

## MANAGING DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

**The events that carried us through 2023 illustrated the vital role of being adaptable and agile in the face of uncertainties.**

We refined the Malakoff 2.0 Strategic Transformation, unlocking new opportunities in sustainability and green energy. Though it was a challenging year, we stayed focused on delivering our strategy, leveraging on our strong track record, innovative thinking and operational excellence.



**Anwar Syahrin Abdul Ajib**

Managing Director & Group Chief Executive Officer (MD & GCEO)

**Q** The year 2023 was a transformative one for Malakoff. Beginning in plantations, to being an Independent Power Producer (IPP) and now, into renewable energy (RE). How would you best describe the year for Malakoff?

**★**  **28.2 TWh of electricity exported to the National Grid, compared to 26.3 TWh in 2022**

**★**  **67.6 MWh generated from our RE assets throughout the year**

**“**Despite these challenges, 2023 emerged as a pivotal year for ushering a new era of growth where we reshaped and redefined Malakoff's future trajectory.**”**



Looking back at the unprecedented twists and turns of 2023, the year unfolded against a backdrop of navigating through stringent monetary policies, global trade disruptions and heightened geopolitical tensions stemming from conflicts such as the Russia-Ukraine and Middle East disputes. Persistent inflation, supply chain disruptions and climate-related disasters further compounded the complexities within the market.

For us at Malakoff, these challenges manifested through coal prices, revealing that IPPs are not immune to financial uncertainties. The element of risk lay embedded in the cost of fuel, resulting in a fuel margin setback during the initial two quarters. This setback, linked to pre-ordered coal at predetermined terms, known as the Applicable Coal Price (ACP), significantly impacted our financial performance as the ACP declined, and we had no choice but to use the coal at terms higher than the weighted average.

Despite these challenges, 2023 emerged as a pivotal year for ushering in a new era of growth where we reshaped and redefined Malakoff's future trajectory. In the face of adversity, operational performance was commendable, exporting 28.2 TWh of electricity to the National Grid, compared to 26.3 TWh in 2022. The increase, despite the expiry of the GB3 Power Plant in December 2022 was due to higher grid demand and lower outages throughout the year.

We moved forward aggressively on the RE front as we transitioned towards an ESG-focused organisation. Malakoff generated a total of 67.6 MWh from our RE assets throughout the year, with expectations that this will increase given the number of upcoming projects. In environmental solutions, Alam Flora collected and managed 1.6 million tonnes of waste as compared to 2.0 million tonnes of waste in the previous year. The reduction was mainly due to the

expiry of the Kepong Transfer Station and the Cameron Highlands mini incinerator. Recyclable materials collected during the year increased by 14.7% year-on-year due to higher domestic waste collected in the concession areas and the implementation of a new buy-back centre in Pahang. Our water desalination projects, which is one of the largest in the Middle East was able to consistently meet the production demands of the region.

Throughout 2023, our steadfast focus on responsible growth remained the cornerstone of our strategic initiatives. Aligned with our aspiration to transform into a sustainably conscious organisation, we focused on expanding our RE and environmental solutions business through continuous collaboration and partnerships. We also dedicated efforts to instilling circular economy awareness among Malaysians.



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**Q** Could you elaborate on the rebranding carried out as part of the Malakoff 2.0 Strategic Transformation in 2023, and explain the rationale behind it?

**“It is our promise towards shaping a sustainable legacy and fostering responsible business practices.”**

Reviewing Malakoff’s journey, historically, we have been Malaysia’s largest IPP with a stellar track record of profitability. The acquisition of Alam Flora in 2019 propelled us to become the country’s largest environmental service providers, with the ability to manage more than 4,386 tonnes of waste daily.

As our Power Purchase Agreements (PPAs) for coal-based power plants approach expiration over the next 17 years, accompanied by concluding agreements for international investments, we found ourselves in a pivotal juncture. While power generation was our forte, Alam Flora was a vital component of our portfolio, prompting the need to re-strategise and consider the direction of our company.

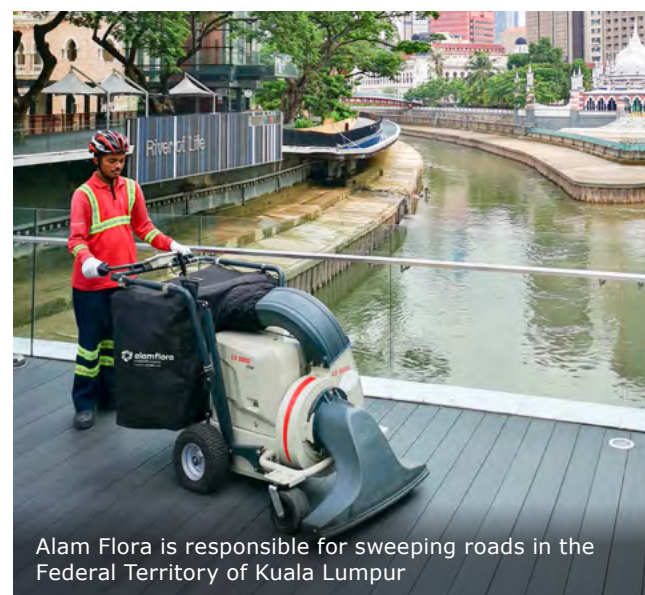
Recognising the significance of sustaining our contribution to Malaysia’s economic growth and ensuring energy security, especially with our 21% share of the generation capacity in Peninsular Malaysia, a decisive move was made. To remain relevant in the power business, we committed to neutralising and transitioning into renewables, responding to the growing emphasis on sustainability and ESG principles. This would also help us plug the earnings gaps, given the challenges faced in 2023.

We undertook a rebranding exercise in 2023, a transformative effort that initiated this strategic shift towards RE and environmental solutions, forming the foundation of Malakoff 2.0 Strategic Transformation. Comprising three business pillars – Malakoff Green Solutions, Malakoff Environmental Solutions and Malakoff Energy – this strategy reflects our decision to foster a sustainable future through innovative,

environmentally-friendly energy solutions. This transformation is not just a facelift but a strategic necessity. It is our promise towards shaping a sustainable legacy and fostering responsible business practices.

Through this strategic pivot, we adeptly navigated challenges arising from reduced fuel margins and the impact of fluctuating global coal prices, aligning with our transition towards a low-carbon future.

As part of the Malakoff 2.0 Strategic Transformation, we established clear goals – to reach an RE capacity of 1,400 MW by 2031 and achieve 15% to 20% recycling rate by 2025 from waste collected by our subsidiary, Alam Flora Sdn Bhd.



Alam Flora is responsible for sweeping roads in the Federal Territory of Kuala Lumpur

**Q** How have you progressed on your new business pillars, especially given the unfavourable market conditions in 2023? As you are also a new player in RE, what are you doing to strengthen your position in this sector?

**“Throughout the year, we made steady progress in growing the RE portfolio.”**

Embedded in our transformative journey are three core business pillars, which represent our determination in driving growth from our RE, environmental solutions and energy businesses.

On the frontlines of Malakoff Green Solutions, we intensified efforts to expand the RE portfolio and strengthen our foothold in the clean energy space. We zeroed in on Rooftop Solar (RTS), Large Scale Solar (LSS) and Small Hydropower Plant (SHP), strategically positioning Malakoff in this highly competitive industry.

Yet, our path to sustainable growth requires constant rebalancing between expansion and stakeholder expectations and maintaining our position in high growth sectors. As a new entrant into the green energy landscape, we faced intricate challenges with no easy solutions. Undeterred, we adhered to our core strategy, making green energy our new north star and the most viable option for Malakoff. This represented our ambition and drive in tackling global environmental concerns.

**★**  **RM975 million secured via the ASEAN Green SRI Sukuk Wakalah Issuance**

Throughout the year, we made steady progress in growing the RE portfolio. We marked our venture into hydropower generation by adding three SHPs in Kelantan, namely Kemubu SHP, Kuala Geris SHP and Serasa SHP. As part of this project, we will develop, own, operate and maintain these three run-of-the-river SHPs. To partly finance Rising Promenade (RP) Hydro’s Sungai Galas project, we secured RM975 million via the ASEAN Green SRI Sukuk Wakalah Issuance.

In expanding our footprint in solar, Solar Power Purchase Agreements (SPPAs) were inked with DRB-HICOM Group of Companies, spanning 7 locations

across four states - Selangor, Perak, Negeri Sembilan and Pahang. Subsequently, we entered into another SPPA with UMW Group of Companies to provide RTS PV systems at 3 locations. We have installed Electric Vehicle (EV) charging stations at Gas Malaysia headquarters and office in Jalan Gurney, Kuala Lumpur. Collaborations with Railway Assets Corporation and Keretapi Tanah Melayu Berhad (KTMB) facilitated the harnessing of solar power at railway stations, depots and one park-and-ride terminal across five states.

Leveraging the introduction of the Corporate Green Power Programme (CGPP), we embarked on a strategic partnership with MMC Ports, paving the way to develop 500 MW solar projects within the Albukhary Group of Companies. This alliance has also uncovered opportunities for LSS, cold ironing and other green power programmes.



With the growing interest in RE among businesses and individuals, we joined forces with Bank Muamalat Malaysia to offer RE financing programmes, specifically for solar PV systems, Battery Energy Storage System (BESS) and EV chargers. This initiative promotes environmental awareness and enhances accessibility to RE for consumers and businesses, fostering a just transition.



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Our relentless pursuit of RE expansion garnered global recognition through a Heads of Agreement (HoA) with Abu Dhabi Future Energy Company PJSC-Masdar (Masdar), a pioneer and leader in clean energy from United Arab Emirates. This landmark collaboration focused on the development of a solar PV power plant project in Peninsular Malaysia with an aggregate capacity of up to 1,000 MW. We will also be exploring other RE projects such as floating solar, leveraging on Malakoff's extensive land bank.



**13 tonnes per day (TPD)**  
of daily capacity in solid waste management

We elevated our dedication to environmental solutions business to aggressively tackle Malaysia's methane and carbon emissions through innovative solid waste management solutions. Our three Port Recovery Facilities (PRFs) projects – PRF Penang Port, PRF Johor Port and PRF Pelabuhan Tanjung Pelepas – showcased a daily capacity of 13 TPD. The conditional Share Sales and Purchase Agreement (SSPA) that was entered in October between Metacorp Berhad and our subsidiary, Tuah Utama Sdn Bhd, in relation to the proposed acquisition of a 49% equity interest in E-Idaman Sdn Bhd fortified our waste management expansion into the northern region and enhanced Malakoff's future earnings.

The launch of the Recovery Initiative Sustainable Eco-Facility Kuala Lumpur (RISE@KL) proved to be a game changer. Beyond being a recycling facility, it represented a strategic move to address waste disposal while serving as an educational hub to promote recycling best practices. With an anticipated daily intake of 65 tonnes of recyclable waste per day from Kuala Lumpur and its surrounding areas within in the next five years, this will reduce the amount of waste that ends up in a landfill, aligning with Malakoff's sustainability target to achieve 15% to 20% recycling rate by 2025.

In driving circular economy, we ventured into Waste-to-Energy (WTE) projects in Malaysia through a consortium led by our member company, Alam Flora Environmental Solutions (AFES). This strategic move diversifies our non-concession business, creating synergy between our waste portfolio and our power business to address sustainability challenges.

Please let me reiterate that our shift to renewables does not signal an end for our thermal plants, but our way of adapting to changes. Fluctuating grid demand, declining power generation and rising coal prices prompted the pivot towards more cost-effective energy sources. Through proactive engagement, we secured a flagship project under the National Energy Transition Roadmap (NETR), enabling us to lead Biomass co-firing at our Tanjung Bin Power Plant (TBP) with a targeted 15% biomass capacity by 2027. This dual strategy, combining RE expansion and thermal power aims for a 10,000 MW power generation capacity by 2031, which ensures a resilient energy mix and supports the Nation's long-term energy security. Leveraging our history, experience, disciplined approach, superior Engineering, Procurement, Construction and Commissioning (EPCC) capabilities and strong financial support, Malakoff is ready for scalable growth and sustained success in the energy sector.

### Q What challenges did you encounter during the process of transforming your business?

“With change, there will always be challenges. That is the only way to grow and emerge stronger.”

Embarking on this green journey, Malakoff encountered substantial challenges within the RE sector. In line with the Government's ambitious targets, we found ourselves navigating a complex landscape marked by the lack of well-defined policies and mechanisms, along with challenging conditions and administrative complexities. These factors could impede our progress in meeting the established targets. With change, there will always be challenges. That is the only way to grow and emerge stronger.

As a nascent player in the RE sector, we leverage our capabilities, financial backing and economies of scale to negotiate the best prices. It is crucial to note that, our projects are merely an investment as we are actively involved in executing projects and such involvement comes with inherent risks. Moreover, we are also faced with conditions set by financial institutions providing the necessary backing. So, there is a lot at stake when it comes to undertaking big projects.

However, the absence of adequate project categorisation, in addition to informal processes may have adverse effects over the longer term. The situation raises concerns as not all companies may have

the necessary bandwidth or capabilities to complete projects, ultimately affecting project quality and on a bigger scale, and the reputation of our country in this space. Additionally, we are also seeking clarity on the structure of the RE exchange to facilitate RE exports. This is critical as we continue to grapple with domestic constraints that impose limitations on growth.

Concurrently, we are advocating for policies that strengthen waste management, continue to push for the implementation of Extended Producer Responsibility (EPR) and Polluter Pays Principle (PPP) to reduce waste generation.

Compounding our challenges is the impending expiration of our PPAs that are looming close. Ensuring the relevance of these plants is imperative, given the average power demand fluctuating between 16,000 to 17,000 MW throughout the day. Maintaining base load consistency is critical for ensuring stability in power supply and any lapse in this regard could pose risks to energy security in the future.

Hence, we are hoping for meaningful interventions and greater clarity by the relevant authorities on these areas moving forward.



Integrated Recycling Facility (IRF) in Putrajaya

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Q With your focus on RE, environmental solutions and energy, you will need fresh talent to drive these businesses. You will require talent that not only understands but is able to adapt to new technologies and market innovations. What is Malakoff's position on this?

“Looking ahead, our priority will be investing in people and driving effective communication.”



In steering Malakoff's transformative journey, the paramount role of nurturing our workforce to achieve our goals cannot be overstated. To usher in new ways of working and thinking, we're committed to building a diverse and skilled human capital, equipped with varied talents, passion and a shared dedication to our journey.

Given Malakoff's new business direction, cultivating a skilled workforce, especially in green solutions, has become essential as it represents a shift from our traditional business focus. With our move into these three key areas, we will intensify our focus on improving communication, focus on flexibility to adapt to changes swiftly and channel their efforts into tangible results. Our success hinges on turning our workforce into change agents, collectively leveraging their different skill sets and passion to assist us on this journey. This means we will have to work together to establish an exceptional talent pool, marked by excellence and accountability.

Let me give you an example. Our move into RE has prompted a change in work methodologies, requiring new skills to accelerate growth. Therefore, our people must reinvent themselves to remain relevant. To help them adapt, we have invested in training programmes that enhance their knowledge and broaden their competencies, including soft skills. We will also place

greater emphasis on teamwork and cross-collaboration, which will be crucial for achieving our goals.

Looking ahead, our priority will be investing in people and driving effective communication. Among some of our initiatives is the launch of a comprehensive Competency Dictionary, which clearly outlines the roles and requisite skills across Malakoff. We will also be initiating collaborations with local institutions. I hope to establish a co-working space for open discussions to provide a neutral ground for idea generation in addressing sustainability issues. Efforts will also be made to build a competent sales team that will be able to reach out to all industries to talk about RE, waste solutions and how these elements contribute to our business and the Nation's overall sustainability agenda.

Our people are the heart and soul of our transformative journey. We understand that changing established habits and instilling new working and thinking methods will take time. Therefore, I am committed to nurturing talent through open discussions as well as initiatives to empower Team Malakoff to constantly innovate and thrive. As I continue to work with the different teams across Malakoff, I am inspired by their exceptional capabilities. I firmly believe in the potential of our teams to be among the best in the country.

Q With sustainability ingrained into your core business pillars, how has Malakoff performed in championing sustainability?

“At Malakoff, sustainability is not merely integrated into our core business pillars; it is a fundamental component of the Malakoff 2.0 Strategic Transformation.”

Examining the proximity of the targets set, it is evident that we are less than a decade away from them. To meet these goals, we must take decisive and impactful measures to expedite progress or face dire consequences. In fact, recent events around the world have demonstrated many facets that challenge us in our daily lives, ranging from climate change to energy security concerns. This has further underscored our ambition to Enhancing Life, Enriching Communities.

At Malakoff, sustainability is not merely integrated into our core business pillars, it is a fundamental component of the Malakoff 2.0 Strategic Transformation. Aligned with the United Nations' Sustainable Development Goals (UN SDGs), our Sustainability Framework takes a holistic approach, considering the Government's commitment to reducing carbon intensity against GDP by 45% by 2030, achieving a RE installed capacity of 70% by 2050 and attaining a national recycling rate of 40% by 2025. It ensures we are not only building a strong business, but also supporting our communities, caring for the environment and overall well-being of our employees.

compared to the previous year, driven by increased efficiencies resulting in lower emissions. Currently, our RE capacity stands at 153 MW, and we are actively pursuing strategic projects in the SHP, LSS and WTE segments to expand our clean and green energy portfolio.

Throughout 2023, we made good progress in heightening awareness on circular economy in the communities we serve via RISE@KL, where we continuously emphasise the principles of reduce, reuse, and recycle. This concerted effort has empowered communities to manage their waste effectively, promoting recycling or repurposing to prevent waste from burdening landfills.

**RM240,500**  
contributed to the community



**4,000 individuals**  
impacted through various activities



★ **2.1%**  
reduction in our operational Scope 1 and 2  
GHG emissions as compared to the  
previous year

As we journey towards realising our Net Zero Emissions goal by 2050, our renewables business, recycling focus and co-firing initiatives have helped us bridge the transition. We achieved a 2.1% reduction in our operational Scope 1 and 2 GHG emissions as

As we transitioned into clean energy and introduced our three new business pillars, it is crucial to ensure that this approach is cascaded into the way we engage with communities and protect the environment. We continue to play our part in narrowing social inequities through our community outreach programmes. In 2023 alone, our contributions exceeded RM240,500, positively impacting nearly 4,000 individuals through various activities.



## MANAGING DIRECTOR & GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

### Q What are the global trends shaping 2024? What are Malakoff's plans for 2024?

“For us, it's a matter of looking at those businesses – taking up these unpolished diamonds and refining them into substantial assets.”

Moving into 2024, we anticipate a landscape characterised by intensified global market competition and cost-cutting trends globally, influenced by unfavourable economic data from China and uncertainties surrounding the US interest rate regime. Balancing the imperative for heightened cost efficiency with our determination to uphold our service quality, especially rising innovation, addressing environmental challenges are important. Nevertheless, our commitment to a Net Zero future and sustainable innovation remains resolute amid the evolving landscape.

In embracing market dynamics, we remain open to strategic mergers and acquisitions (M&As) across the green and environmental solutions and the energy sectors. By collaborating with local and international partners, these alliances will not only enhance our expertise and facilitate technology transfer but also create investment opportunities in Malaysia. Focusing on countries where we possess familiarity including Malaysia, Saudi Arabia, Bahrain and Oman, we aim to leverage our established partnerships and in-depth understanding of the respective business landscapes.

Nevertheless, we will take a prudent approach to M&A activities, ensuring a balance between aggressiveness and selectivity. Armed with substantial reserves and a robust war chest, we have positioned ourselves to weather potential downturns, allowing us to acquire assets at favourable rates from sellers. Based on our current research, we have found that despite the current market stability, there still exists a certain amount of reluctance among potential sellers, such as LSS players, to part with their assets, even when presented with lucrative opportunities for monetisation. So, we will take a cautious approach moving forward.

In advancing RE, our focus is on delivering what we initiated. Following our agreement with Masdar and the three SHPs, a dedicated team has been established to pursue new business avenues. Aligning with the Government's Net Zero vision and our ownership of the Prai Power Plant, we strategically position ourselves in the gas industry where gas is used as a transitional fuel. We are also actively participating in competitive bidding for solar projects in Malaysia, emphasising LSS, CGPP and expansion into the SHP space. This ensures a continuous supply of electricity to off-grid homes and plantations. We are also considering potential acquisitions in operational greenfield ventures, particularly LSS projects and exploring opportunities in waste management and environmental solutions.

Our waste management and environmental solutions portfolio is one of our key areas of growth, given that we have been addressing the country's escalating waste over the last decade. We will look at innovation, improving recycling and expanding our business to other states. There are a lot of opportunities to be derived from this portfolio. There were also successes in non-concession businesses, such as PRFs and non-segregated waste facilities. Additionally, we are exploring collaborations with retail shopping centres to identify more Drive-Thru Recycling Centre (DTRC) locations. There are also opportunities in plastics, beginning with waste segregation, where some can be utilised for recycling and even composting purposes. We will also be looking at expanding WTE, as this aligns our waste business with our power business in addressing the country's sustainability, waste management and energy needs.

We are also actively pursuing a new Combined-Cycle Gas Turbine (CCGT) projects while exploring energy export opportunities to neighbouring countries.

The Biomass co-firing project is advancing well and in 2024, we intend to invest in expanding the proportion of biomass co-fired with coal. Presently, the co-firing rate is at 0.5% with encouraging initial results. From here, we will gradually increase this to 2% and execute progressively to safeguard the integrity of our equipment and machines.

Operational excellence will be fundamental to business success. Our focus will be on optimising and streamlining operations across all plants. At Malakoff, we take pride in our exceptional Operation and Maintenance (O&M) teams, positioning ourselves as leaders in the country,

if not the region. We are diligently working to solidify that reputation. We believe there will always be room for improvement, so we have focused on achieving 5%, 10% or even 20% enhancements in operations by 2024.

There is an undeniable sense of momentum throughout Malakoff. We have made significant progress over the past year, given our relentless drive and single-mindedness. While cautiously optimistic about the future, we acknowledge the exciting times ahead. For us, it's a matter of looking at those businesses – taking up these unpolished diamonds and refining them into substantial assets.

**Anwar Syahrin Abdul Ajib**  
Managing Director & Group Chief Executive Officer



Drive-Thru Recycling Centre (DTRC) at Wangsa Waju