

Companies' Best Practices on Long-Term Foreign Direct Investment Within APEC Economies

Company Write-up

Kaneka Malaysia

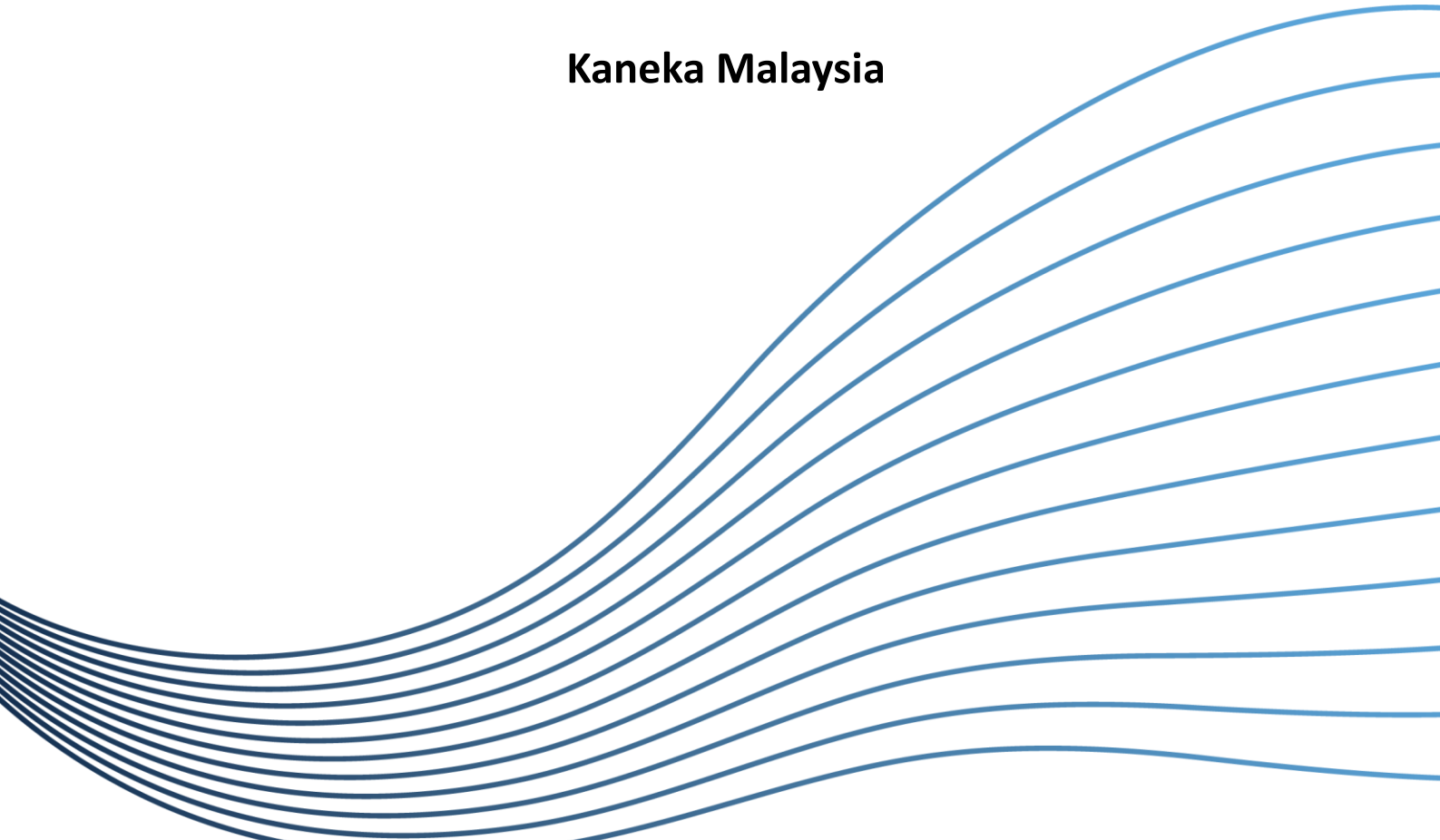


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1. OVERVIEW OF SELECTED FDI PROJECTS / COMPANIES

1.1 KANEKA COMPANIES IN MALAYSIA (KM)

COMPANY DETAIL	
	
Kaneka Companies in Malaysia (KM)	
Origin:	Japan
Industry:	Chemical
PRESENCE IN HOST ECONOMY	
Est. Year:	1995
Head Office:	Gebeng Industrial Estate Kuantan, Pahang
Entity:	1. Kaneka (Malaysia) Sdn. Bhd. 2. Kaneka Electec Sdn. Bhd. (closed) 3. Kaneka Eperan Sdn. Bhd. 4. Kaneka Paste Polymers Sdn. Bhd. 5. Kaneka Innovative Fibers Sdn. Bhd. 6. Kaneka Apical Malaysia Sdn. Bhd. 7. Kaneka MS Malaysia Sdn. Bhd.
No of Employees:	 620+
Main Production Facility Location:	Gebeng Industrial Estate Kuantan, Pahang

Continuity

KM continues to demonstrate its long-term commitment since establishing in 1995 as part of Kaneka's ASEAN expansion. Over the decades, it has become a key hub for advanced manufacturing and innovation, supporting Kaneka's global operations and positioning Malaysia as a major production and export base. KM's resilience and adaptability enable it to navigate challenges effectively, ensuring stable operations and reinforcing its reputation as a reliable and established business in the industry. By embracing operational excellence, investing in advanced technologies, and fostering stakeholder collaborations, KM drives innovation and maintains high standards. Through sustained investments, KM supports Malaysia's industrial growth and strengthens its role within ASEAN. This enduring commitment highlights its role in fostering economic growth and contributing to a sustainable future.

Relationship

KM's approach to relationships is deeply rooted in ESG principles, guiding its impactful CSR initiatives. With a focus on environmental sustainability, the company has set ambitious carbon neutrality targets, aiming to reduce emissions by 70% by 2030 and achieve net zero by 2050. These goals are supported by green supply chain practices and renewable energy adoption, emphasizing its commitment to global sustainability and Malaysia's environmental agenda. KM actively engages with communities and stakeholders, building trust through meaningful contributions. Its involvement extends to environmental protection, workforce development, and charitable initiatives, reinforcing its dedication to creating long-term positive impacts. By fostering collaborations with government, industry groups, and academia, KM strengthens ties across sectors, advocating for industrial progress and investment in Malaysia. This commitment enhances its reputation as a responsible and impactful corporate citizen.

Human Resource Development

KM's human resource development strategy reflects its commitment to fostering local talent, diversity, and long-term career growth. With over 95% of its workforce comprising Malaysian citizens, KM has nearly doubled its employment figures since 2000, contributing significantly to local job creation and economic stability. Beyond direct employment, its operations generate substantial indirect job opportunities, reinforcing its role in Malaysia's economic ecosystem. The company emphasizes personal and professional growth through initiatives like the "1-on-1" system and its structured career development tools, ensuring employees are equipped to excel and advance. These efforts are complemented by investments in workforce training, such as the Safety Experience Training Centre (SETC), which positions Malaysia as a hub for regional skill development and safety excellence. KM also promotes diversity, integrating employees from various educational, regional, and generational backgrounds.

2. DETAILS AND KEY FINDINGS OF INDIVIDUAL CASE STUDY

2.1 KANEKA COMPANIES IN MALAYSIA (KM)

2.1.1 Continuity

Investment Longevity

Kaneka Corporation's decision to set up its first legal entity in Malaysia in 1995 marked a pivotal step in its ASEAN expansion. Following the establishment of initial overseas plants in Belgium and the United States, Kaneka Corporation identified Malaysia as an ideal investment destination due to its strategic geographic location, offering direct access to regional markets. In 1995, Kaneka (Malaysia) Sdn. Bhd. was established as the company's first Malaysian entity, laying the foundation for Kaneka's long-term growth in the region.

Since then, Kaneka Corporation has significantly expanded its Malaysian operations on a 400,000m² land area within the Gebeng Industrial Estate, now comprising six specialized subsidiaries under the Kaneka Companies in Malaysia (KM), as shown in **Figure 1**. Each entity within KM contributes to Kaneka Corporation's portfolio, covering high-performance polymers, foamed plastics, and specialized chemical solutions, effectively positioning Malaysia as a major manufacturing and export hub in Kaneka Corporation's global framework. This diversity of operations enables Kaneka Corporation to meet demands for advanced materials across Asia, Europe, and beyond, supporting its strategic goal of leveraging Malaysia as a gateway to international markets.

“ Before expanding into Malaysia, Kaneka made its first overseas investments in Belgium in the early 1970s and in the US during the 1980s. These early investments underscore Kaneka's commitment to longevity... Once Kaneka invests, they are there to stay. ”

– (Mr. Syed Ahmad Syed Idrus Alhabshi, Director & Plant General Manager at KM)

Figure 1: Current Kaneka Companies in Malaysia



Source: Materials shared by KM during field study

KM's decades-long commitment to Malaysia, marked by sustained investment and continuous reinvestment in advanced facilities, has solidified its status as a prominent long-term investor in the region. With a strong focus on industrial growth, KM has become a key contributor to the Kaneka Corporation's global strategy, positioning Malaysia as an essential high-performance production hub within the company's international network. This enduring partnership highlights KM's confidence in Malaysia's potential, establishing the economy as a reliable production base and a resilient platform for sustainable growth and innovation within the ASEAN region and beyond. The company's steady expansion reflects a collaborative approach that reinforces Malaysia's reputation as a pivotal location for industrial advancement on a global scale.

Resilience and Adaptability

KM's resilience and adaptability have been instrumental in maintaining its growth and stability in Malaysia, even amid considerable challenges. By deploying proactive strategies and acting swiftly in response to crises, the company has reinforced its reputation as a reliable industry partner, capable of navigating complex conditions.

A prime example of KM's resilience is its response to the COVID-19 pandemic. The company quickly adapted its Business Continuity Plan (BCP) to meet pandemic-specific challenges, working closely with state health authorities to implement a comprehensive strategy that prioritized employee safety and ensured operational continuity (see *Figure 2*). During this period, KM faced several operational disruptions, including clusters of COVID-19 infections among workers and delayed access to critical raw materials and equipment. Additionally, some employees had to spend evenings at work to comply with isolation protocols, ensuring production could continue safely. This approach not only kept operations steady but also showcased KM's commitment to the health and well-being of its workforce.

Figure 2: COVID-19 Control Measures



Source: Interview with KM's Management and Working Team

“ We revisited and adapted our Business Continuity Plan (BCP), including measures to ensure full compliance with Ministry of Health guidelines... This proactive approach positioned us as leaders in COVID-19 preparedness within the Kaneka Group, with our BCP serving as a reference model for Kaneka Group. ”

– (Mr. Hirokazu Takeda, Advisor of Production Technology at KM)

KM's proactive measures established a regional benchmark, prompting the adoption of its model by counterparts across ASEAN and Japan for localized adaptation. Furthermore, owing to its rigorous safety protocols, KM was among the first companies to obtain operating approval from the Ministry of Investment, Trade, and Industry (MITI) and Malaysian Investment Development Authority (MIDA), facilitating an early resumption of essential operations during the pandemic. This timely restart enabled KM to maintain critical production levels, reinforce its role as a stable producer, and support its suppliers by sharing best practices, thereby contributing to the stabilization of the broader supply chain.

“ *We were among the first in the Gebeng area to submit applications and subsequently receive approvals from MITI and MIDA to continue operations during COVID-19... Additionally, we supported our suppliers by guiding them through the application process, providing training and support letters to help expedite their approvals.* ”

– (Ms. Elvina Lee, Senior General Manager of Supply Chain Management at KM)

Following its swift operational continuity amid COVID-19, which enabled the resumption of export activities, KM seized the opportunity to meet surging demand from China, achieving record financial performance. This success not only demonstrates KM’s agility and responsiveness to immediate market needs but also reflects its strategic foresight in capitalizing on emerging opportunities. By effectively aligning its operational capacity with global demand, KM further solidified its reputation as a reliable and adaptable industry partner.

“ *Amidst COVID-19, we achieved record revenues by strategically pivoting our focus to export operations to China... Leveraging our diverse product portfolio and operational resilience, we effectively met China's growing demand at a time when many ASEAN economies faced lockdowns.* ”

– (Mr. Hiroyuki Nishimoto, Managing Director at KM)

Furthermore, KM’s ability to adapt during the pandemic extended beyond internal measures to include meaningful contributions to the wider community. Notably, KM supported the Pahang State Health Department by donating essential resources such as tents, which were repurposed for health screenings and outreach programs after the crisis subsided (further details on KM’s community efforts during COVID-19 are discussed under the "Community and Stakeholder Engagement" indicator.) This initiative highlights KM’s broader perspective on resilience, demonstrating its capacity to address immediate needs while ensuring a lasting positive impact on external stakeholders.

KM’s ability to navigate challenges was evident during the prolonged water crisis in Kuantan, which disrupted operations across the region. While several neighboring firms were forced to halt production, KM took decisive action by sourcing water through tankers from nearby jurisdictions, effectively mitigating the impact on its operations (see **Figure 3**). This initiative allowed KM to maintain operational continuity, meet commitments to clients, and strengthen its reputation for reliability in challenging conditions.

“ *We had to purchase water from neighboring jurisdictions and transport it to our facility via tankers... It was almost unimaginable for a chemical company to rely on tanker-loads of water to sustain operations.* ”

(Ms. Nora Jaffar, Assistant Manager of Corporate Communications and Public Relations at KM-cum-GISG Secretariat)

Figure 3: Overcoming Water Supply Crisis

CHALLENGES AND STRATEGIES TO OVERCOME WATER SUPPLY ISSUES

Source: The Sun

Education, business premises affected by water disruption in Kuantan

11-08-2022 06:19 PM



KUANTAN, August 11 -- D'Basia staff workers Basrah, Siti Seliza Shahrudin posted a notice of closure of operations following a water supply disruption from midnight last night during a Bernama photo review today. BERNAMAPIX

KUANTAN: Unscheduled water supply disruptions in the district since yesterday affected thousands of users including the operations of education and business premises.



Water crisis in Kuantan / Gebeng Area

In August 2022, a pump failure at the Kobat facility¹ caused severe water disruptions across Kuantan, including the Gebeng industrial area. This crisis heavily affects chemical companies like KM, which rely on continuous water supply for production and operational stability.



KM's Response

KM ensured operations during the disruption by hiring tankers to transport water from Pekan and Terengganu. They leveraged their vast network to secure timely updates on water availability.

Notes: 1) The Kobat facility refers to a critical pump house in Kuantan that supplies water to various areas, including the Gebeng industrial zone, supporting residential, commercial, and industrial water needs

Source: Interview with KM's Management and Working Team; The Sun Malaysia Article¹

Through these actions, KM has shown its ability to navigate both global and regional disruptions. This approach highlights KM's role in supporting stability and growth within Malaysia and its contributions to the broader ASEAN region.

Operational Consistency

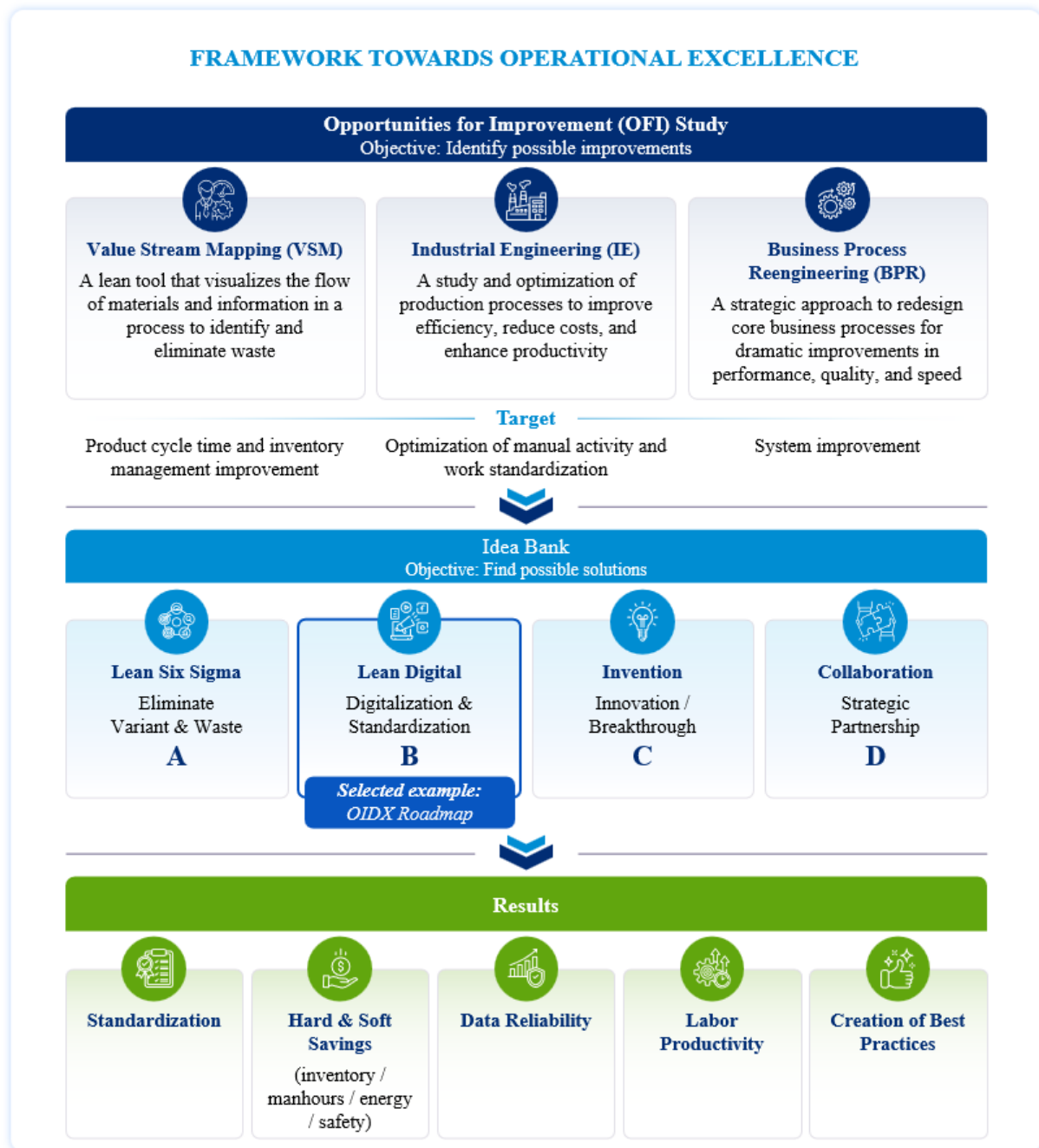
KM's operational consistency has been a cornerstone of its long-term success in Malaysia. The company has established robust quality management systems, as evidenced by key certifications held by KM (see **Figure 4**) in complying with international standards on safety, environment, health, and quality. These credentials highlight KM's commitment to high product quality and process integrity, which are essential to its role as a trusted provider and exporter. By adhering to these international standards, KM not only reinforces its commitment to safety and quality but also enhances its credibility and strengthens trust with clients across global markets.

Figure 4: Selected Certifications

Source: Kaneka Corporation website²; LinkedIn post³; Materials shared by KM during field study

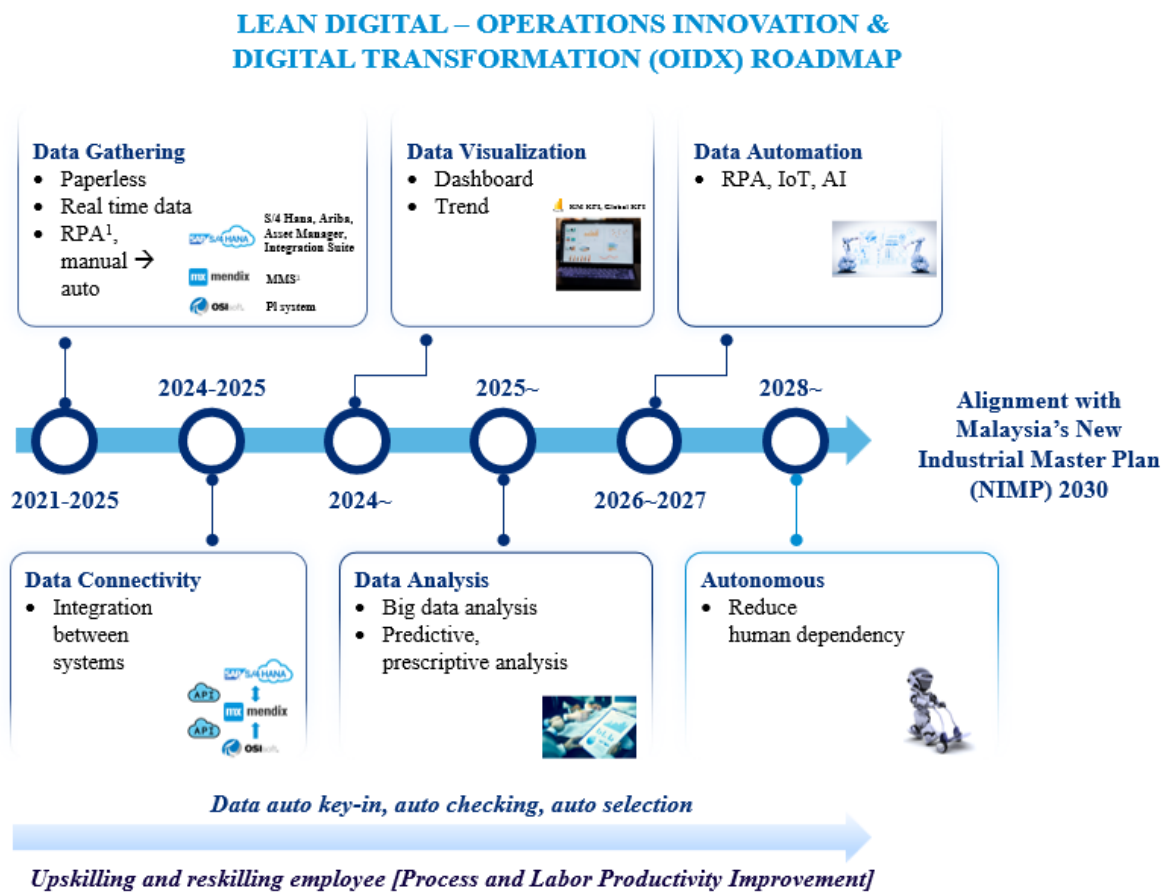
In addition to meeting international standards, KM is committed to continuous improvement through a structured framework for operational excellence (see **Figure 5**). Central to this framework is the Opportunities for Improvement (OFI) study, paired with the Idea Bank, where KM actively explores and evaluates potential solutions to meet operational excellence in areas such as production and core business processes.

Figure 5: Operational Excellence Framework



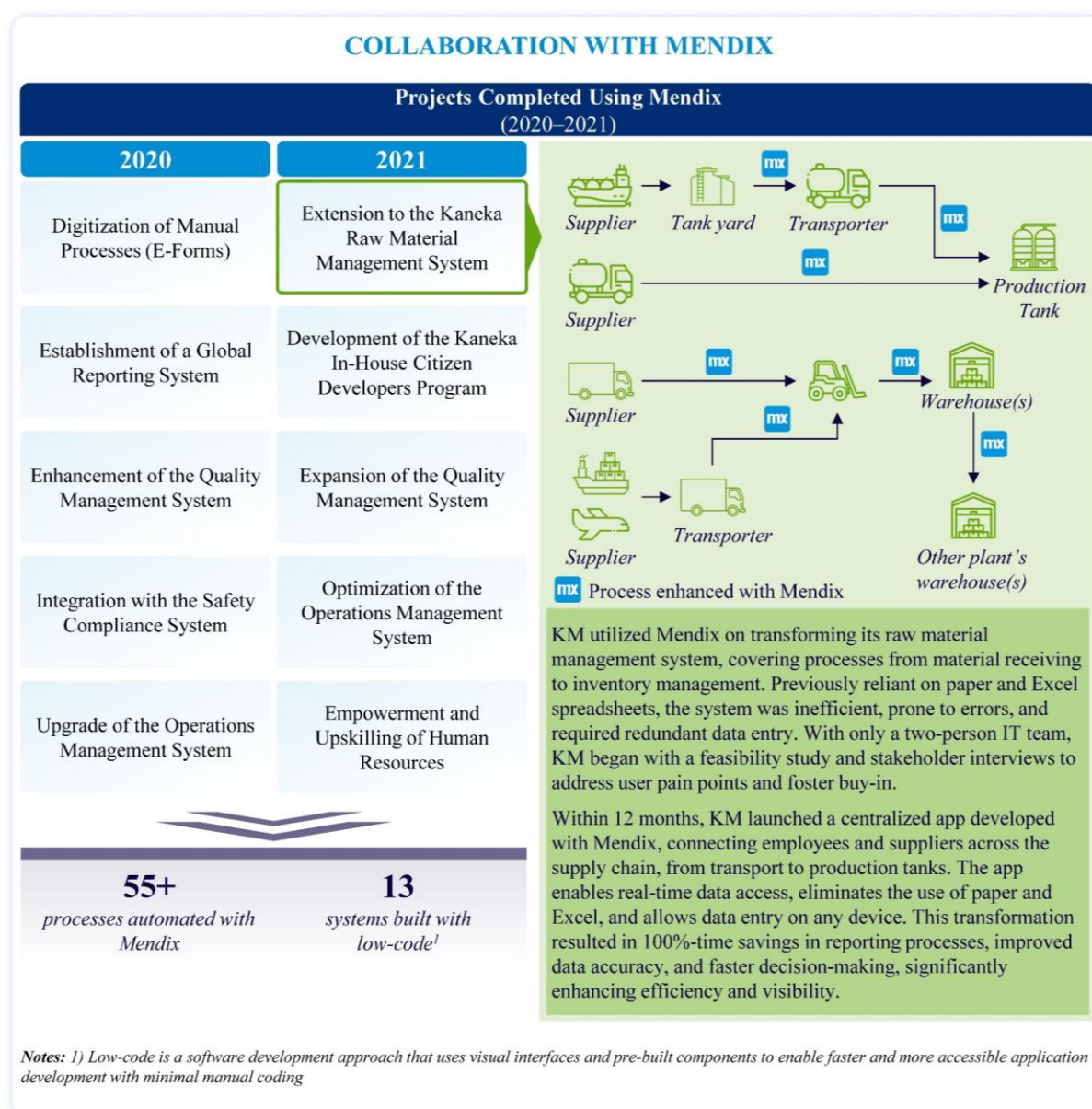
Source: Materials shared by KM during field study

Figure 6: OIDX Roadmap



Notes: 1) RPA: Robotic Process Automation, 2) MMS: Manufacturing Management System

Source: Materials shared by KM during field study

Figure 7: Collaboration with Mendix

Source: Mendix website⁴

“

In the past five years, we have spearheaded our digital transformation by developing over 100 applications, with more than 70% built in-house using tools such as Mendix.

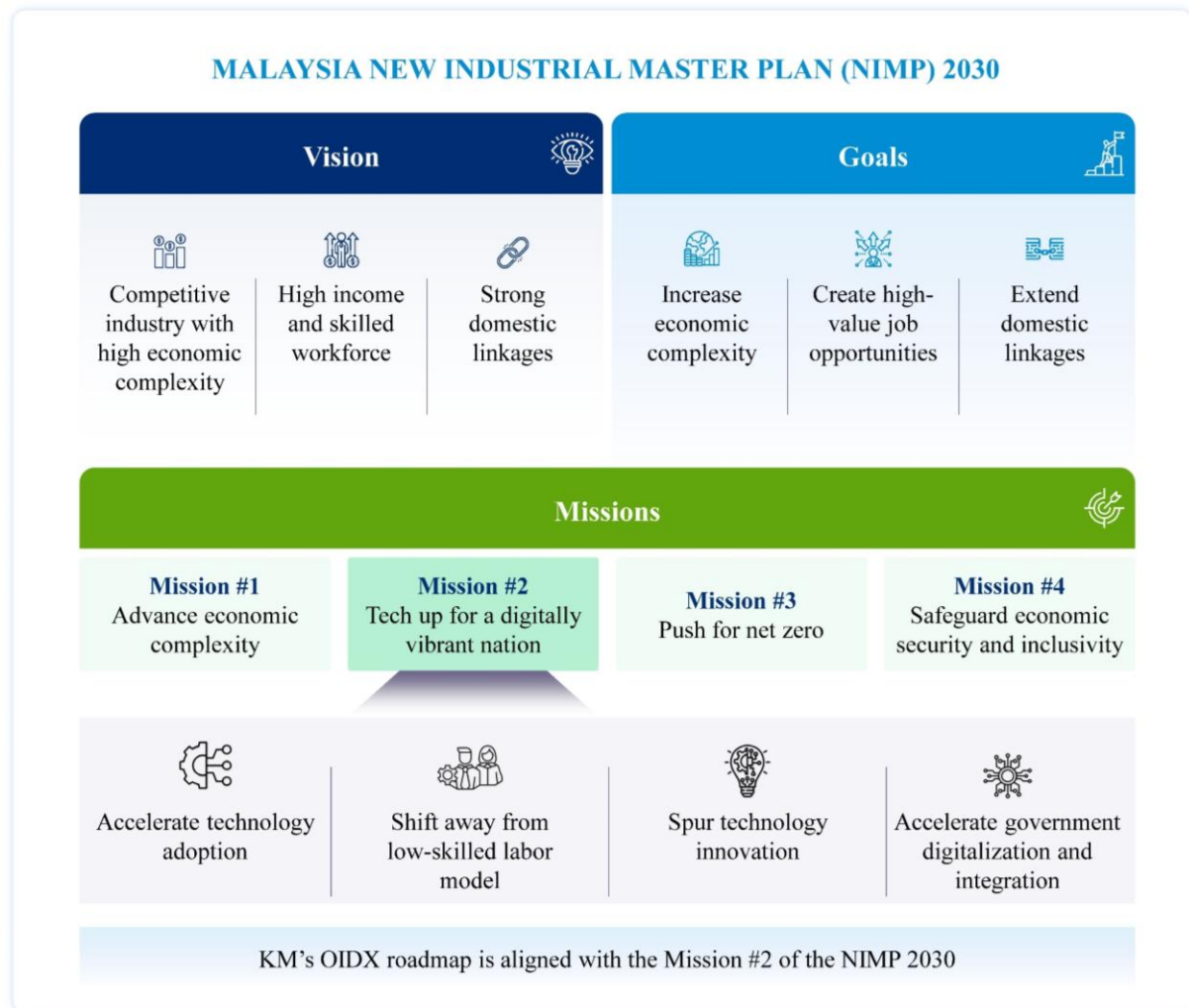
”

– (Mr. Ahmad Shaheer Mohamed Thaheer, Senior Manager of OIDX at KM)

The Operations Innovation and Digital Transformation (OIDX) initiative (see **Figure 6** and **Figure 7**) exemplifies KM’s commitment to achieving operational consistency through digitalization as part of its Lean Digitalization efforts (labeled as Item B under the Idea Bank in **Figure 5**). Additionally, to support and sustain these digital efforts, KM places a strong emphasis on upskilling and reskilling employees, ensuring the workforce is well-prepared to maintain high standards of operational excellence. Designed with a structured approach, this

initiative prioritizes stable and reliable operations, while also aligning with economy-wide goals for technological advancement as outlined in Malaysia's New Industrial Master Plan (NIMP) 2030 (see **Figure 8**).

Figure 8: KM's Alignment with NIMP 2030



Source: New Industrial Master Plan (NIMP) 2030⁵

KM's alignment with NIMP 2030 highlights its focus on supporting Malaysia's transformation into a high-value-added industrial economy. As part of this alignment, the company's digitalization strategy plays a pivotal role in meeting economy-wide goals for automation, data-driven decision-making, and Industry 4.0 adoption. This approach not only enhances KM's operational efficiency but also contributes to Malaysia's broader efforts to strengthen its global competitiveness in advanced manufacturing and technology sectors.

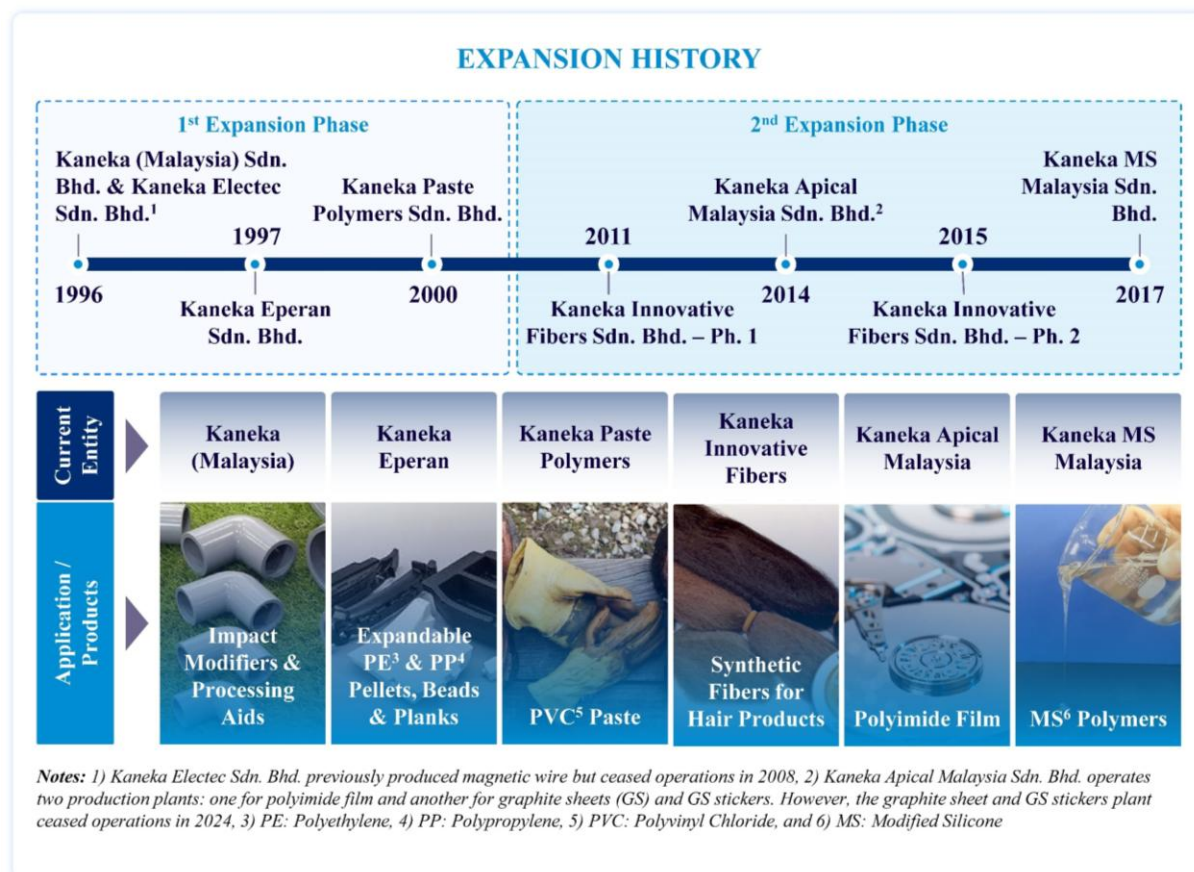
Additionally, KM's Invention and Collaboration efforts (labeled as Items C and D in the Idea Bank in **Figure 5**, respectively) demonstrate its commitment to achieving operational excellence by fostering innovation with key stakeholders, such as educational institutions. For example, its collaboration with Universiti Malaysia Pahang Al-Sultan Abdullah (UMPSA) has supported R&D focused on areas such as big data analytics and virtual reality for process optimization, all critical for maintaining streamlined and reliable operations (further details on Innovation and Collaboration efforts can be found in **Figure 25**, under the 'Local Workforce

Training & Skills Development' indicator). These partnerships help KM meet evolving market demands and also reinforce its position as an industry leader.

Additional Investments

KM's commitment to ongoing investment in Malaysia has been central to its growth and operational continuity, with a total FDI investment of ~USD 505 million (MYR 2.2 billion) to date. This investment strategy has unfolded in two distinct phases, each marking a significant step in KM's expansion and strengthening its position in Malaysia (see **Figure 9**).

Figure 9: Expansion History



Source: Materials shared by KM during field study

The first phase began in the 1990s with foundational investments of ~USD 115 million (MYR 0.5 billion) focused on establishing KM's presence in Malaysia. During this period, the company concentrated on polymer and chemical production, building a solid groundwork for future growth. This initial phase supported applications across key sectors, including specialty polymers for industrial polyvinyl chloride and other engineering plastics applications, as well as expanded polyethylene and polypropylene for packaging and automotive solutions, enabling KM to establish a robust operational base that serves both local and international markets.

Despite the closure of Kaneka Electec Sdn Bhd, which ceased operations in 2008 due to the shift from cathode ray tube (CRT) to flat-screen TV technology, KM embarked on a transformative second phase of investment in the 2010s. This phase involved a significantly larger investment of ~USD 390 million (MYR 1.7 billion), more than three times the initial investment in Phase 1, highlighting Kaneka's growing commitment to Malaysia. The second phase solidified KM's role as a key production hub within the Kaneka Corporation. This

expansion introduced advanced production lines to meet rising demand across diverse applications, including polyimide film for electronics, synthetic fibers for hair fashion products, and specialty polymers for eco-friendly adhesives and sealants.

By the end of this phase, KM had grown to become the Group's second-largest production site globally, underscoring its strategic importance within Kaneka Corporation's international network. These investments reflect KM's commitment to expanding its capabilities in Malaysia to serve both regional and global markets effectively.

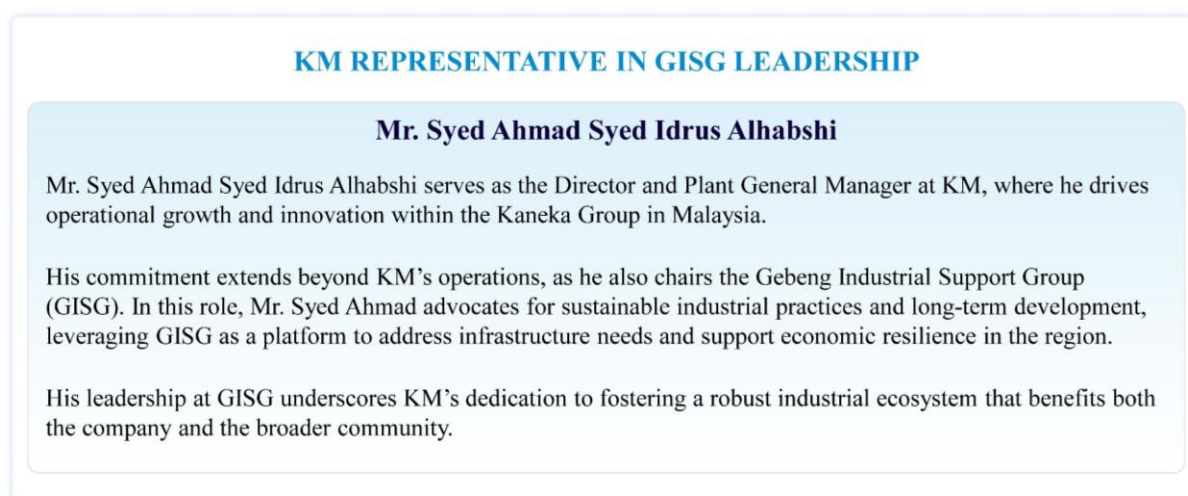
“ Malaysia's central location within Southeast Asia, China, and India provides a strategic geographic advantage, making it a pivotal hub for regional operations... Reflecting this significance, KM stands as one of the Kaneka Group's largest contributors, generating over 10% of the Group's total revenue. ”

– (Mr. Syed Ahmad Syed Idrus Alhabshi, Director & Plant General Manager at KM)

Industrial Impact

KM has played a significant role in shaping Malaysia's industrial landscape through its active membership in the Gebeng Industrial Support Group (GISG). Since 2014, KM representatives have held leadership positions, notably Mr. Syed Ahmad Syed Idrus Alhabshi, Director and Plant General Manager of KM, who also serves as GISG chairperson (see **Figure 10**).

Figure 10: KM Representative in GISG leadership



Source: Materials shared by KM during field study

Through its membership and the participation of its representatives, KM champions common issues faced by businesses in the Gebeng Industrial Estate, Malaysia-China Kuantan Industrial Park (MCKIP), and Kuantan Port. This involvement supports efforts to address critical industry challenges and fosters collaboration across key industrial zones in the Kuantan region.

“ For the past decade, GISG has been led by Mr. Syed Ahmad of Kaneka Malaysia... GISG played a pivotal role in fostering collaboration between the industry, governments, and local communities. ”

– (Mr. Mazlim Husin, Chief Commercial Officer (CCO) at Kuantan Port Consortium)

The GISG addresses challenges such as water supply, investment, infrastructure development, and logistics management, facilitating engagements with state and federal government agencies to ensure that policies and projects align with the needs of these industrial zones (see **Figure 11**). Through these initiatives, KM not only contributes to the resolution of industry-wide challenges but also plays a pivotal role in shaping industrial policies and infrastructure developments in Malaysia.

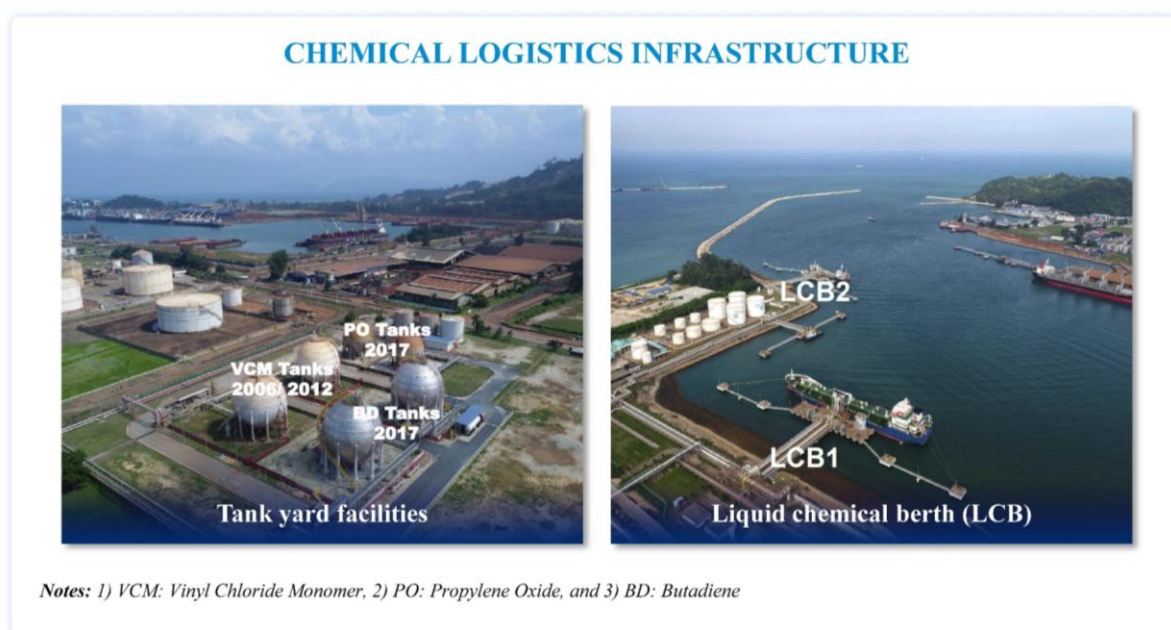
Figure 11: GISG's Role in Industry Development



Source: Ministry of Finance – Malaysia Government⁶; Malaysia Productivity Corporation⁷

Additionally, KM has played a crucial role in developing infrastructure within the Kuantan area to support and optimize its export-oriented operations. As a Licensed Manufacturing Warehouse (LMW), KM benefits from customs advantages that streamline both import and export processes, enhancing production efficiency and supporting its export-driven strategy. To support its operations, KM owns and operates 30,000 m² of tank yard facilities and leverages key infrastructure at Kuantan Port, including the Liquid Chemical Berth (LCB) (see **Figure 12**). This strategic use of local facilities optimizes the logistics of importing liquid chemicals, enhances storage and handling capacities, and strengthens the broader industrial ecosystem in Kuantan.

Figure 12: Chemical Logistics Infrastructure at Kuantan Port



Source: Materials shared by KM during field study

This integration of LMW benefits, facilitated by local infrastructure, has allowed KM to export over 80% of its output by value, fulfilling LMW requirements (i.e., at least 80% of goods must be exported) and emphasizing its integral role in Kaneka Corporation's global supply chain. Through this export-focused approach, KM has transformed Malaysia into a vital production and logistics base for Kaneka Corporation's international operations, reinforcing Malaysia's standing as a trusted supplier of high-quality materials to industries worldwide. Collectively, these advancements not only support KM's own operations but also contribute to broader industrial growth, enhancing Kuantan's role as a key logistics hub and amplifying Malaysia's appeal as a manufacturing and export center, attracting further investment and fostering technological progress.

In addition to infrastructure development, KM is committed to supporting local suppliers by forming partnerships and sourcing locally. A notable example is KM's collaboration with Cindai Teraju Sdn. Bhd. for workforce solutions, with KM being one of the first customers of its workforce division, established in 2016. This early support played a significant role in the growth of Cindai Teraju Sdn. Bhd., enabling its workforce management division to evolve into its largest business segment, alongside other services such as transportation. This partnership underscores KM's dedication to fostering local enterprises, driving regional economic development, and strengthening the local supply chain.

“ We like to think of Kaneka's approach as treating us like family... Their support has been instrumental in bringing us to where we are today, and we are confident that we can continue to grow and achieve more with Kaneka by our side.

”

– (Mr. Wan Ismail Wan Ibrahim, Manager at Cindai Teraju Sdn. Bhd.)

Additionally, KM works with suppliers in the Kuantan area to produce higher value-added products, such as ISO tanks¹ and logistics solutions. Recognizing the advanced expertise required for these technically demanding products, KM provides opportunities for knowledge-sharing and capability-building, including plant tours and workshops extended to suppliers through GISG initiatives or other channels. KM also collaborates with local educational institutions to develop tailored programs that equip suppliers with the necessary technical skills and expertise. These efforts help local suppliers enhance their competitiveness and expand their capabilities.

“ *Our goal was to support the growth of local small and medium-sized enterprises (SMEs) alongside us... A past example is ISO tanks, which required specialized expertise. We invited potential suppliers to our equipment audits, allowing them to engage directly with auditors and gain insights into the required technical standards.* ”

– (Ms. Elvina Lee, Senior General Manager of Supply Chain Management at KM)

Through these initiatives, KM demonstrates a long-term commitment to the growth of Malaysia’s industrial sector. By advocating for improvements in the Kuantan and Gebeng areas and empowering local suppliers to meet higher standards, KM strengthens the local industrial ecosystem and enhances Malaysia’s position as a competitive hub within ASEAN. This collaborative approach not only benefits Kaneka Corporation’s operations but also bolsters the resilience and prosperity of Malaysia’s economy, with positive impacts across the broader ASEAN region.

2.1.2 Relationship

CSR Initiatives

To understand KM's CSR initiatives, it is essential to consider the Environmental, Social, and Governance (ESG) principles that guide the company’s focus, as shown in **Figure 13**. These ESG criteria provide a structured framework that shapes KM’s CSR activities, ensuring key environmental and social priorities are addressed while reinforcing responsible governance.

¹ Specialized storage containers designed to meet International Organization for Standardization (ISO) standards, ensuring the safe storage and transport of bulk liquids, gases, and chemicals

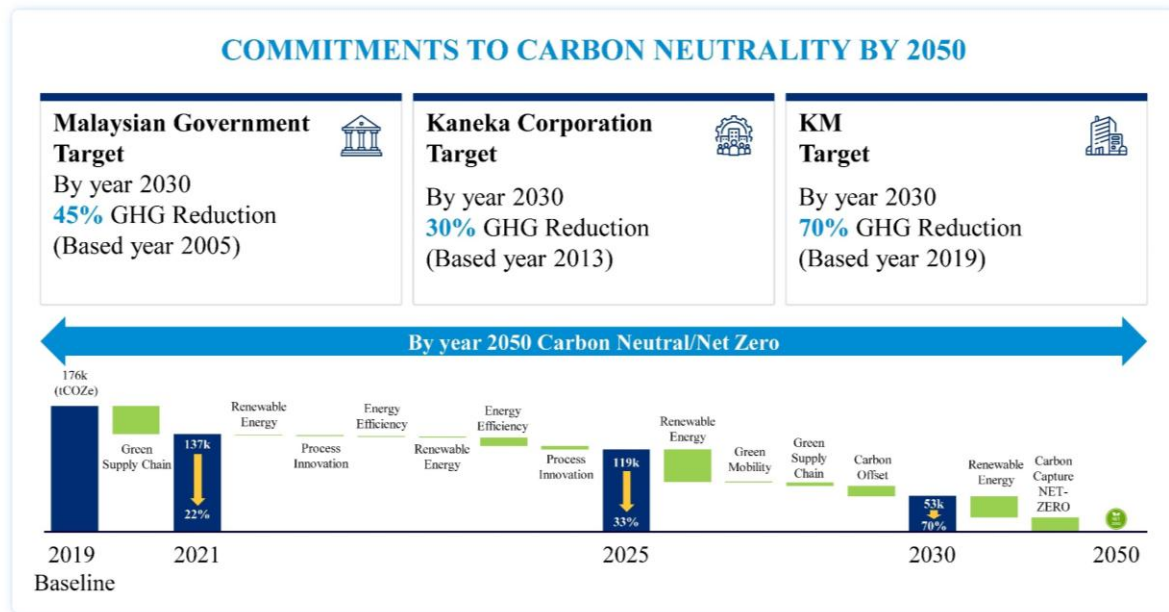
Figure 13: ESG Alignment



Source: Materials shared by KM during field study

Focusing on the environmental aspect, specifically “Carbon Neutrality” (labeled as Item A.1 in **Figure 13**), KM has developed a carbon-neutral roadmap with ambitious greenhouse gas (GHG) reduction targets. The company aims to reduce emissions by 70% by 2030 (compared to 2019 levels) and achieve full carbon neutrality by 2050 (see **Figure 14**), aligning with Malaysia's economy-wide targets.

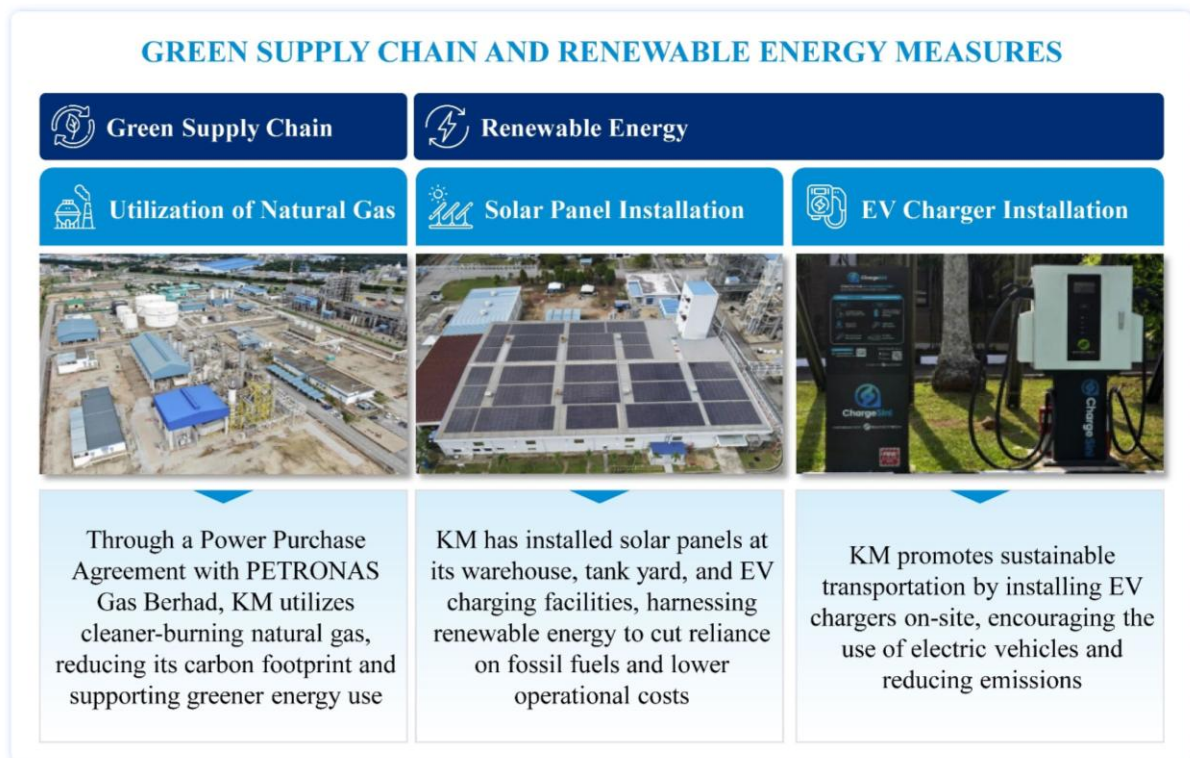
Figure 14: Commitments to Carbon Neutrality by 2050



Source: Materials shared by KM during field study

Furthermore, **Figure 15** highlights KM's tangible actions in green supply chain practices and renewable energy adoption, showcasing its commitment to decarbonization. Under its green supply chain initiatives, KM has partnered with PETRONAS Gas Berhad through a Power Purchase Agreement to utilize cleaner-burning natural gas. This shift reduces KM's carbon footprint while supporting greener energy use in operations. Additionally, renewable energy efforts include the installation of solar panels across KM's warehouse, tank yard, and EV charging facilities. These solar installations harness renewable energy to reduce reliance on fossil fuels and lower operational costs. KM is also driving sustainable transportation through the installation of EV chargers on-site, encouraging the use of electric vehicles among employees and visitors. By integrating these measures, KM strengthens its role as a leader in environmental responsibility while fostering a culture of sustainability within its operations.

Figure 15: Green Supply Chain and Renewable Energy



Source: Materials shared by KM during field study

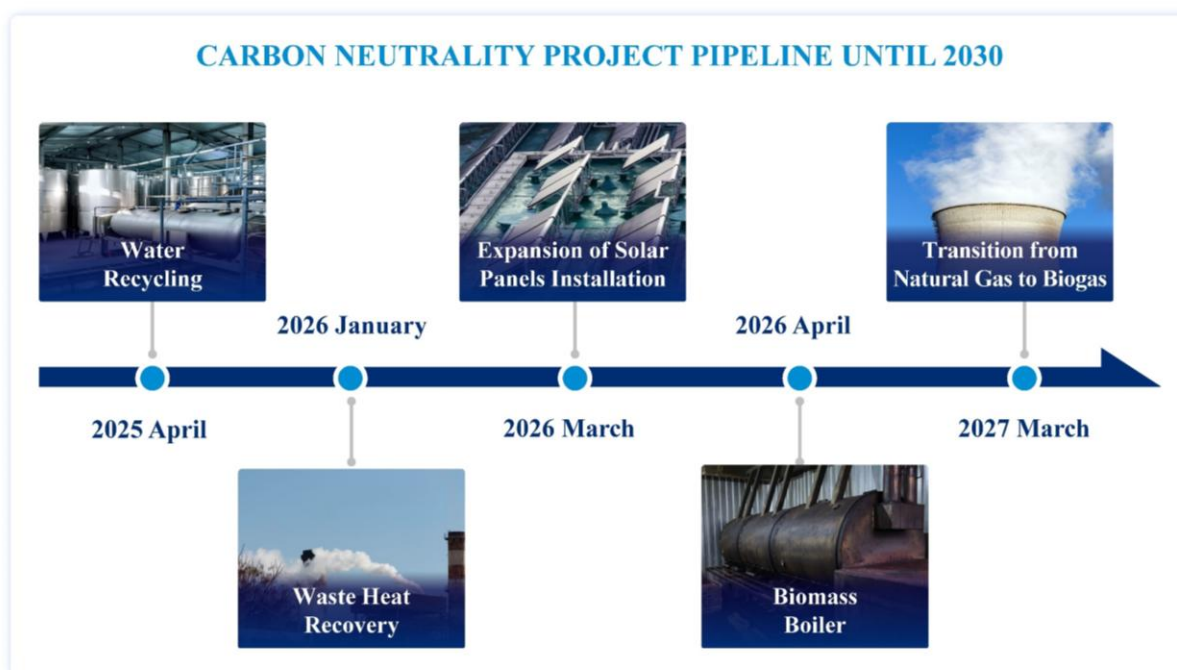
“ We are committed to reducing our emissions, beginning with readily achievable measures, such as selecting electricity sources with lower carbon emissions.

”

– (Mr. Syed Ahmad Syed Idrus Alhabshi, Director & Plant General Manager at KM)

Additionally, KM’s “Carbon Neutrality” efforts are further strengthened by a robust pipeline of decarbonization projects, ensuring the company remains on track to meet its ambitious goals (see **Figure 16**). Through these initiatives, KM not only contributes to global sustainability but also reinforces Malaysia’s commitment to environmental responsibility.

Figure 16: Carbon Neutrality Project Pipeline



Source: Materials shared by KM during field study

Community and Stakeholder Engagement

KM actively builds meaningful relationships with various stakeholders, positioning itself as a dedicated partner in Malaysia's economic and social landscape. This approach aligns with its social commitment to "Diversity" (labeled as Item B.1 in **Figure 13**), emphasizing the importance of stakeholder engagement and corporate communication. By fostering collaborations, KM reinforces its role in community and stakeholder engagement, strengthening trust and mutual support within the regions it operates.

The strength of KM's community and stakeholder engagement is evident in the continuous support it provides to local initiatives and public health needs. A notable example occurred during the COVID-19 pandemic when KM supported the Pahang State Health Department by donating tents essential for COVID-19 sample collection and vaccination drives. As the pandemic subsided, these tents continued to serve the community in new capacities, with the Pahang State Health Department repurposing them for outreach programs to provide health screenings and preventive care in underserved areas. This enduring contribution not only accentuates KM's commitment to immediate crisis response but also reflects a deeper dedication to lasting community impact, as these resources continue to support public health long after the initial crisis has passed.

“*Kaneka's timely donation of tents significantly enhanced our testing and vaccination capacities during COVID-19 and continues to support various outreach programs today.*

”

– (Dr. Roslaili Khairudin, Assistant Director / Epidemiologist of Pahang State Health Department)

Additionally, KM's community support spans various areas, from environmental protection initiatives to efforts that strengthen the local workforce and support charitable causes as shown in **Figure 17**. This variety of involvement is a testament to KM's commitment to fostering positive, lasting impacts within the communities it serves.

Figure 17: Community Support



Source: Materials shared by KM during field study; Interview with KM's Management and Working Team

Furthermore, KM and its employees actively engage in several organizations beyond the previously discussed GISG (see **Figure 18**). Through these affiliations, KM addresses a broad spectrum of issues and participates in various discussions on various topics such as social and environmental impact, workforce support, government relations, and other critical industry matters.

Figure 18: Membership and Associations

MEMBERSHIPS AND ASSOCIATIONS			
Japanese Chamber of Trade & Industry of Malaysia (JACTIM) 	Gebeng Industrial Support Group (GISG) 	Pahang Skills & Development Centre (PSDC) 	Malaysian Petrochemicals Association (MPA) 
Vice Chairman	Chairman	Deputy Chairman	Council Member
Chemical Industries Council of Malaysia (CICM) 	East Coast Chemical Industries (ECCI) 	Malaysian Employers Federation (MEF) - East Coast 	Social Security Organization (SOCSO) 
Member	Chairman	Chairman	Appellant Board
Pahang State Labor Council (MPNP) 	Federal Malaysian Manufacturers (FMM) 	Gebeng Emergency Mutual Aid (GEMA) 	Human Resource Development Fund (HRDF) 
Member	Member	Member	Certified HR Trainer

Source: Materials shared by KM during field study

The company actively participates in events promoting investment in Malaysia, offering insights and perspectives drawn from its extensive experience as a longstanding Japanese investor. These contributions strengthen KM's partnership with the Malaysian government and enhance Malaysia's appeal as a competitive destination for foreign investment.

“ We have participated in forums organized by MITI, MIDA, and the East Coast Economic Region Development Council (ECERDC) to share insights from a Japanese company's perspective. Additionally, some companies reached out to us through JACTIM (Japanese Chamber of Trade & Industry) for further input. ”

– (Mr. Hiroyuki Nishimoto, Managing Director at KM)

Company Reputation / Stakeholder Satisfaction

KM has established itself as a well-regarded leader in Malaysia's industrial landscape, recognized for its professionalism, community commitment, and strong stakeholder

relationships. Its dedication to excellence is reflected in numerous accolades, including the prestigious Best Employer Award from Kumpulan Wang Simpanan Pekerja (KWSP) / Employee Provident Fund (EPF), Malaysia's employee pension fund. This recognition showcases KM's commitment to fostering a supportive and dynamic workplace, attracting top local talent, and earning its reputation as an employer of choice. Graduates view KM as a desirable workplace, and its cooperative relationship with the workforce union, marked by open communication and a shared commitment to harmony, further strengthens employee satisfaction and loyalty, enhancing its community standing.

“ In addition to holding chairmanship roles in various industrial associations, Kaneka is honored to be recognized as a Best Employer by KWSP, reflecting our commitment to excellence and employee welfare.

”

– (Ms. Rosmawati Haron, Assistant General Manager of Human Resource at KM)

In addition, KM's impactful contributions to key industrial and community domains, as illustrated in **Figure 19**, reinforce its reputable standing. The company's active participation in leading industrial associations supports advocacy for industry-wide advancements and the development of collaborative solutions. By supporting educational institutions to bridge the gap between academia and industry, KM demonstrates its forward-thinking approach, supporting Malaysia's growth as a hub for innovation.

Figure 19: Awards and Achievements



Source: Chemical Industries Council of Malaysia⁸; LinkedIn post⁹; Materials shared by KM during field study

Through these actions, KM strengthens its standing as a company that values and prioritizes stakeholder satisfaction. By leading industry standards, supporting employees, empowering

local communities, and fostering closer ties between academia and industry, KM reinforces its reputation as a trusted and impactful presence within Malaysia, demonstrating its long-term commitment to both industrial growth and community welfare.

Conflict Resolution Mechanisms

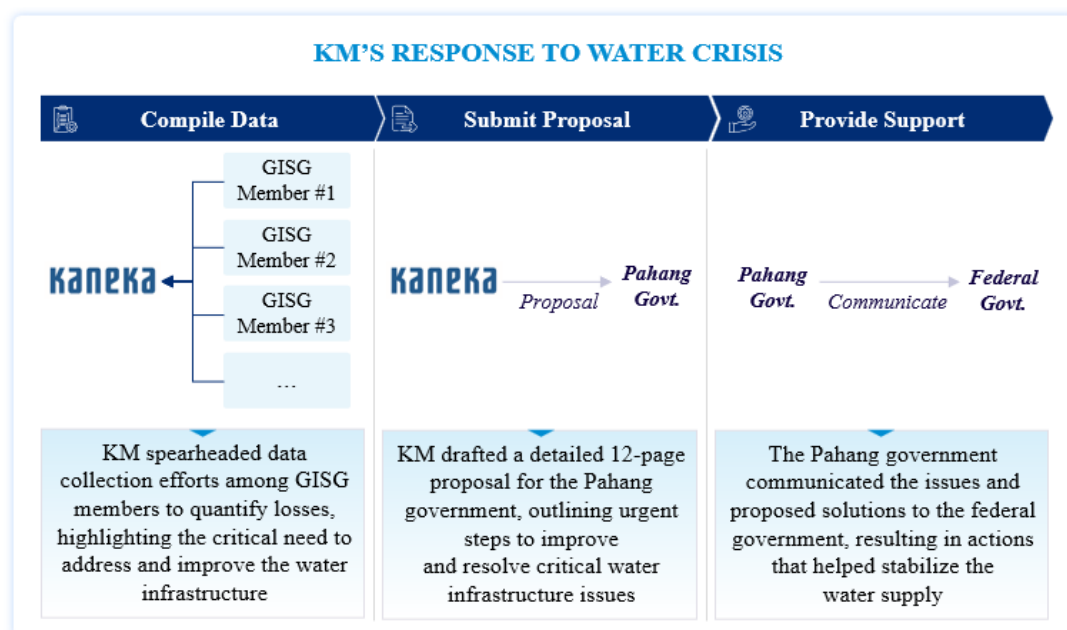
At the core of KM's operations lies a commitment to open communication and transparency, key factors in building strong relationships with various stakeholders and minimizing conflicts. This approach has allowed KM to cultivate trust and foster cooperation with industry partners, government bodies, and the local community. Evidence of this proactive relationship-building can be seen in KM's active membership in multiple industry associations, which serves as a platform for engaging with other businesses and regulatory agencies. By participating in these associations, KM not only gains insights into shared challenges but also contributes to developing collaborative and unified responses, helping to resolve potential conflicts before they arise.

“ During COVID-19, Kaneka's strong relationships with government agencies such as MITI and MIDA contributed to clear communication on operating guidelines... We also upheld full transparency with our staff, providing updates on any confirmed COVID-19 cases during morning meetings. ”

– (Mr. Wan Rosli Wan Ahmad, Senior General Manager of Manufacturing Division at KM)

KM's proactive approach to problem-solving further reinforces its role as a dependable industry leader. A prominent example is KM's response to a significant water crisis that impacted the region (see **Figure 20**). During the crisis, KM took an active role in developing initiatives to address the issue, collaborating with other industry stakeholders and government authorities to develop a solution. This coordination effort during crisis management highlights KM's commitment to addressing challenges that affect both its operations and the wider community, ensuring continuity and operational stability for all affected parties.

Figure 20: Water Crisis Resolution



Source: Interview with KM's Management and Working Team

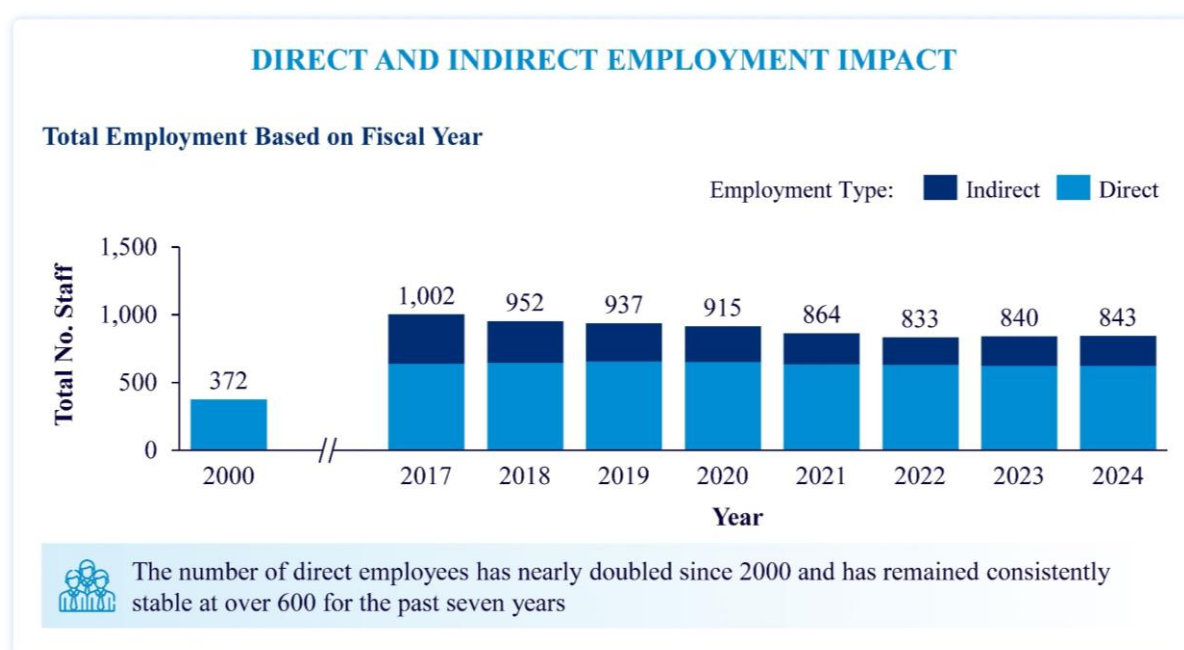
Through its focus on transparency, stakeholder engagement, and proactive problem-solving, KM has built a reputation as a reliable and responsible partner within Malaysia's industrial landscape. By maintaining open channels of communication and fostering collaborative relationships, KM minimizes conflict and reinforces its commitment to sustainable growth, community welfare, and long-term partnerships. This approach not only strengthens KM's operational resilience but also positions the company as a model for responsible corporate citizenship in the region.

2.1.3 Human Resource Development

Local Job Creation

KM directly employs 624 individuals (as of November 2024), with over 95% of its workforce consisting of Malaysian citizens. This direct employment figure has almost doubled from its 2000 level and has remained stable since 2017, demonstrating KM's commitment to consistent local employment and resilience in adapting to changing economic conditions (see **Figure 21**). This sustained growth and stability in direct employment reflect the company's dedication to fostering long-term careers for Malaysians and supporting the local economy through reliable job creation.

Figure 21: Direct and Indirect Employment Impact



Source: Materials shared by KM during field study

In addition to direct employment, KM's operations have a notable ripple effect across its extended network, creating indirect employment opportunities for approximately 218 individuals through partnerships with local suppliers and service providers. This broader employment impact highlights KM's dedication to supporting Malaysia's economic development beyond its immediate workforce, contributing to local business growth, and strengthening the economic infrastructure.

“
*Kaneka saw a significant increase in job opportunities during our second expansion...
 Today, we proudly employ around 600 individuals from across Malaysia.*

”

– (Ms. Rosmawati Haron, Assistant General Manager of Human Resource at KM)

Central to this impact is KM’s human resource approach, which fosters an environment where employees are encouraged to take on challenges and grow both personally and professionally. This philosophy, valuing individual development as a key to company success, aligns with Kaneka Corporation’s global strategy, anchored in The Three Pillars (shown in **Figure 22**), with 'Trust and Respect' as its central tenet.

- **Human Resource Development:** Develop systems designed to drive company growth by fostering personal growth in employees, igniting a passion for excellence, and "lighting a fire in people's hearts."
- **Promotion of Diversity:** Going beyond conventional attributes, the company taps into diverse perspectives to generate innovative ideas, ensuring the continuous delivery of unique value that captivates the world.
- **Promotion of Wellness:** Dedicated to enhancing the wellness of each employee and the organization, the company places a strong bond with its workforce at the core of this commitment.

Figure 22: The Three Pillars of Human Resource Strategies



Source: Kaneka Corporation¹⁰

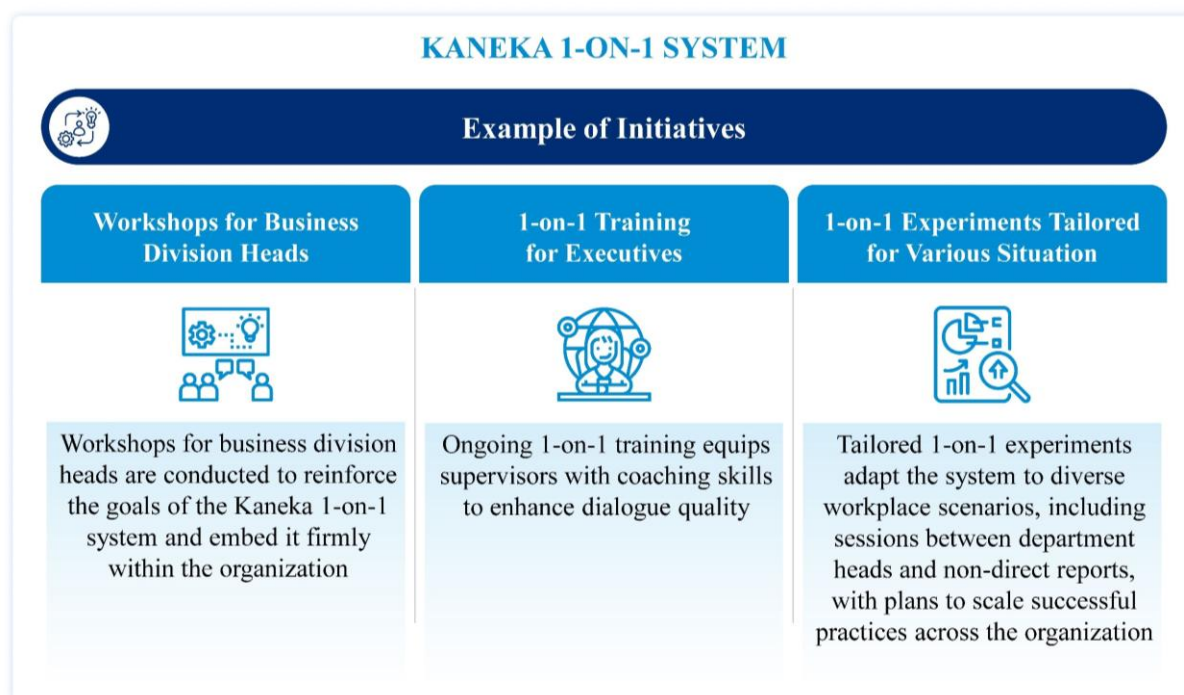
KM's commitment to human resource development, diversity, and wellness strengthens its workforce and reinforces its role as a trusted and key participant in the industry. By fostering personal growth, inclusivity, and well-being, the company builds a resilient, motivated team ready to meet industry demands, going beyond mere job creation. This approach supports Malaysia's economic and social development, embodying Kaneka Corporation's philosophy of 'Trust and Respect' and fostering a sustainable future for its employees and the community.

Local Workforce Training & Skills Development

KM places significant emphasis on workforce development, as highlighted in the "Human Resource Development" aspect of its human resource strategy (see **Figure 22**). This commitment extends both internally and externally, with initiatives designed to provide upskilling opportunities for employees and external stakeholders alike. These efforts not only contribute to individual and organizational growth but also generate benefits for the broader region.

KM has implemented various initiatives to enhance workforce and leadership development, with the "1-on-1" system emerging as a key strategic approach, in line with its global practices (see **Figure 23**). This system is grounded in the belief that "people grow through their work, while companies grow through their people." By aligning individual aspirations with organizational objectives, it aims to foster both personal and professional growth. As part of KM's personnel strategy, the system integrates goal-setting and personal development into the employee performance evaluation process.

Figure 23: Example of 1-on-1 System Initiatives at The Global Level



Source: Kaneka Corporation¹¹

At KM, the "1-on-1" system serves as a structured discussion tool for superior-subordinate sessions, fostering open communication. These sessions enable superiors to understand their subordinates' updates and challenges while collaboratively defining mutual expectations and outcomes. Although currently implemented at the Division Head and Department Head levels, the system is planned to be expanded and integrated into performance management activities,

making it accessible to all employees and strengthening KM's commitment to holistic human development across the organization.

Complementing these efforts, KM's Safety Experience Training Centre (SETC) demonstrates its broader commitment to workforce development by positioning Malaysia as a hub for ASEAN-wide training and operational excellence. SETC aligns with KM's philosophy by not only enhancing skills and standards but also creating a culture of safety and hazard awareness among local talent. By establishing itself as a Regional Centre of Excellence, SETC addresses both local and regional training needs, fostering the cross-pollination of knowledge and expertise across ASEAN. This regional integration not only promotes best practices and elevates safety benchmarks across Southeast Asia but also accelerates the development of local talent, embedding a robust safety culture and driving workforce excellence.

KM's commitment extends beyond the development of its internal employees to fostering workforce growth across Malaysia. This is demonstrated through initiatives and collaborations with educational institutions aimed at preparing future generations and enhancing the overall quality of the workforce. By investing in education, KM contributes to the development of the broader community, ensuring a pipeline of skilled talent that benefits not only the company but also Malaysia's economic growth.

“ *Tuan Syed of Kaneka, Vice-Chairman of the Pahang Skills Development Center (PSDC), drew on his industry expertise to advocate for future-focused training topics, such as green technology... These courses have the potential to benefit students not only in Kuantan but also across Malaysia through the Federation of Malaysian Skills Development Centers.*

”

– (Mr. Fakhru Adly Hashim, Deputy Executive Director 2 at Pahang Skills Development Center)

A notable example of this commitment is Kaneka Corporation's contribution of ~USD 230,000 (MYR 1 million) to the Universiti Kebangsaan Malaysia (UKM) Endowment Fund in 1998 (see **Figure 24**). This partnership has supported various programs and activities managed by the Institute of Malaysian and International Studies (IKMAS), a multidisciplinary research center established on 1 April 1995 within UKM. IKMAS conducts research, post-graduate teaching, and academic activities, focusing on social sciences through the lenses of economics, sociology, political science, law, and literature. Dedicated to Malaysian and international studies, IKMAS emphasizes inter-regionalism, connectivity, and inclusive development, fostering innovation and advancing knowledge in Malaysia and beyond.

Figure 24: UKM Endowment Fund



Source: Materials shared by KM during field study

“ Profits from the endowment fund enable us to offer up to three post-doctoral fellowship positions annually for ASEAN scholars at IKMAS... Occasionally, the funding is also used to sponsor events, such as the 40th Anniversary of the Look East Policy.

”

– (Prof. Dr. Sufian Jusoh, Director of IKMAS at Universiti Kebangsaan Malaysia)

Additionally, the goal of fostering workforce growth is further demonstrated through collaborations with multiple academic institutions, focusing on research, knowledge exchange, and joint initiatives to enhance academic and industrial synergy (see **Figure 25**). These efforts extend beyond product innovation, aiming to address broader challenges such as optimizing work processes and improving operational efficiencies. Key activities in these collaborations include addressing industrial challenges through applied research, leveraging academic expertise for real-world problem-solving, and incorporating advanced technologies such as IoT and AI into local industries. These partnerships not only enhance the diffusion of knowledge but also contribute to raising industry standards by enabling access to cutting-edge resources and fostering innovation across sectors. For instance, joint initiatives provide industry players with exposure to the latest technological developments and support workforce upskilling through experiential learning opportunities.

Figure 25: Collaboration with Academic Institutions

COLLABORATION WITH ACADEMIC INSTITUTIONS			
Academic Institution	Collaboration Start year	Area	Example of Collaboration Efforts
 Universiti Malaysia Pahang Al-Sultan Abdullah (UMPSA)	2015	 Technology and Process Innovation	• Intelligent Surveillance via CCTV and Drone (ISCD) • Security Access Control System via GPS for Buildings/Areas at KM • Virtual Reality Training Application for Routine Activity at KM • Automated Product Counting and Real-Time Dashboard for Production • Big Data Analytic for Real-Time Process Monitoring of Polymerization Reactor • Integrated Security Management System
 Universiti Teknologi Malaysia (UTM)	2015	 Sustainability & Built Environment	• GHG Reduction, Product Carbon Footprint (PCF) Calculation, ESG Reporting • Energy Efficiency and Conservation • Built Environment and Surveying
 Universiti Sains Malaysia (USM)	2014	 Material and Product Development	• Study on Blending of PVC Latex with Natural Rubber Latex for Disposable Glove Applications

Source: Materials shared by KM during field study

These initiatives are further bolstered by KM's close partnership with the East Coast Economic Region Development Council (ECERDC), which plays a pivotal role in facilitating workforce and economic development across the East Coast of Malaysia. Through this collaboration, KM has significantly contributed to addressing skill gaps, enhancing workforce capabilities, and driving regional economic growth. This partnership underscores KM's holistic approach to uplifting the East Coast region while aligning with economy-wide development goals, ensuring its efforts create a lasting and transformative impact on all levels of the economy.

Career Progression

KM is dedicated to fostering employee growth and career development through well-structured tools and systems. Central to this initiative are "assessment rulers" developed by the Human Resources team to evaluate employees' skills, competencies, and performance at various levels. These rulers establish clear role expectations, helping employees understand their current standing and identify areas for improvement. To support continuous growth, employees receive active guidance in addressing skill gaps, with assessment results stored in a comprehensive performance management system that tracks progress and identifies high-potential leaders for future advancement.

Additionally, the same system is also employed in selecting the next generation of leaders, with eligibility requiring a minimum of 90% alignment with the ruler's standards. This transparent and structured process empowers employees to take ownership of their development while aligning personal growth with KM's strategic goals. By offering clear criteria for career

progression, KM fosters a culture of motivation and accountability, providing employees with a well-defined roadmap for advancement.

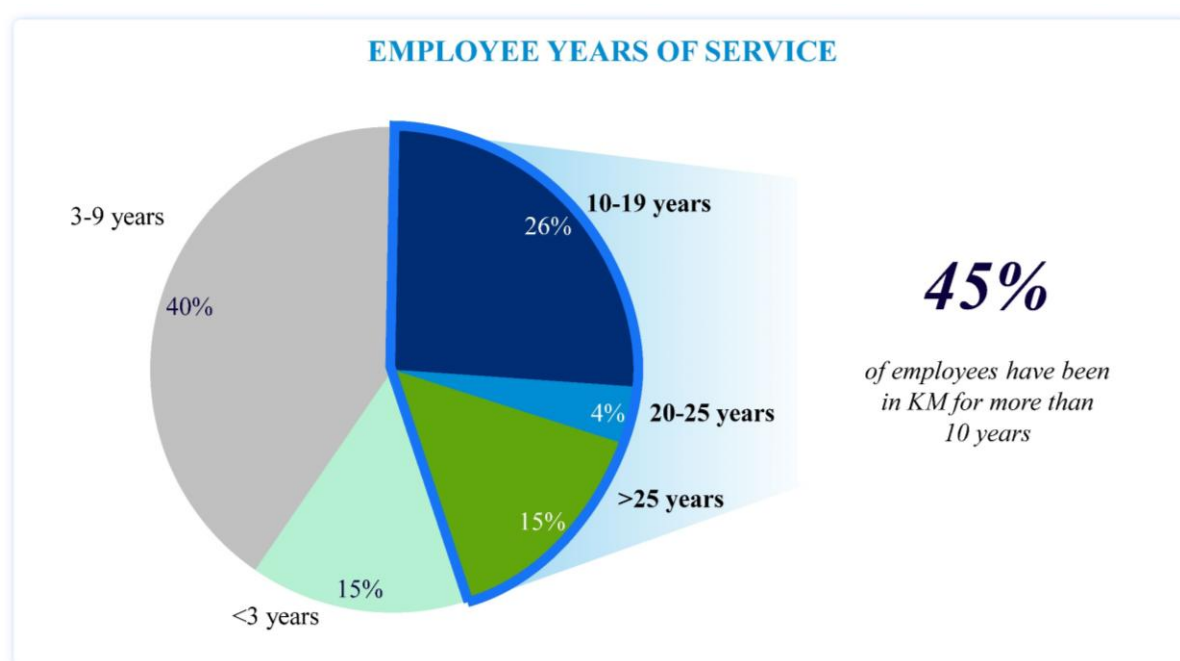
“ We firmly believe in internal promotions over external hiring... Our training and development programs consistently prepare the most suitable candidates for advancement.

”

– (Ms. Rosmawati Haron, Assistant General Manager of Human Resource at KM)

KM’s commitment to internal talent development is further demonstrated by its strong emphasis on promoting from within. By prioritizing internal candidates for leadership roles, the company fosters a sense of loyalty and alignment with KM’s mission and values. This focus is reflected in the company’s long-standing workforce, with 45% of employees having been with KM for 10 years or more (see **Figure 26**). These initiatives highlight KM’s dedication to nurturing talent and ensuring long-term employee growth.

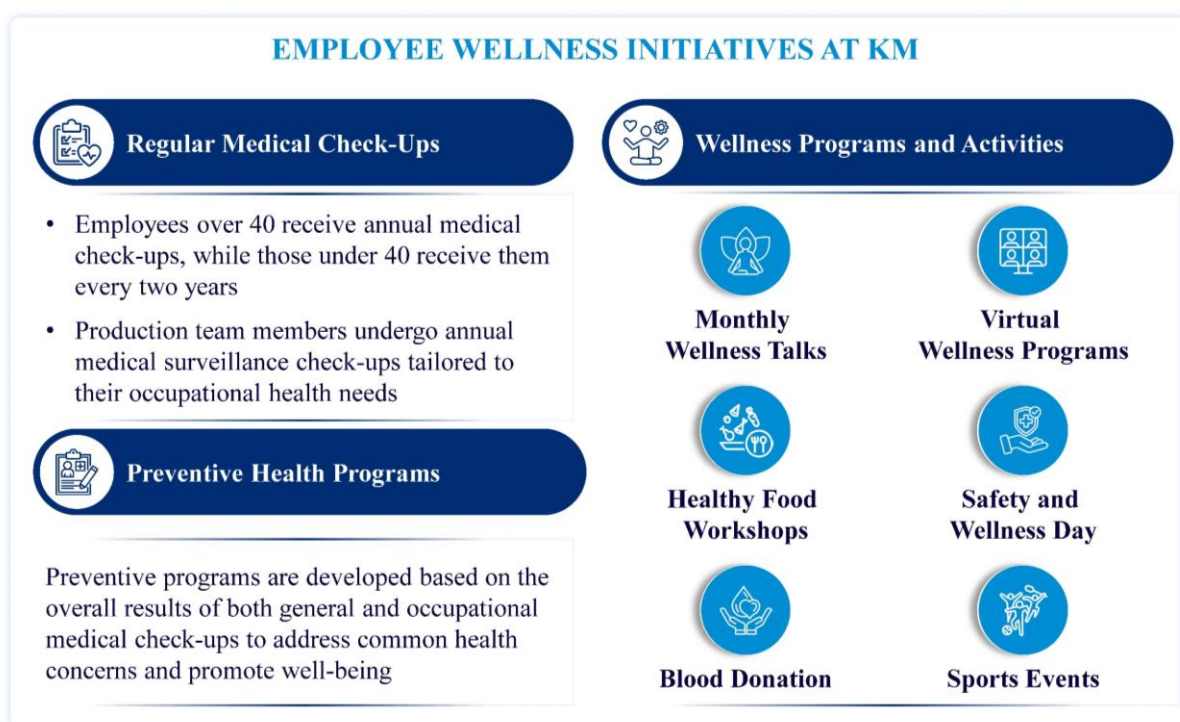
Figure 26: Employee Years of Service



Source: Materials shared by KM during field study

The wellness of employees is also a key priority for KM, aligning with the Human Resources strategy pillar of “Promotion of Wellness” (see **Figure 22**). Through initiatives such as regular medical check-ups, preventive health programs, and diverse wellness activities, KM demonstrates its commitment to supporting employees’ physical and mental well-being. This holistic approach to employee care not only enhances overall job satisfaction but also contributes to the company’s high employee retention rates (see **Figure 26**). By fostering an environment that prioritizes both professional development and personal wellness, KM has cultivated a loyal and committed workforce, making it a preferred employer within the industry.

Figure 27: Employee Wellness Initiatives at KM



Source: Materials shared by KM during field study

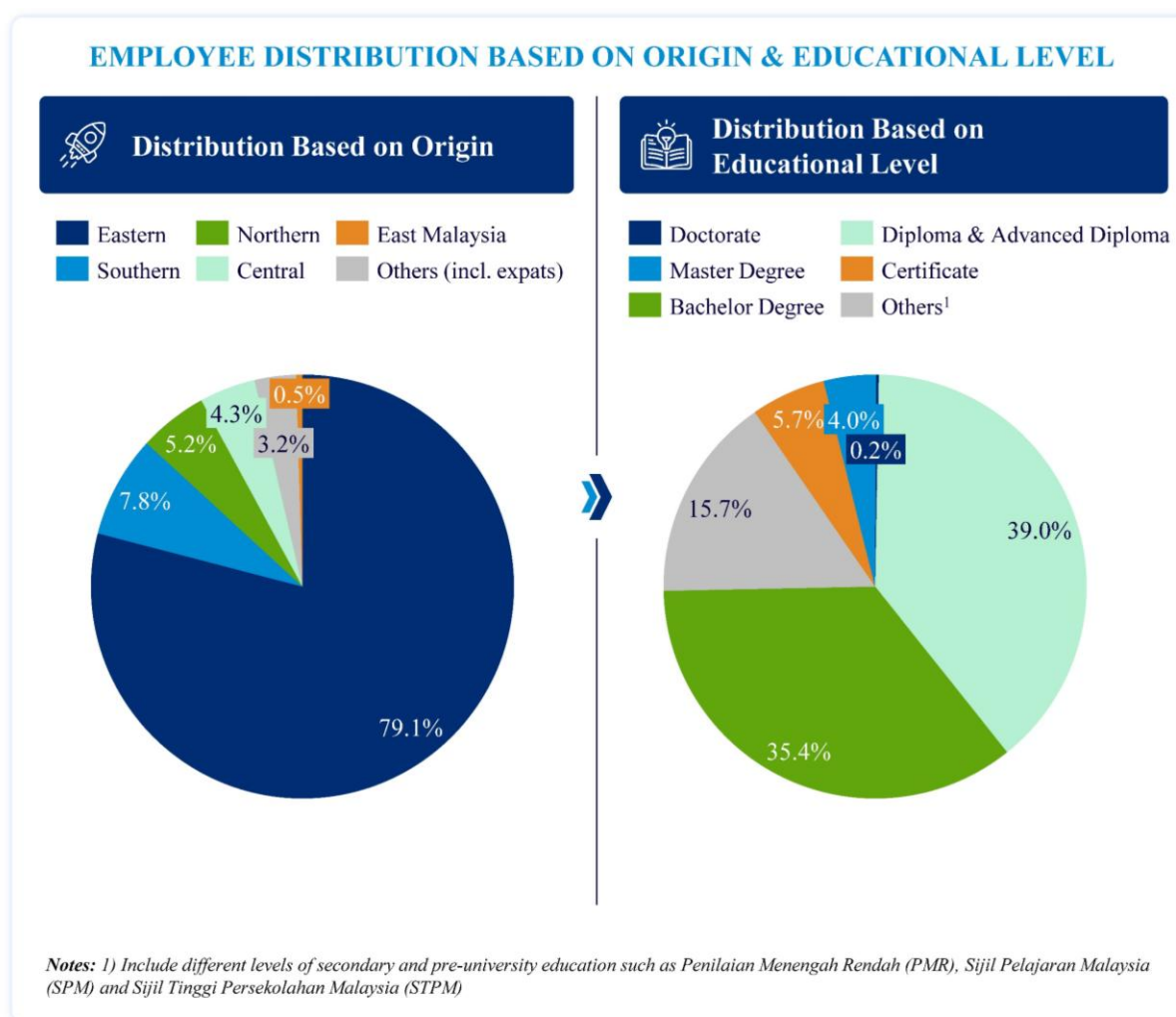
Through these initiatives, KM nurtures a motivated and skilled workforce, equipped to tackle industry challenges while building fulfilling, long-term careers. This structured and transparent approach to career progression not only strengthens KM's success but also enhances employee retention and satisfaction.

Workforce Diversity and Inclusion

Aligned with the pillar of "Promotion of Diversity" under The Three Pillars of the Human Resource Strategy, KM exemplifies its commitment to fostering an inclusive and diverse workforce. Through its structured approach to recruitment, career development, and talent retention, the company actively integrates diverse perspectives, ensuring a thriving and collaborative workplace. The demographic data reflects KM's efforts to promote diversity across various dimensions, from educational background and regional representation to generational and gender distribution.

The workforce distribution highlights KM's strong representation from different regions, with the majority of employees coming from the Eastern region (see **Figure 28**). This is particularly significant, as the Eastern region is home to KM's operations in Kuantan, reflecting the company's dedication to contributing to the local economy by providing employment opportunities to the surrounding community. Smaller percentages of employees from other regions such as the Southern, Northern, and Central regions further demonstrate KM's inclusive hiring practices, extending opportunities across Malaysia. This regional representation underscores KM's commitment to supporting local development while fostering a workforce that mirrors the diverse geographic and cultural makeup of Malaysia.

Figure 28: Employee Distribution Based on Origin and Educational Level

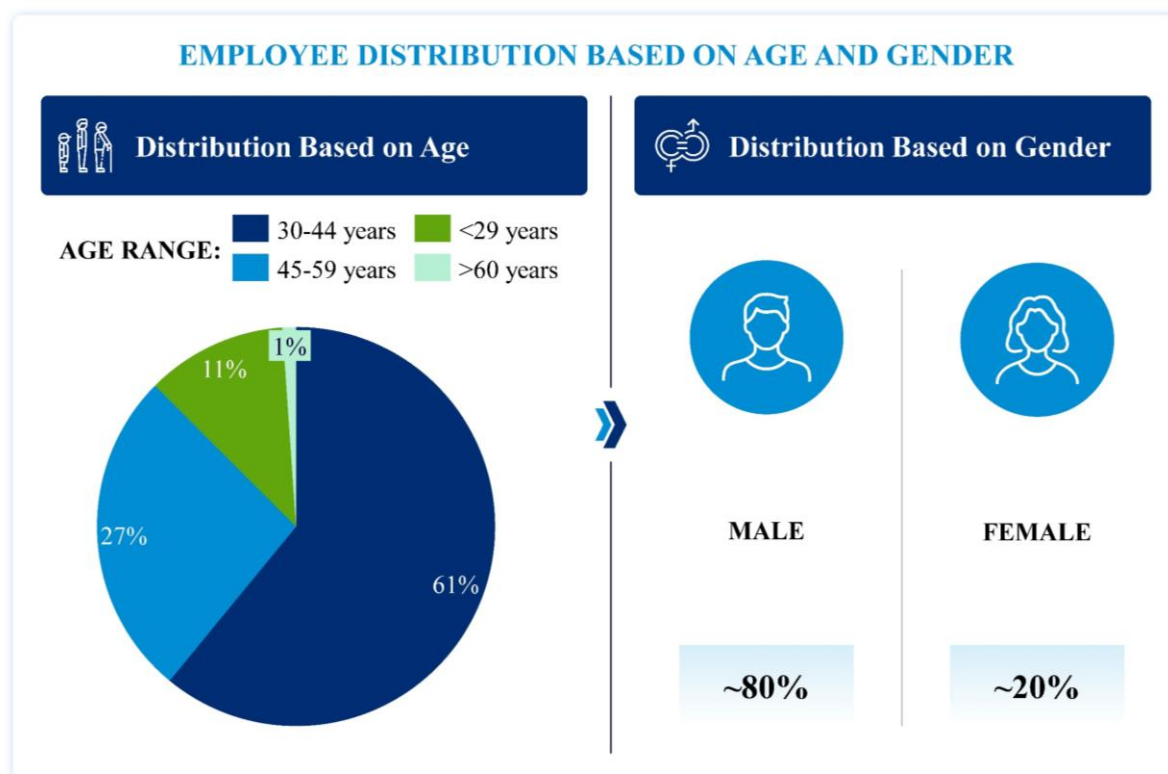


Source: Materials shared by KM during field study

Additionally, diversity in educational qualifications is another testament to KM's inclusive approach. Employees come from a wide range of academic backgrounds, with tertiary education holders making up the majority, while diploma holders, certificates, and other qualifications represent a significant portion of the workforce (see **Figure 28**). This mix of academic levels illustrates KM's efforts to value both formal education and practical expertise, ensuring opportunities for individuals with varied skill sets. Such diversity not only broadens the company's talent pool but also enriches the perspectives and capabilities within the organization.

Furthermore, generational diversity reinforces KM's inclusive practices, with the workforce spanning multiple age groups. The largest representation comes from the 30-44 age range, followed by those aged 45-59, while younger employees under 29 and older employees over 60 also contribute to the team (see **Figure 29**). This broad generational mix fosters a dynamic workplace, where knowledge transfer, innovation, and collaboration thrive between experienced professionals and younger talent. By embracing this diversity, KM ensures a balanced exchange of ideas and skills, strengthening its ability to adapt and grow in an evolving industry.

Figure 29: Employee Distribution Based on Age and Gender



Source: Materials shared by KM during field study

Gender diversity is another key focus for KM, with females making up ~20% of the workforce (see **Figure 29**). While males form the majority, this representation of women reflects the company's active efforts to bridge gender gaps and create opportunities for female employees. Notably, while 9% of production roles are held by women, 26% of managerial roles are occupied by females, and 35% of top management and support functions are comprised of women. KM's initiatives empower women to take on roles across technical, professional, and leadership positions, demonstrating a commitment to fostering an inclusive workplace. By proactively addressing gender disparities, KM not only enhances its organizational culture but also sets a benchmark for gender inclusivity in the industry, ensuring every employee has the opportunity to succeed.

By fostering a workforce that is geographically, educationally, generationally, and gender-diverse, KM demonstrates its unwavering commitment to the "Promotion of Diversity." These efforts not only align with its broader human resource strategy but also create a more inclusive workplace culture that drives innovation, employee satisfaction, and organizational success. KM's ability to embrace and integrate diversity is a key factor in its long-standing reputation as an employer of choice in Malaysia.

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