

Sustainability Statement

SCOPE AND BOUNDARIES

This Statement summarises our sustainability efforts for our stakeholders and other interested parties. We aim to provide a clear, comprehensive and transparent representation of our performance in managing the Economic, Environmental and Social (“EES”) aspects of our operations.

This statement covers our EES performance across all our entities and operations in Malaysia, Thailand, the United States of America (“USA”) and United Kingdom (“UK”). It includes discussions on the material topics identified through our materiality assessment to provide an accurate representation of our overall sustainability impact and performance. The report covers the period from 1 July 2020 to 30 June 2021 and has not been externally assured.

OUR APPROACH TO SUSTAINABILITY

Our approach to sustainability forms part of our commitment to be a responsible corporation for the customers and communities we serve. We have attempted to embed sustainability in our policies and in our four key strategies detailed on page 5 of this Report, encouraging it to influence our investments, operations, stakeholder engagement and risk mitigation efforts, amongst others.

In an effort to ensure that the standard of our sustainability reporting is sufficiently comprehensive and aligned with international best practices, we have referenced different reporting guidelines and frameworks.

The Global Reporting Initiative (“GRI”) is an international independent organisation that provides the world’s most widely used standards on sustainability reporting. This statement has been prepared with guidance from the GRI Standards as well as Bursa Malaysia’s Sustainability Reporting Guide – 2nd Edition.

Moreover, all our manufacturing facilities have during the year undertaken a comprehensive four pillar Sedex Members Ethical Trade Audit

(SMETA) audit. Sedex is an internationally recognised, independent, not for profit organisation that aims to improve ethical and responsible business practices in global supply chains. The four pillar audit covers labour standards, health and safety, management systems, business ethics and an environmental assessment. These audits are aimed at achieving greater visibility in our supply chain, improving our supplier relations and receiving an independent verification of our ethical compliance.



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As a testament to our continued efforts to improve our sustainability initiatives, Karex Berhad was accredited as having met globally recognised standards and admitted as a constituent of the FTSE4Good Index in June 2020.

Whilst appreciative of this accolade, we remain unwavering in our commitment to incorporating more responsible business practices to position our business for long-term growth that will be inclusive of all stakeholders.

SUSTAINABILITY GOVERNANCE

Our strategic governance framework ensures that we make responsible decisions that consider the EES landscape to achieve our long-term objectives not just for our business but for all the stakeholders in our value chain.

Sustainability matters amongst others, come under the purview of our Risk Management Working Committee, who reports directly to the Risk Management Committee and ultimately our Board of Directors (the “Board”). Decisions are collectively reviewed and evaluated based on the respective longstanding merits and how they fit into our Group’s vision towards cultivating a sustainable business model.

Risk Management Working Committee

- Responsible for identifying, monitoring and reviewing material sustainability matters under their purview
- Respective representatives take action and continue to review effects of efforts on a periodic basis
- Reports to Risk Management Committee on material matters identified and how they have been addressed

Risk Management Committee

- Reviews material sustainability matters and efforts with respective members from the Risk Management Working Committee
- Reports to the Board of Directors based on outcome of discussions

Board of Directors

- Holistically reviews Group’s sustainability efforts and approves of Sustainability Statement for inclusion in Annual Report



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STAKEHOLDER ENGAGEMENT/PRIORITISATION

We recognise that the success of business relies on developing strong and meaningful relationships with our stakeholders. We continue to utilise various channels to foster conversations with our shareholders in order to obtain feedback, develop ideas and provide solutions that ultimately provide more satisfaction for our customers. We have in doing so, utilised an array of platforms and different media in order to effectively align our business strategies with our sustainability goals.

OUR STAKEHOLDERS	METHODS OF ENGAGEMENT	
CUSTOMERS Brand owners, governments, non-governmental organisations and retail purchasers around the world	• Campaigns • Customer service • Email and video conferencing	• Customer surveys • Social networks • Online forums
INVESTORS AND MEDIA Institutional and retail investors, analysts, fund managers and potential investors	• Annual general meetings • Quarterly results briefings • Conferences and roadshows • Site visits • Interviews	• One-to-one meetings and conference calls • Corporate website • Press releases
EMPLOYEES Our employees based in Malaysia, Thailand, USA and UK	• Online newsletters and emails • Employee surveys • Virtual meetings and conference calls • Email	• Team building events • Annual performance appraisals • Townhalls
GOVERNMENT AGENCIES Regulators, health authorities and international medical device standard agencies	• Social and compliance audits • Industry and regulatory conferences • Meetings and briefings	• Trade conventions • Charity events • Local council meetings
VENDORS AND SUPPLIERS Contractors that provide services and products pertaining to the entire manufacturing process chain	• Transactional dealings • Training conferences and workshops • Outreach programmes • Video conferencing	• Company sponsored events • Supplier surveys • Email
COMMUNITY Local communities where we operate and conduct our businesses	• Charity functions • Sporting events • Dialogue and knowledge exchange events	• Corporate Social Responsibility programmes

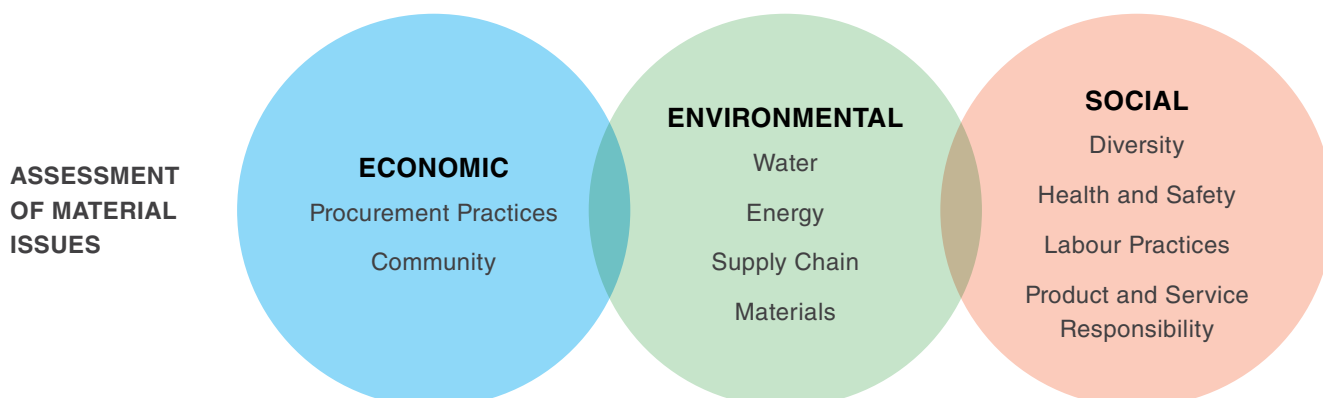
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IDENTIFICATION OF MATERIAL ISSUES

To identify matters that are most significant to our stakeholders and business, we conducted a comprehensive materiality assessment in the financial year ended 30 June 2018. We utilised a step-by-step approach to identify a list of the matters that were considered material to our stakeholders. We aim to provide an update on the efforts that have been made during the financial year ended 30 June 2021 ("FY2021") towards any targets that have been specified in previous years so that stakeholders are able to stay up-to-date on developments on material issues.

STEPS

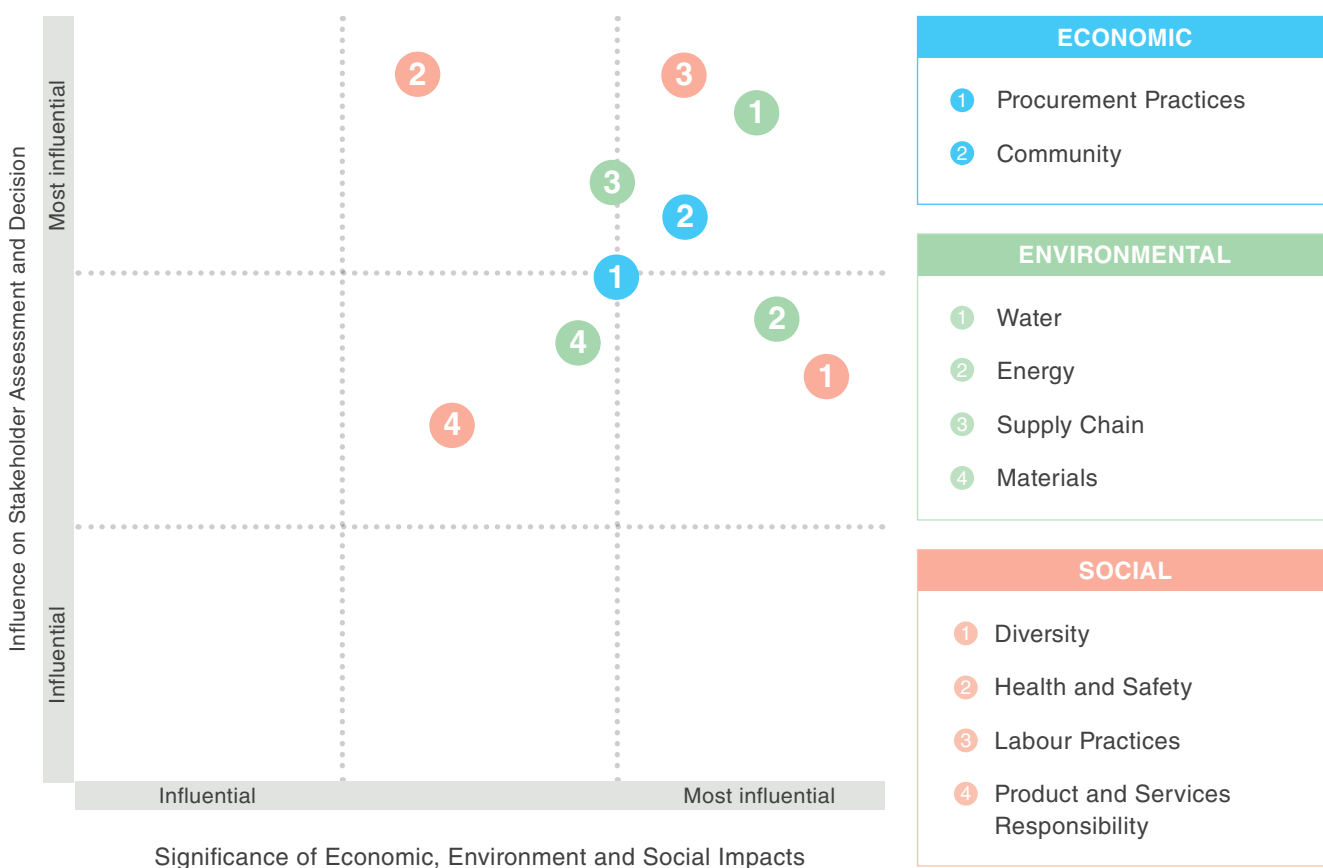
Step 1 IDENTIFICATION	Before engaging with stakeholders to conduct an assessment, a list of material factors relating to economic, environmental and social factors relevant to our business were identified. In an effort to focus on the most material issues, the following factors were taken into consideration: • Changing global and regional macroeconomic trends • The expected developments of the sexual wellness, medical and rubber products industries • International standards and regulatory changes • Stakeholder expectations and requirements • Our strategies and internal policies
Step 2 PRIORITISATION AND ENGAGEMENT	A customised online survey was conducted to engage stakeholders and determine the material sustainability issues that most concerned each stakeholder. Issues identified were then narrowed down into key broad categories and ranked in terms of how critical each stakeholder considered each of them.
Step 3 REVIEW AND REFINE	The list of prioritised material matters was then verified through interviews and discussions with operations leaders in each respective field as well as members of the Management Team and the Risk Management Working Committee. Furthermore, we have subsequently assessed our business strategies to ensure they have taken proper consideration of the material issues identified. The final materiality matrix was presented and endorsed by our Risk Management Working Committee.



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MATERIALITY MATRIX

In line with Bursa Malaysia's Sustainability Reporting Guide, we conducted a materiality assessment through data analysis and stakeholder engagement. We gathered insight on material matters in which we have an economic, environmental and/ or social impact, and prioritised 5 out of 10 of the issues identified.



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MAPPING INITIATIVES AGAINST TOP MATERIAL ISSUES

ECONOMIC

We aim to ensure that business decisions are made in a manner that will not compromise our values or mission as an organisation even if short-term benefits may be compelling. We have established a formal set of principles and practices that our Board and Management Team strictly adhere to in order to ensure that the interests of all stakeholders are taken into account of at all times.

COMMUNITY

Governance Practices

A formal corporate governance structure has been established and communicated to all stakeholders in order to ensure that our business processes are run consistently, decisions are made without bias and any errors can be detected early so that they can be resolved. These policies are frequently reviewed and revised in order to ensure that they remain relevant and effective.

All employees in our Group are guided by the principles in the Code of Conduct. This ensures that practices concerning ethics and integrity are communicated to all employees during the induction process. Frequent refresher courses are conducted by our human capital teams in order to ensure that employees are made aware of their responsibilities and where they can reference them at all times.

We maintain a strict no-tolerance position regarding bribery and corruption. In order to encourage employees to report incidences of corruption along with any other breaches of the Code of Conduct, we have established an anonymous whistleblowing channel that is made known to all employees. This channel is handled by an independent party to ensure that all concerns are treated with discretion, seriousness and handled sensitively. We have during the past three years recorded no incidences of bribery or corruption via this channel.

Additional corporate governance policies are detailed in the Corporate Governance Overview Statement located on pages of 40 to 48 this Report as well more comprehensively in our Corporate Governance Report that can be accessed at <http://www.karex.com.my/>. These documents clearly outline the responsibilities of our Board, the composition details of our Board, whistleblowing policy and corporate reporting details amongst others.



Risk Management Practices

A proper risk management framework is essential to enable our business to pre-emptively identify possible risks, problems or disasters before they happen, as well as to set up procedures aimed at avoiding or minimising the impact should they occur. These procedures are integral in allowing our organisation to define our objectives for the future and identify the external and internal risks that may hinder accomplishment of those objectives.

Our risk management team is made up of members from our Board and Senior Management Team who are then responsible for developing strategies to handle risks in order to enable more informed decision making moving forward. We are also audited by an independent internal auditor, Moore Stephen Associates PLT to periodically evaluate our internal compliance and control systems. This ensures that strategic decisions are undertaken with careful deliberation so that the interests of all stakeholders are always being prioritised.

We have also established a formal Supplier Code of Conduct to ensure that suppliers, contractors and other businesses that we collaborate with are made aware of their own social, ethical and environmental responsibilities. These policies cover sourcing of materials, labour practices, quality standards and safety protocols amongst others and are aimed at mutually helping all parties to ensure that risks are properly identified and mitigated.

Our risk management practices are detailed in the Statement of Risk Management and Internal Control located on pages of 54 to 57 this Report. These documents clearly outline the roles of the Risk Management Committee as well as the key risk focuses and mitigation plans that are in place to develop stronger internal controls.

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ENVIRONMENTAL

We aim to drive positive change through the entirety of our manufacturing processes as well as our marketing efforts. By improving our energy efficiency, waste management and emissions levels, we aim to become more efficient manufacturers. Supporting sustainable products and prudent resource management will not only help to conserve our environment but also facilitate greater efficiencies at our facilities.

Our commitment to environmental sustainability is further underlined by our membership in the Fair Rubber Association. This provides our customers assurance that rubber products manufactured by our Group have utilised latex that is sustainably sourced and contributes towards improving the living conditions of the primary producers themselves.



WATER

Water is one of the key components of our manufacturing processes that once consumed will often result in discharge that requires treatment before it can be released back into the environment or in certain cases recycled and reused. Recycling water is key to enabling us to reduce costs and conserve a natural resource but equally as important is ensuring that the waste generated is handled with care so as not to damage the ecosystems around our facilities.

During the year, we conducted a thorough evaluation of the water piping system at our condom manufacturing facilities. The improvements from the findings included a restructuring of the piping systems to remove unnecessary water points, the installation of flow meters to provide a real time measurement for primary production process usage rates as well as the installation of control valves in the leeching and former rinsing stations specifically. These initiatives not only contributed to a reduction in terms of water usage per condom produced but also equipped us with the analytic data to make better informed decisions should abnormal water usage be detected at any point during the manufacturing process.

All of our manufacturing facilities are equipped with the requisite equipment to measure and record parameters of discharge including pH, suspended solids and dissolved minerals. The effluent that is collected must be treated and tested to confirm compliance with regulatory limits before it is able to be discharged. These samples are also periodically sent to external laboratories to ensure that

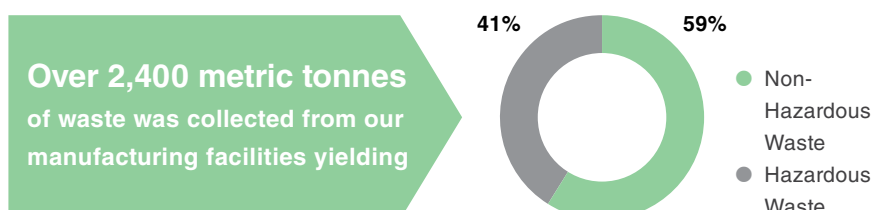
waste water is safe to be released back into the natural environment.

It is critical that the hazardous waste identified is stored in designated storage areas at our facilities. These storage areas are supervised by specialist teams that ensure that the waste is stored, periodically inventoried in our system and eventually collected by licensed contractors for treatment and disposal.

Non-hazardous waste comprising of recyclable plastics, metals and paper are either recycled or disposed of accordingly across all subsidiaries. Initiatives that we have implemented to reduce non-hazardous waste include a Document Management System to reduce the usage of paper across our Group as well as repurposing silicon oil tanks for material and product storage.

Building on last year's recycling efforts, during FY2021, we also recycled a total of 342 metric tonnes of scrapped rubber into high grade rubber sheets for use in other industries.

Percentage of Hazardous Waste & Non Hazardous Waste Generated by all Manufacturing Plants in FY2021



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ENERGY

A culture of responsible energy use has been cultivated throughout the organisation with staff often reminded to take proactive steps to reduce energy consumption where possible. These efforts also include initiatives throughout our corporate spaces to encourage staff to switch off lights and equipment when not in use, switching bulbs to energy efficient LEDs as well as the installation of movement sensors and solar panels where possible.

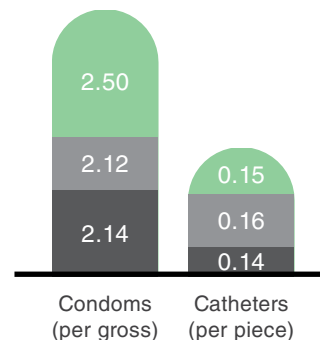
With many customers shifting order preferences to fully packaged products rather than bulk pack (minimal packaging requirements) over the last few years, our manufacturing has become more dependent on automation. As such, we have noticed an increase in electricity consumption specifically as it pertains to condoms in recent months. Notwithstanding that, our operations teams continue to analyse electricity data in order to evaluate points within the manufacturing processes that can be further optimised in order to derive energy savings in the future.

We have successfully maintained the ISO 14001:2015 Environmental Management System certification across all of our manufacturing facilities, ensuring that each facility has in place an effective environmental management system. As a result of the recent initiatives, our Thailand facility has been accredited the ISO 50001 Energy Management System certification and is in the process of being certified LEED (Leadership in Energy & Environmental Design) by the USA Green Building Council.

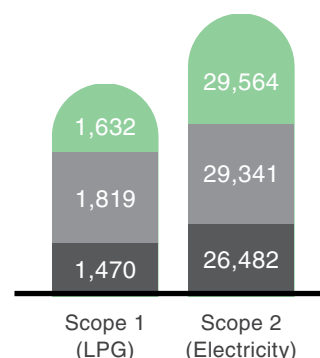
We have extended our monitoring of our energy efficiencies from the previous year's measurement of liquid petroleum gas ("LPG") usage to begin to tabulate our green house gas emissions during FY2021. Our initial reporting scope covers equivalent emissions for Scope 1 (LPG) and Scope 2 (Electricity) emissions. This has been implemented with the intention of evaluating how we may derive further efficiencies from minimising our usage of energy by eventually setting energy targets at our facilities over the next few years.

Electricity Consumption Intensity (kWh)

● 2021 ● 2020 ● 2019

CO₂ Equivalent Emissions From Manufacturing Processes (MT)

● 2021 ● 2020 ● 2019



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SOCIAL

Our social sustainability ethos is centered around operating in a manner that is respectful of human rights, considerate of ethical supply chain management and adheres to health and safety. It is critical that we constantly work with our employees, local communities and customers to build meaningful relationships that last.

Following the social compliance reviews conducted over the past few years, we have adopted the base codes set by the Ethical Trading Initiative as a commitment to ensuring that our working conditions are held to the internationally recognised standards of the International Labour Organisation conventions.



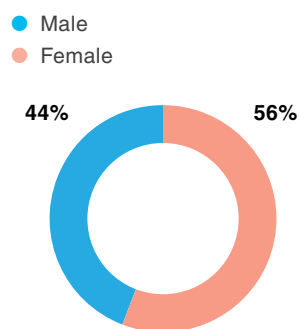
DIVERSITY

Workplace

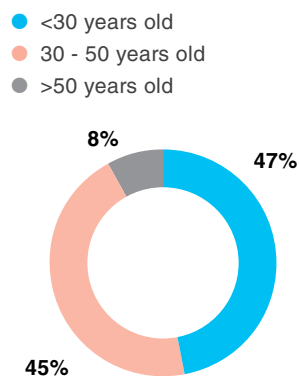
Our ability to adapt the working conditions for our teams in response to COVID-19 measures during the year was aided by our commitment to embrace diversity over the years. An inclusive mindset in which our employees are encouraged to embrace different perspective in order to create mutual respect equipped us with the ability to find footing in very uncertain circumstances. The camaraderie and teamwork exhibited are a testament to the values that we champion and hold true to our Diversity and Inclusion policy that can be accessed on our website.

In addition to the culture of innovation that this has been fostered within the organisation, diversity also allows us to promote a very meritocratic community for our staff. We have always championed equal opportunities for all staff regardless of their age, ethnicity, race, gender, sexual orientation or beliefs. We continued to expand and implement initiatives aimed at dissipating stereotypes across our facilities. These include disabled toilets, removal of gender, religious and sexual preference data

Employees Breakdown by Gender



Employee Breakdown by Age Group



from recruitment criteria and the provision of free transportation and accommodation for those employees living far away from our facilities that do not have access to public transport.

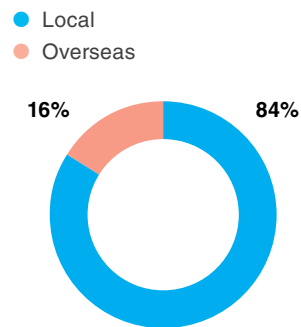
Beyond the cultivation of a conducive working environment, we also frequently evaluate conduct training requirements in order to ensure that our teams are constantly kept up to speed with the latest developments in their respective fields. We utilised electronic platforms to deliver increased technical training during the year covering topics that included medical device regulations, quality assurance, health and safety, risk assessment, supply chain management and waste management.

During the year, the Industrial Estate Authority of Thailand recognised the efforts of our Thailand facilities and awarded them the prestigious Good Labour Practice award for their efforts in ensuring that our workplaces were free from gender discrimination, forced labour, child labour and opportunities for bribery. The independent assessment also evaluated the benefit system, worker welfare and operational health and safety at our facility.

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We have also continued to expand and develop initiatives aimed at recognising the efforts and contributions of staff who have gone beyond their job scope to deliver extraordinary performances. These rewards include periodic spot awards, performance-based incentives, long service awards and leadership development programs aimed at nurturing the next generation of management from within our Group. Staff are always encouraged to provide their feedback and suggestions via suggestion boxes that are located around our facilities so that we are able to continue to consider new methods with which to improve our working environments.

Supply Chain by Local and Overseas



Local Communities

We have continued to make a concerted effort to work with suppliers and vendors from our local communities. The deepening of these long-term relationships has not only enabled us to explore new business ideas but also allowed us to properly communicate our end customers' expectations as it pertains to supply chain issues. These include developing accountability for topics such as human rights and labour practices in order to ensure that proper risk management safeguards were implemented. It is our intention to deepen the local knowledge base in order to ensure that the communities in the vicinity of our businesses will also benefit from our success moving forward.

We are mindful to also continue to engage with the youth in our communities through various involvements. Over the last 3 years, we have collaborated with the Malaysian Rubber Council and local universities and hosted over 50 graduates as interns in our facilities across our Malaysia and Thailand to provide them with real-world working experiences within the rubber industry. Many of these graduates have gone on to join as full-time employees following the completion of their internships.

Employees
attended a total of
28,513
training hours
in FY2021 with each employee
averaging approximately
8.95 hours of training over
the course of the year



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Corporate Social Responsibility Programs

We also continued to support causes close to our hearts in the local community in continuing our donation of both funds as well as products to the local schools around our facilities, Malaysian AIDS Foundation, Brunei Darussalam AIDS Council, PT Foundation and Pertubuhan Kesihatan Dan Kebajikan Umum Malaysia ("PKKUM") to name a few during the year. This included the provision of funding for PKKUM to continue to operate its facility providing non-discriminatory support and a daytime shelter for the homeless through the COVID-19 pandemic.

Our longstanding partnership with the Malaysian AIDS Foundation deepened further with product donation drives involving key youth leaders and brands from around Malaysia with the intention of making sexual health awareness an approachable topic for the youth. The animated Kakak Kondom campaign also continued to build on its success by developing its engagement over various social media platforms in order to provide more educational content to students around Malaysia.

Although government restrictions limited our ability to attend seminars on campuses and host visitors at our facilities in person, we continued to champion the cause for improving sexual health education in our communities. We provided contraceptive courses, most notably at the Hospital Pengajar Universiti Putra Malaysia (HPUPM) and via various online seminars in order to destigmatise condom usage and ensure that more people are afforded access to proper sexual health information in order to make more informed decisions.

We also moved many of our long-running campaigns to virtual platforms during the year including Art Against AIDS (fondly known as AAA). Our flagship annual charity event was once again hosted at Segaris Art Gallery in Publika, Kuala Lumpur but was expanded to include an online audience during the year. This platform has raised over RM1 million to date and provided a platform to allow corporations and non-governmental organisations to interact with students and the art community in an effort to promote sexual health.



In the USA, ONE® Condoms continued to help student groups and non-profits facilitate conversations about sexual health. In response to many campaigns moving online, ONE® @ Home was launched as a program to continue supplying condoms directly to individuals. ONE® @ Home allows health organisation clients to order online and deliver products directly to the homes of customers. This was conducted in conjunction with other partnerships with some of our largest public sector customers, such as the states of Iowa, Oregon, Idaho, and Virginia, as well as New York City. Since the start of the pandemic, we have shipped nearly 30,000 envelopes filled with condoms and lubricants to customers in need.

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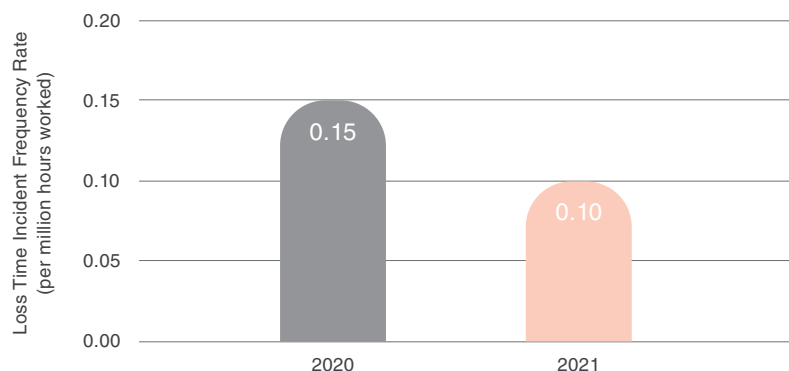
HEALTH AND SAFETY

The worsening of the COVID-19 situation in Malaysia and Thailand during the year put the health and safety of our staff at risk especially when community transmission of the virus started to escalate. Rather than taking a reactive approach to the operating procedures proposed by the respective governments, we took proactive steps to ensure that our staff had access to the appropriate personal protective equipment and workplaces were regularly sanitised. When made available, we conducted elective periodic COVID-19 testing as well as procured vaccinations at the expense of our Group for all of our workers who opted to do so.

Throughout this period, we went to great lengths to ensure that our staff were always able to come to work or work remotely in safe environments. At various times of the year, this entailed the provision of transportation, meals, as well as equipment to enable our staff to be comfortable that their health and safety as well as that of their families were given full priority. Despite shutdowns and limited operating capacity imposed by the government, we also continued to pay full wages to our staff and we did not make any COVID-19 related retrenchments.

In respect to operational matters, our Occupational Safety and Health Policy covers a range of procedures including emergency response, first-aid, evacuation, fire-fighting and crime prevention. As a result, all our manufacturing plants in Malaysia comply to the Occupational Safety and Health Act 1994 (Act 514) and adhere to the Industry Code of Practices. These regulations require a Health, Safety, Environmental and Ethics committee to be established consisting of both employer and employee representatives, safety inspections to be carried out at fixed intervals and hazards to be identified and reviewed around the workplace. This encourages communication so that we may review our processes and more effectively conduct investigations into the cause of any accidents that may occur.

Loss Time Incident Frequency Rate – per million hours worked
(At Condom Manufacturing Plants)



In the event of any emergencies, we have been mindful to ensure that our staff are afforded immediate access to medical attention and are adequately covered by health insurance. Health and safety notices are on all site notice boards in a multitude of languages so that employees are always made aware as to emergency protocols.

This Sustainability Statement is made in accordance with the resolution of the Board dated 11 October 2021.