>GRI 102-6</b>	Markets served	Who we are, pg10 Annual report,	
<b>GRI 102-7</b>	Scale of the organisation	Where we operate, pg13,14 What we are good at, pg11,12	
<b>GRI 102-8</b>	Information on employees and other workers	Sustainability approach, Human rights, pg37	Total number of employees by employment contract (permanent and temporary) is disclosed by gender only.
<b>GRI 102-9</b>	Supply chain	Management approach, pg62	
<b>GRI 102-10</b>	Significant changes to the organisation and its supply chain	Contributing to the prosperity of the regions of our operations,	
<b>GRI 102-11</b>	Precautionary Principle or approach	Sustainability risk management,	
<b>GRI 102-12</b>	External initiatives	Approach to sustainability management, pg22	
<b>GRI 102-13</b>	Membership of associations	Memberships of associations and institutions, pg34	
<b>2. Strategy</b>			
<b>GRI 102-14</b>	Statement from senior decision-maker	Message from the Chairman of Audit Committee, pg5,6	
<b>3. Ethics and integrity</b>			
<b>GRI 102-16</b>	Values, principles, standards, and norms of behaviour	Approach to sustainability management, Ethics and business conduct, pg24	
<b>4. Governance</b>			
<b>GRI 102-18</b>	Governance structure	Approach to sustainability management, pg21	
<b>5. Stakeholder engagement</b>			
<b>GRI 102-40</b>	List of stakeholder groups	Stakeholder engagement, pg32	
<b>GRI 102-41</b>	Collective bargaining agreements	Social policy,	
<b>GRI 102-42</b>	Identifying and selecting stakeholders	Stakeholder engagement, pg32	
<b>GRI 102-43</b>	Approach to stakeholder engagement	Identification of material topics, pg33 Stakeholder engagement,	



GRI Indicator	Disclosure	Page number (or link)	Comments/ Omissions
<b>GRI 102–44</b>	Key topics and concerns raised	Stakeholder engagement, pg32	
<b>6. Reporting practice</b>			
<b>GRI 102–45</b>	Entities included in the consolidated financial statements	Report boundaries, pg16,17	
		Annual report,	
<b>GRI 102–46</b>	Defining report content and topic boundaries	Identification of material topics, pg16,17	
<b>GRI 102–47</b>	List of material topics	Identification of material topics, pg17	
<b>GRI 102–48</b>	Restatements of information		No significant restatements of information were made.
<b>GRI 102–49</b>	Changes in reporting		No significant changes from previous reporting periods
			in the list of material topics and topic Boundaries were made.
<b>GRI 102–50</b>	Reporting period	Annually, pg16	
<b>GRI 102–51</b>	Date of most recent report		1 <sup>st</sup> Year Reporting
<b>GRI 102–52</b>	Reporting cycle	Approach to reporting,	
<b>GRI 102–53</b>	Contact point for questions regarding the report	Contact Information, pg18	
<b>GRI 102–54</b>	Claims of reporting in accordance with the GRI Standards	Approach to reporting, pg16	
<b>GRI 102–55</b>	GRI content index	Appendix 1 – GRI Content Index, pg65	
<b>Material topics</b>			
<b>GRI 200 Economic</b>			
<b>GRI 201 Economic performance</b>			
<b>GRI 103</b>	Management Approach	Direct economic value generated and distributed,	
<b>GRI 201–1</b>	Direct economic value generated and distributed	Direct economic value generated and distributed, pg34,35	
<b>GRI 201–2</b>	Financial implications and other risks and opportunities due to climate change	Climate change, pg54	
<b>GRI 202 Market presence</b>			
<b>GRI 103</b>	Management Approach	Motivation and engagement,	
<b>GRI 202–1</b>	Ratios of standard entry level wage by gender compared to local minimum wage	Motivation and engagement, pg41	The data without breakdown by gender.
<b>GRI 203 Indirect economic impacts</b>			
<b>GRI 103</b>	Management Approach	Local communities support projects,	
<b>GRI 203–1</b>	Infrastructure investments and services supported	Local communities support projects, pg59	
<b>GRI 203–2</b>	Significant indirect economic impacts	Local communities support projects, pg59	
<b>GRI 204 Procurement practices</b>			
<b>GRI 103</b>	Management Approach	Management approach,	
<b>GRI 204–1</b>	Proportion of spending on local suppliers	Contributing to the prosperity, pg62	The information concerning the share of local suppliers of the regions of our operations.
			Company due to data collection unavailability in other segments.
<b>GRI 205 Anti-corruption</b>			
<b>GRI 103</b>	Management Approach	Ethics and business conduct,	

GRI Indicator	Disclosure	Page number (or link)	Comments/ Omissions
<b>GRI 205–2</b>	Communication and training about anti- corruption policies and procedures	Ethics and business conduct, pg24,25	
<b>GRI 205–3</b>	Confirmed incidents of corruption and actions taken	Ethics and business conduct, pg26	
<b>GRI 300 Environmental</b>			
<b>GRI 302 Energy</b>			
<b>GRI 103</b>	Management Approach	Boosting energy efficiency	
<b>GRI 302–1</b>	Energy consumption within the organisation	Boosting energy efficiency, pg57	Energy consumption is disclosed for a limited number of enterprises that are stated in the text of relevant section.
<b>GRI 302–3</b>	Energy intensity	Boosting energy efficiency, pg57	
<b>GRI 303 Water</b>			
<b>GRI 103</b>	Management Approach	Health, safety, and environmental governance, Balancing water supply,	
		Balancing water supply, pg57	
<b>GRI 303–1</b>	Interactions with water as a shared resource	Balancing water supply, pg57	
<b>GRI 303–2</b>	Management of water discharge-related impacts	Balancing water supply, pg57	
<b>GRI 303–3</b>	Water withdrawal	Balancing water supply, pg57,58	Water withdrawal is disclosed as a specific indicator per RM revenue

GRI Indicator	Disclosure	Page number (or link)	Comments/ Omissions
<b>GRI 303–4</b>	Water discharge	Balancing water supply, pg57	The indicator disclosed in part, without breakdown by type of destination.
<b>GRI 303–5</b>	Water consumption	Balancing water supply, pg58	Total water consumption is disclosed for the Group
			The breakdown of water consumption by sources is disclosed for The Group overall, as well as for each reporting segment. is disclosed as the size of areas rehabilitated.
<b>GRI 305 Emissions</b>			
<b>GRI 103</b>	Management Approach	Health, safety, and environmental governance, Reducing air emissions,	
		Climate change,	
<b>GRI 305–1</b>	Direct (Scope 1) GHG emissions	Climate change, pg56,57	
<b>GRI 305–2</b>	Energy indirect (Scope 2) GHG emissions	Climate change, pg56,57	
<b>GRI 305–4</b>	GHG emissions intensity	Climate change, pg58	Intensity of GHG emissions is calculated as GHG emissions (kg CO <sub>2</sub> ) divided by consolidated revenue, broken down by the reporting segments.
			GHG emissions intensity is also disclosed as a specific metric per tonne of steel cast (t CO <sub>2</sub> e per tonne of steel cast).
<b>GRI 305–5</b>	Reduction of GHG emissions	Climate change, pg55	In 2020, The Group operations demonstrated an increase in GHG emissions both in Scope 1 and Scope 2 due to higher steel production
<b>GRI 305–7</b>	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides, (SO <sub>x</sub> ), and other significant air emissions	Reducing air emissions, pg53	Key air emissions of The Group include SO <sub>x</sub> , NO <sub>x</sub> , PM.

GRI Indicator	Disclosure	Page number (or link)	Comments/ Omissions
<b>GRI 306 Effluents and waste</b>			
<b>GRI 103</b>	Management Approach	Health, safety, and environmental governance, Waste stewardship,	
<b>GRI 306-2</b>	Waste by type and disposal method	Waste stewardship, pg58	The information is disclosed for the following: — total non-mining waste and by-product generated by The Group enterprises — shares of waste generated and received
<b>GRI 306-3</b>	Significant spills		During the reporting period no significant environmental accidents occurred at the Group's enterprises
			Significant environmental accidents (first and second category incidents) comprise massive discharges into natural zones, hazardous emissions, the destruction of reservoirs, and fires at facilities
<b>GRI 307 Environmental compliance</b>			
<b>GRI 103</b>	Management Approach	Health, safety, and environmental governance,	We make efforts to be compliant with all applicable environmental regulation and consistent with the expectations of our stakeholders.
		Environmental management, Management approach	
<b>GRI 307-1</b>	Non-compliance with environmental laws and regulations	Environmental management, Management approach,	Total amount of environmental fines and penalties is disclosed for 2020

GRI Indicator	Disclosure	Page number (or link)	Comments/ Omissions
<b>GRI 400 Social</b>			
<b>GRI 401 Employment</b>			
<b>GRI 103</b>	Management Approach	Employees, Management approach, pg37	
<b>GRI 401-1</b>	New employee hires and employee turnover	Personnel structure, pg39,40	Employee turnover is disclosed by reporting segments only
<b>GRI 401-2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Motivation and engagement, pg41	The Group provides the same benefits both to local and foreign
<b>GRI 403 Occupational health and safety</b>			
<b>GRI 103</b>	Management Approach	Health, safety, and environmental governance,	
<b>GRI 403-1</b>	Occupational health and safety management system	Health and Safety management, pg47	
<b>GRI 403-2</b>	Hazard identification, risk assessment, and incident investigation	Health and Safety management, pg48	
		Developing the safety culture, governance,	
<b>GRI 403-3</b>	Occupational health services	Health, safety, and environmental, pg46	
<b>GRI 403-4</b>	Worker participation, consultation, and communication on occupational health and safety	Health, safety, and environmental governance, pg46	
<b>GRI 403-5</b>	Worker training on occupational health and safety	Developing the safety culture, pg49	
<b>GRI 403-6</b>	Promotion of worker health	Treating occupational diseases, pg49	

GRI Indicator	Disclosure	Page number (or link)	Comments/ Omissions
<b>GRI 403–7</b>	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Health and Safety management, pg48,49	
		Developing the safety culture,	
<b>GRI 403–8</b>	Workers covered by an occupational health and safety management system	Health, safety, and environmental governance, pg47	Despite the fact that only the main enterprises of the Group are certified for compliance Health and Safety management, ISO 45001 by an occupational health and safety management system.
<b>GRI 403–9</b>	Work-related injuries	Occupational injury prevention, pg49	Injury rates are not included data on contractors as the number of hours worked is not recorded.
<b>GRI 403–10</b>	Work-related ill health		Treating occupational diseases, pg 49. There are no available statistics on the number of fatalities as a result of work-related ill health.
			The Group doesn't collect data on contractors.
<b>GRI 404 Training and education</b>			
<b>GRI 103</b>	Management Approach	Learning and development	
<b>GRI 404–1</b>	Average hours of training per year per employee	Learning and development,	
<b>GRI 404–2</b>	Programmes for upgrading employee skills and transition assistance programmes	Learning and development, pg42	
<b>GRI 405 Diversity and equal opportunity</b>			
<b>GRI 405</b>	Management Approach	Human rights,	
<b>GRI 405–1</b>	Diversity of governance bodies and employees	Human rights, pg43,44	
<b>GRI 413 Local communities</b>			
<b>GRI 103</b>	Management Approach	Community relations, Management approach	
<b>GRI 413–1</b>	Operations with local community engagement, impact assessments, and development programmes	Community relations, Management approach, pg60	
		Local community support projects,	



## Appendix 2 – Scope of Environment indicators disclosure

### WATER INDICATORS

List of Locations where Environment Disclosure is obtained	
<b>Wholesale &amp; Distribution</b>	Engtex Sdn Berhad Eng Lian Hup Trading Sdn Bhd East Coast Metals Sdn Bhd Benton Corporation Sdn Bhd LYE Marketing Sdn Bhd Engtex Metal Products Sdn Bhd Mega Alliance Builder Supplies Sdn Bhd Engtex Ductile Iron Marketing Sdn Bhd Nagasari Bitumen Products Sdn Bhd Engtex Marketing Sdn Bhd Eng Lian Hup Marketing Sdn Bhd
<b>Manufacturing</b>	
<b>Mild Steel Concrete-Lined Pipes &amp; Fittings</b>	Allpipes Technology Sdn Bhd Canova Manufacturing Sdn Bhd
<b>Wire Mesh &amp; Hard Drawn Wire</b>	Engtex Metals Sdn Bhd Engtex Metals (Utara) Sdn Bhd
<b>Ductile Iron Pipes</b>	Engtex Ductile Iron Pipe Industry Sdn Bhd
<b>Steel Products</b>	Hachita Enterprise Sdn Bhd Engtex Industries Sdn Bhd EngLen Manufacturing Sdn Bhd East Coast Manufacturing Sdn Bhd Engtex Steel Industries Sdn Bhd
<b>Valves, Hydrants, Fittings &amp; Manhole Covers</b>	LYE Manufacturing Sdn Bhd
<b>Steel Pipe Piles</b>	Engtex Pipe Industry Sdn Bhd
<b>Electric Resistance Welded Pipe</b>	Engtex Steel Pipe Sdn Bhd

### AIR EMISSIONS INDICATORS

List of Locations where Environment Disclosure is obtained	
<b>Wholesale &amp; Distribution</b>	Engtex Sdn Berhad Eng Lian Hup Trading Sdn Bhd East Coast Metals Sdn Bhd Benton Corporation Sdn Bhd LYE Marketing Sdn Bhd Engtex Metal Products Sdn Bhd Mega Alliance Builder Supplies Sdn Bhd Engtex Ductile Iron Marketing Sdn Bhd Nagasari Bitumen Products Sdn Bhd Engtex Marketing Sdn Bhd Eng Lian Hup Marketing Sdn Bhd
<b>Manufacturing</b>	
<b>Mild Steel Concrete-Lined Pipes &amp; Fittings</b>	Allpipes Technology Sdn Bhd Canova Manufacturing Sdn Bhd
<b>Wire Mesh &amp; Hard Drawn Wire</b>	Engtex Metals Sdn Bhd Engtex Metals (Utara) Sdn Bhd
<b>Ductile Iron Pipes</b>	Engtex Ductile Iron Pipe Industry Sdn Bhd

<b>Steel Products</b>	Hachita Enterprise Sdn Bhd Engtex Industries Sdn Bhd Englen Manufacturing Sdn Bhd East Coast Manufacturing Sdn Bhd EngtexSteel Industries Sdn Bhd
<b>Valves, Hydrants, Fittings &amp; Manhole Covers</b>	LYE Manufacturing Sdn Bhd
<b>Steel Pipe Piles</b>	Engtex Pipe Industry Sdn Bhd
<b>Electric Resistance Welded Pipe</b>	Engtex Steel Pipe Sdn Bhd

## WASTE INDICATORS

<b>List of Locations where Environment Disclosure is obtained</b>	
<b>Wholesale &amp; Distribution</b>	Engtex Sdn Berhad Eng Lian Hup Trading Sdn Bhd East Coast Metals Sdn Bhd Benton Corporation Sdn Bhd LYE Marketing Sdn Bhd Engtex Metal Products Sdn Bhd Mega Alliance Builder Supplies Sdn Bhd Engtex Ductile Iron Marketing Sdn Bhd Nagasari Bitumen Products Sdn Bhd Engtex Marketing Sdn Bhd Eng Lian Hup Marketing Sdn Bhd
<b>Manufacturing</b>	
<b>Mild Steel Concrete-Lined Pipes &amp; Fittings</b>	Allpipes Technology Sdn Bhd Canova Manufacturing Sdn Bhd
<b>Wire Mesh &amp; Hard Drawn Wire</b>	Engtex Metals Sdn Bhd Engtex Metals (Utara) Sdn Bhd (fka Eng Lian Hup Manufacturing Sdn Bhd)
<b>Ductile Iron Pipes</b>	Engtex Ductile Iron Pipe Industry Sdn Bhd
<b>Steel Products</b>	Hachita Enterprise Sdn Bhd Engtex Industries Sdn Bhd Englen Manufacturing Sdn Bhd East Coast Manufacturing Sdn Bhd Engtex Steel Industries Sdn Bhd
<b>Valves, Hydrants, Fittings &amp; Manhole Covers</b>	LYE Manufacturing Sdn Bhd
<b>Steel Pipe Piles</b>	Engtex Pipe Industry Sdn Bhd
<b>Electric Resistance Welded Pipe</b>	Engtex Steel Pipe Sdn Bhd

## Appendix 3 –Environment performance

### GHG INDICATORS

List of Locations where Environment Disclosure is obtained	
<b>Wholesale &amp; Distribution</b>	Engtex Sdn Berhad Eng Lian Hup Trading Sdn Bhd East Coast Metals Sdn Bhd Benton Corporation Sdn Bhd LYE Marketing Sdn Bhd Engtex Metal Products Sdn Bhd Mega Alliance Builder Supplies Sdn Bhd Engtex Ductile Iron Marketing Sdn Bhd Nagasari Bitumen Products Sdn Bhd Engtex Marketing Sdn Bhd Eng Lian Hup Marketing Sdn Bhd
<b>Manufacturing</b>	
<b>Mild Steel Concrete-Lined Pipes &amp; Fittings</b>	Allpipes Technology Sdn Bhd Canova Manufacturing Sdn Bhd
<b>Wire Mesh &amp; Hard Drawn Wire</b>	Engtex Metals Sdn Bhd Engtex Metals (Utara) Sdn Bhd (fka Eng Lian Hup Manufacturing Sdn Bhd)
<b>Ductile Iron Pipes</b>	Engtex Ductile Iron Pipe Industry Sdn Bhd
<b>Steel Products</b>	Hachita Enterprise Sdn Bhd Engtex Industries Sdn Bhd Englen Manufacturing Sdn Bhd East Coast Manufacturing Sdn Bhd Engtex Steel Industries Sdn Bhd
<b>Valves, Hydrants, Fittings &amp; Manhole Covers</b>	LYE Manufacturing Sdn Bhd
<b>Steel Pipe Piles</b>	Engtex Pipe Industry Sdn Bhd
<b>Electric Resistance Welded Pipe</b>	Engtex Steel Pipe Sdn Bhd





## CLIMATE CHANGE REPORT

***Engtex***

Engtex Group Berhad



## Climate Change Report

### Message from the Chairman of Audit Committee

#### Our Vision

As one of the nation's largest and leading ductile iron pipe player, the Group understands and recognises the growing importance of climate change. According to the IPCC, the continuation of the current trends in GHG could lead to the global average temperature rising by more than 4.0°C by the end of the century with drastic consequences for many regions of our planet.

The Paris Agreement signed in 2015 by 195 countries sets an ambitious target to keep global warming well below 2.0°C and pursues efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

The ductile iron pipe industry is working towards reducing its GHG emissions, however, the industry remained relatively carbon-intensive and a transition to new production methods will be a gradual journey. At the same time, the ductile iron pipe industry has a vital role to play in decarbonisation through the supply of materials required for the modernisation of energy, transport and construction sectors.

The construction sector is expected to rebound by 11% (*Source, The Malaysian Reserve, 5 February 2021*) and this will increase the demand for our steel products. At the same time, the Group recognises its role in mitigating GHG emissions and seeks to identify new opportunities in a low-carbon era.

As the effects of climate change become increasingly evident globally and the policy environment evolves, large businesses like the Group must consider new questions on how to respond to emerging risks and opportunities. With this inception report, which the Group has prepared based on the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Group outlines the principles underpinning our approach to climate change and seeks to provide greater insight for stakeholders on actions taken by the ductile iron pipe industry.

We hope this report will provide an insight into how the Group looks at climate scenario risks and how we can further mitigate our risk moving forward.

#### Our action

The Group recognises the importance of climate change and takes several measures in defining our actions plans to strengthen our commitment to climate change.

In 2020, the Group has taken steps to set up the TCFD and to understand potential long-term risk and opportunities in addressing climate change. The Group initiated this journey by conducting a qualitative analysis of three climate scenarios, which envisage growth in global averages temperatures of 1.5°C, 2.0°C and 4.5°C by 2100, drawing upon the climate scenarios developed by the IPCC which provide insight into physical climate impacts for our planet under different scenarios and Shared Socioeconomic Pathways ("SSP") which provide outlooks for socioeconomic factors corresponding to the different climate scenarios.

The Group will study how these scenarios will impact its business and will update yearly in our annual reporting.

## Our approach to climate change

### Significance of climate change

The Group recognises the significance of the challenges posed by climate change and the urgency at which society must respond. The group support the global effort to reduce GHG emissions released into the atmosphere and understand that businesses must take an active role in finding solutions, while also take measures to protect stakeholders from the risks posed by climate change.

The Group follows the IPCC's recommendations and supports global initiatives, including the UN Sustainable Development Goal 13 on Climate Action to minimise the industry's impact on climate change.

The Group operates in Malaysia, which is a signatory to the Paris Agreement on climate change, which set an overall goal to keep the growth in the global average temperature to well below 2.0°C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Malaysia has its own Nationally Determined Contribution which sets a specific goal to reduce the GHG emissions.

The Nationally Determined Contribution of Malaysia, where the Group operates, outlines the following strategies:




Country	Strategy	Annual GHG emissions, t/CO <sub>2</sub> (2019)	Share of Global GHG emissions % (2019)
Malaysia	Malaysia intends to reduce its GHG emissions intensity of GDP by 45% by 2030 relative to the emissions intensity of GDP in 2005. This consist of 35% on an unconditional basis and a further 10% is condition upon receipt of climate finance, technology transfer and capacity building from developed countries.	248.8 <sup>3</sup>	0.7 <sup>4</sup>

<sup>3</sup>Malaysia CO<sub>2</sub> Emissions, Data Retrieved from [https://knoema.com/atlas/Malaysia/CO<sub>2</sub>-emissions](https://knoema.com/atlas/Malaysia/CO2-emissions)

<sup>4</sup> World total GHG Emission – 35,515.3 million tonnes CO<sub>2</sub>, Data retrieved from [https://knoema.com/atlas/ranks/CO<sub>2</sub>-emissions?baseRegion=MY](https://knoema.com/atlas/ranks/CO2-emissions?baseRegion=MY)

## Our principles

Our Environmental Strategy towards the Group's approach to climate change is as follows:-

		
Reduce GHG emissions of the company's operations through employing new technologies	Improve resilience in our business model and adopting a new strategy by assessing climate-related risks and opportunities.	Collaborate with steel and water associations, channels and international associations in support of climate change adaptation and mitigation.
During 2021-2030, the Group will develop its climate change challenges which aim to maintain a carbon intensity ratio below 2 tonnes of CO <sub>2</sub> per tonne of steel production. The Group will look into energy efficiency and capitalising on the equipment to address the CO <sub>2</sub> emission. The Group will monitor the Scope 1 and 2 GHG emissions and develop additional measures aim at reducing our GHG and optimising our resources.	The Group understands that climate change risk is a game-changer in the future and the Group needs to evaluate its present business model in adapting to climate change, understand the risks and opportunities, scenario analysis as described in this Report.	The Group is a member of several steel associations and these associations will provide input on sustainable development and will serve as a platform within these industries to best serve how steel manufacturers can adapt to climate change.

## Climate change governance

Matters related to climate change, including governance, strategy, risk management and environmental targets are within the Sustainability Committee. The Board will meet half yearly to discuss the climate change efforts and oversees the process of managing climate-related risks and opportunities and approves the risk appetite of the Group. Reference to be made to page 21 of this Report for Sustainability Governance.

## Our business and climate change

### Climate indicators, targets and performance

The Group understands the urgency of preventing climate change and supports global efforts to measure and reduce GHG emissions released into the atmosphere.

The Group measures direct (Scope 1) and indirect (Scope 2) emissions from the use of electricity and heat. Scope 1 emissions from the Group activities were 214.23 tonnes of CO<sub>2</sub> and Scope 2 emissions were 32,734 tonnes of CO<sub>2</sub>.

GHG emissions increase by 8.4% in 2020 as compared to 2019 due to higher steel production.

## Our approach to the management of climate-related risks

### Climate scenario review

As this is our inception report on climate change, the Group will need to understand how climate and socioeconomic conditions may evolve under different climate scenarios. The Group evaluates its qualitative findings based on potential physical risks and transitions risks for future analysis.

The Group review is based on three scenarios of the Representative Concentration Pathways (“RCP”) family used by IPCC. The scenarios were chosen due to their level of details, use of authoritative sources and wide applications for risk assessment. The three different RCP climate models are as follows:-

RCP Pathways	RCP Scenario
RCP2.6	According to the IPCC, RCP 2.6 requires that carbon dioxide (CO <sub>2</sub> ) emissions start declining by 2020 and go to zero by 2100. It also requires that methane emissions (CH <sub>4</sub> ) go to approximately half the CH <sub>4</sub> levels of 2020, and that sulphur dioxide (SO <sub>2</sub> ) emissions decline to approximately 10% of those of 1980–1990. RCP 2.6 requires negative CO <sub>2</sub> emissions (such as CO <sub>2</sub> absorption by trees). For RCP 2.6, those negative emissions would be 2 Gigatons of CO <sub>2</sub> per year (GtCO <sub>2</sub> /yr). RCP 2.6 is likely to keep global temperature rise below 2°C by 2100. <sup>5</sup>
RCP 4.5	RCP 4.5 is described by the IPCC as an intermediate scenario. Emissions in RCP 4.5 peak around 2040, then decline. According to the IPCC, RCP 4.5 requires that carbon dioxide (CO <sub>2</sub> ) emissions start declining by approximately 2045 to reach roughly half of the levels of 2050 by 2100. It also requires that methane emissions (CH <sub>4</sub> ) stop increasing by 2050 and decline somewhat to about 75% of the CH <sub>4</sub> levels of 2040, and that sulphur dioxide (SO <sub>2</sub> ) emissions decline to approximately 20% of those of 1980–1990. Like all the other RCPs, RCP 4.5 requires negative CO <sub>2</sub> emissions (such as CO <sub>2</sub> absorption by trees). For RCP 4.5, those negative emissions would be 2 Gigatons of CO <sub>2</sub> per year (GtCO <sub>2</sub> /yr). RCP 4.5 is more likely than not to result in a global temperature rise between 2°C, and 3°C, by 2100 with a mean sea level rise 35% higher than that of RCP 2.6. Many plant and animal species will be unable to adapt to the effects of RCP 4.5 and higher RCPs. <sup>6</sup>
RCP 8.5	In RCP 8.5 emissions continue to rise throughout the 21st century. Since AR5 this has been thought to be very unlikely, but still possible as feedbacks are not well understood. RCP8.5, generally taken as the basis for worst-case climate change scenarios, was based on what proved to be an overestimation of projected coal outputs. The RCP8.5 scenario has thus become relatively unlikely, with one report calling it “increasingly implausible with each passing year.” Despite its relative unlikelihood, RCP8.5 remains useful for its aptness in both tracking historical total cumulative CO <sub>2</sub> emissions and predicting mid-century (and earlier) emissions based on current and stated policies. <sup>7</sup>

<sup>5</sup> Representative Concentration Pathway, In Wikipedia

[https://en.wikipedia.org/wiki/Representative\\_Concentration\\_Pathway#RCP\\_2.6](https://en.wikipedia.org/wiki/Representative_Concentration_Pathway#RCP_2.6)

<sup>6</sup> Representative Concentration Pathway,

[https://en.wikipedia.org/wiki/Representative\\_Concentration\\_Pathway#RCP\\_4.5](https://en.wikipedia.org/wiki/Representative_Concentration_Pathway#RCP_4.5)

<sup>7</sup> Representative Concentration Pathway,

[https://en.wikipedia.org/wiki/Representative\\_Concentration\\_Pathway#RCP\\_8.5](https://en.wikipedia.org/wiki/Representative_Concentration_Pathway#RCP_8.5)



TCFD defines transition and physical risks as follows

Transition risks	Physical risks
“Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations”.	“Physical risks resulting from climate change can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption. Organisations’ financial performance may also be affected by changes in water availability, sourcing, and quality; food security; and extreme temperature changes affecting organisations’ premises, operations, supply chain, transport needs, and employee safety.”

Assumptions and forecasts for the RCPs and complementary SSPs for each pathway

Discussion of findings from scenario analysis

In the next section, we summarise the assumptions and forecasts for the RCP and complementary SSPs for each pathway. Please note for the sake of our analysis, we draw on various sources and forecast. We used the following names for the three different scenarios under review. ‘Paris-compliant’; ‘Low-carbon development’, and ‘Business as Usual Scenario’.

## Low-carbon development scenario

Climate scenario <small>Representative Concentration Pathway</small>	Complementary socioeconomic scenario <small>Shared Socioeconomic Pathway</small>	GHG emissions in 2050, MtCO <sub>2</sub> e	Energy consumption in 2050, EJ
2.6	1	42,000	520
Average global temperature rise by 2050	Average global temperature rise by 2100	Global adaptation goals	Global mitigation goals
0.4 to 1.6 ° C	0.3 to 1.7 ° C	High ambition	Low ambition

## Paris-compliant scenario

Climate scenario <small>Representative Concentration Pathway</small>	Complementary socioeconomic scenario <small>Shared Socioeconomic Pathway</small>	GHG emissions in 2050, MtCO <sub>2</sub> e	Energy consumption in 2050, EJ
4.5	2	60,000	650
Average global temperature rise by 2050	Average global temperature rise by 2100	Global adaptation goals	Global mitigation goals
0.9 to 2.0 ° C	1.1 to 2.6 ° C	Medium ambition	Medium ambition

## Business-as-usual scenario

Climate scenario <small>Representative Concentration Pathway</small>	Complementary socioeconomic scenario <small>Shared Socioeconomic Pathway</small>	GHG emissions in 2050, MtCO <sub>2</sub> e	Energy consumption in 2050, EJ
8.5	5	85,000	800
Average global temperature rise by 2050	Average global temperature rise by 2100	Global adaptation goals	Global mitigation goals
1.4 to 2.6 ° C	2.6 to 4.8 ° C	Low ambition	High ambition

Identified climate-related risks and opportunities.

#### Transition Risk

The Group has identified the following transition risk. The Group will monitor these risks through new regulations, disclosing publicly climate-related risks and opportunities in accordance with the recommendations TCFD and tracking the development of new technologies in steel production.

Type of Risks	Description
 Carbon price	Implementation of a carbon tax will likely have impacted our financial positions. More and more countries are adopting carbon pricing which may impact our industry.
 Other regulatory risks	New developments in regulatory to disclosed climate-related information for regulatory bodies and stock exchange aimed to transition to a low-carbon economy.
 Technology & market risks	Transition to a low-carbon economy means adaptation to new technology and opportunities from a low-carbon economy.
 Reputational risks	As stock exchanges place greater emphasis on climate-related risk, investors dedicate greater attention to companies on sustainability factors.
 Fires and droughts	Fire and Drought as a result of climate change will impact the Group operations thus impacting business operations.
 Atmospheric temperature change	Acute changes in weather patterns will likely impact business interruptions caused by rising sea levels, rising floods, forest fire and its impact on the Group business operations.
 Change in rainfall patterns	Change in rainfall patterns to affect coastal areas, lead to severe flooding, damage of properties and accessibility etc.

## Opportunities

The Group can leverage opportunities from the low-carbon economy. Some of the low-carbon economy opportunities for the steel industry are as follows: -

### Resource Efficiency

- Enhance the use of scrap metal.
- Improved efficiency of water resources management (closed-loop water systems)
- Improve manufacturing processes technology.

### Energy Sources

- Gradual transition to less carbon-intensive and more efficient energy resources.
- Gradual increase of renewable in our energy mix.

### Markets and Products

- Identification of opportunities in new markets and new products related to the low-carbon economy transition and climate change adaptation and mitigation.

## The future of the Water pipe in Malaysia

Non-Revenue water (“NRW”) is one of the nation biggest problem and several states have pledge to reduce NRW to 25%. Based on a study by Jones, L.J.N.; Kong, D.; Tan, B.T.; Rassiah on Non-Revenue Water in Malaysia: Influence of Water Distribution Pipe Types dated 20 February 2021, Malaysia commonly uses water pipes made of asbestos-cement (“AC”), mild steel (“MS”), ductile iron (“DI”), polyethylene (“PE”), galvanized iron (“GI”), acrylonitrile butadiene (“ABS”), cast iron (“CI”), and unplasticised polyvinylchloride (“uPVC”). Based on the Group’s own analysis of around 41,500 km AC pipe or 27% of total pipes laid nationwide (*Source: Malaysian Water Industry Guide 2017*) that need to be replaced and assuming 50% is replaced by MS and DI pipes on equal basis, there is a potential pipe replacement supply of approximately RM5 billion.

## Focus of our GHG reduction activities

The Group expects the industry to enhance its technological capabilities to improve its efficiency and reduce GHG emissions. The Group will keep a lookout for new technology that could be deployed to reduce GHG emissions. The Group also consider the cost-effectiveness of these technologies for our business. The Group will look into areas to be improve and identify the type of technology in this bid to reduced GHG.

Scope 1 emissions primarily depend on the Group policy while mitigation of Scope 2 emissions may be influenced by the development of the energy system in Malaysia.

## Technologies we currently employ to mitigate GHG emissions

Improved in the collection of scrap metals	Gradually transition to low-carbon energy sources	Reducing fuel consumption intensity through efficient energy resources.
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## Processing of scrap metal in furnace

Processing scrap metal in furnace eliminates the need for the importation of coke, lime and other materials needed in a normal furnace. In line with the concept of circular economy, the Group will work with local scrap suppliers to increase the scrap materials to increase production.



As a general rule, steel becomes scrap after 10-50 years after its production. service life is influenced by the method and intensity of product use. Therefore, demand will always outstrip the supply for scrap metals.

#### Low Carbon electricity

The Group will focus on areas to use natural resources such as solar panels where possible for non-production use. Energy reduction in Scope 2 will have an impact on our carbon footprints and end of products.

#### TCFD Index

This Report has been prepared in line with TCFD recommendations on climate-related financial disclosures. The following table presents the locations of our disclosures in this Report, as well as in our Annual Report and Sustainability and Climate Change Report 2020, in accordance with TCFD recommendations.

TCFD recommendations	Sustainability Report 2020
<b>Governance</b> Disclose the organisation's governance around climate-related risks and opportunities.	
Describe the board's oversight of climate-related risks and opportunities.	Page 76
Describe management's role in assessing and managing climate-related risks and opportunities.	Page 77
<b>Strategy</b> Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Page 76
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Page 28
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 78
Describe the organisation's processes for identifying and assessing climate-related risks.	Page 28
Describe the organisation's processes for managing climate-related risks.	
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Page 28
<b>Metrics and Targets</b> Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 54-58
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	Page 54-58
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 54-58

## Glossary

<b>Basic oxygen furnace</b>	<b>BOF</b>	A vessel used to convert pig iron, of about 94 per cent iron and 6 per cent combined impurities such as carbon, manganese, and silicon, into steel with as little as 1 per cent combined impurities.
<b>Blast furnace</b>	<b>BF</b>	A large cylindrical structure into which iron ore is combined with coke and limestone to produce molten iron
<b>Greenhouse gases</b>	<b>GHG</b>	GHG is any gas that has the property of absorbing infrared radiation (net heat energy) emitted from Earth's surface and reradiating it back to Earth's surface, thus contributing to the greenhouse effect. Carbon dioxide and methane are the most important GHG.
<b>Intergovernmental Panel on Climate Change</b>	<b>IPCC</b>	The Intergovernmental Panel on Climate Change is the United Nations body for assessing the science related to climate change. It was created to provide policymakers with regular scientific assessments on climate change, its implications and potential future risks, as well as to put forward adaptation and mitigation options <sup>3</sup> .
<b>International Energy Agency</b>	<b>IEA</b>	The IEA is a Paris-based autonomous intergovernmental organisation established in the framework of the Organisation for Economic Co-operation and Development (OECD) that acts as an energy policy adviser to its member states <sup>4</sup> .
<b>Nationally Determined Contributions</b>	<b>NDCs</b>	NDCs are national climate plans highlighting climate actions, including climate-related targets, policies and measures that the Parties to the Paris Agreement aim to implement in response to climate change and as a contribution to global climate action, adopted according to Article 4 paragraph 2 of the Paris Agreement <sup>5</sup> .
<b>Paris Agreement</b>	—	An agreement within the United Nations Framework Convention on Climate Change (UNFCCC), dealing with greenhouse-gas-emissions mitigation, adaptation, and finance, agreed upon in 2015 <sup>6</sup> .
<b>Representative Concentration</b>	<b>RCPs</b>	RCPs are scenarios that include time series of emissions and concentrations of the full suite of GHG (GHGs).
<b>Pathways</b>		The word representative signifies that each RCP provides only one of many possible scenarios that would lead to specific radiative forcing characteristics. The term pathway emphasises that not only the long-term

## Legal Disclaimer

This Report contains forward-looking statements concerning the financial condition, results of operations and businesses of the Group. All statements other than statements of historical fact are, or may be deemed to be forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include statements typically containing words such as "will", "may", "should", "believe", "intends", "expects", "anticipates", "targets", "estimates" and words of similar import.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future. They are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which it will operate in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including a number of factors outside the Group's control. These include changes in the political, social and regulatory framework in which the Group will operate or in economic, technological trends or conditions; the success of the business and operating initiatives; the actions of regulators; legislative, fiscal and regulatory developments, including regulatory measures addressing climate change; the behaviour of other market participants; competitive product and pricing pressures; changes in consumer habits and preferences; foreign exchange rate fluctuations and interest rate fluctuations; changes in the level of capital investment; the impact of any acquisitions, disposals or similar transactions; the outcome of any litigation; the risk of doing business in countries subject to international sanctions; environmental and physical risks; risks associated with the impact of pandemics. Other unknown or unpredictable factors could cause actual results and developments to differ materially from those in forward-looking statements.

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**ENGTEX GROUP BERHAD**  
200101002637 (000000-1)

Lot 36, Jalan BRP 9/28, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan.

Tel : 603-6140 1111

Fax : 603-6157 0348

Email : [enquiry@engtex.com.my](mailto:enquiry@engtex.com.my)