

How We Create Value

OPERATING LANDSCAPE

VOLATILITY IN ENERGY COMMODITY PRICES

IMPACT

In 2023, the global coal market saw a notable decline in prices, with Indonesian sub-bituminous and Newcastle benchmark coal prices dropping by 31% and 65%, respectively. This trend significantly impacted Malakoff, particularly given the organisation's reliance on coal for a substantial portion of its power generation capacity. The volatility in coal prices led to negative fuel margins for Malakoff, as the organisation grappled with higher weighted average fuel costs than the market prices.

One of the critical factors exacerbating the impact of coal price volatility on Malakoff is the quarterly update mechanism of the Applicable Coal Price (ACP) in Malaysia. This system creates a lag effect, whereby the ACP which Malakoff and other power producers reference for financial and operational planning can only be updated months after actual market price changes. This delay in adjusting to real-time market prices poses challenges in managing fuel costs effectively.

Moreover, Malakoff's contractual obligations to maintain extra coal stock further complicated its ability to swiftly adjust to price fluctuations. These stockpiling requirements, intended to ensure uninterrupted power supply, mean that Malakoff must purchase and store coal in advance, often at prices that do not reflect subsequent market declines, thereby impacting the organisation's fuel margin and overall financial performance.

In terms of natural gas, the expected average of the Henry Hub natural gas spot price in 2023 indicated a decrease by more than 50% from the previous year, presenting a mixed scenario for gas-fired power generation costs.

OUR RESPONSE

In response to these challenges, Malakoff has engaged in frequent discussions with stakeholders, including authorities and regulators to navigate the volatile energy commodity market. The organisation's strategic focus on optimising plant operational efficiencies and exploring RE opportunities reflects its adaptive measures to mitigate the adverse effects of fuel price fluctuations. To drive the industry forward, we conducted regular interactions with key stakeholders, particularly authorities and regulators

overseeing the fuel supply to the power sector, with the aim of elevating the effective management of sustainable energy consumption. Additionally, we proactively identified and evaluated new investment prospects, aligning them with targeted dispatch strategies to optimise revenue generation amid volatile fuel prices. Our key focus was to ensure that our business assets and operations were ready for deployment to meet the requirements of a single buyer as we adapted to evolving dispatch patterns.

OUTLOOK

Looking ahead, Malakoff's commitment to diversifying its energy production portfolio, including investments in RE sources, positions the organisation to better withstand the uncertainties of the global energy market. The continued volatility in energy commodity prices underscores the importance of strategic planning, operational flexibility and the pursuit of sustainable energy solutions in navigating the complexities of the energy sector.

ADDRESSING CLIMATE CHANGE

IMPACT

In 2023, Malaysia's climate change initiatives have been significantly shaped by the National Energy Transition Roadmap (NETR), aiming for a sustainable energy transition. The NETR's launch highlights a strategic move towards reducing greenhouse gas (GHG) emissions and enhancing renewable energy (RE) usage, aligning with global efforts to combat climate change.

OUR RESPONSE

Malakoff is actively expanding its RE portfolio, focusing on solar and Small Hydropower Plant (SHP) projects, as part of its Strategic Transformation 2.0. This strategy aims to significantly increase the organisation's RE capacity and support Malaysia's commitment to a low-carbon future, highlighting Malakoff's proactive efforts in contributing to a sustainable energy ecosystem.

In our thermal business, we focused on increasing our co-firing biomass capacity. Through continuous evaluations of alternative biomass fuels, our aim was to elevate the co-firing ratios gradually in the subsequent phases, striving to achieve the minimum 15% co-firing readiness by 2027. Strengthening the operational reliability of our plants remained a priority, and we did this by implementing rigorous due diligence measures and planned maintenance outages to strengthen the operational reliability of our plants. This commitment did not only improve the overall stability of our facilities but also ensured uninterrupted supply of electricity for the Nation.

On the sustainability front, we systematically monitored our plants and facilities for carbon emissions and non-GHG emissions such as sulphur and nitrogen oxides. We have been tracking and disclosing both Scope 1 and Scope 2 metrics since 2021. In 2023, our reporting scope expanded to include Scope 1 emissions from our fleet fuel usage and Scope 2 emissions attributed to imported power utilised in Alam Flora's business operations. As part of our efforts to refine our reporting methodologies, we will be adopting a carbon accounting platform to automate GHG emissions tracking across the Group's operations. Further to this, we are also currently undergoing a thorough carbon emission data assurance process, adhering to ISO 14064 standards.

OUTLOOK

The future appears promising as Malaysia progresses towards its Net Zero Emissions target as early as 2050, with the NETR leading the way. At Malakoff, we are guided by our sustainability targets, including reducing our GHG emissions intensity by 30% by 2031 from our 2019 baseline, achieving 15% to 20% recycling rate by 2025 from waste collected by Alam Flora, and striving towards a zero-waste circular economy goal. Our overarching aim is to achieve our Net Zero Emissions target by 2050, which we believe will contribute to national and global goals.

How We Create Value

OPERATING LANDSCAPE

DEMAND FOR RENEWABLE ENERGY

IMPACT

Malaysia's commitment to RE is underscored by the NETR, aiming to transform the economy and create business opportunities within the energy sector. The roadmap introduces ten flagship catalyst initiatives designed to reduce CO₂ emissions by over 10 million tonnes annually, showcasing the Government's dedication to a sustainable and inclusive energy system.

By 2025, RE is expected to provide 31% (13 gigawatts) of the Nation's energy needs, escalating to 40% (18 gigawatts) by 2035. Further, the Government aims to increase RE capacity to 70% by 2050, aligning with its aspiration to achieve Net Zero Emissions as early as possible within the same timeframe. This demonstrates a significant commitment to green growth areas, including hydrogen technology, bio-energy and electric mobility, which are crucial for green adoption and future economic engines.

OUR RESPONSE

Malakoff has set ambitious targets to expand its RE capacity, aiming to reach 1,400 MW by 2031. This expansion is in response to the increasing demand for cleaner energy sources and aligns with Malaysia's strategic direction towards enhancing RE's share in the total primary energy supply. Investments into various RE segments, including solar, SHP, biogas, biomass, and Waste-to-Energy (WTE), are critical components of Malakoff's strategy to diversify its energy portfolio.

We took a multifaceted approach in strengthening our position in the RE sector. We diligently tracked energy policies on both local and global scales, employing comprehensive market research and maintaining regular engagement with relevant stakeholders and authorities. Where our stakeholders are concerned, we continued to facilitate discussions and dialogues.

To strengthen our competitive advantage, we forged strategic partnerships with competitors and at the same time, fortified our internal capabilities to drive resilience in the face of changing market conditions. We actively championed market liberalisation to disrupt monopolistic practices as this will encourage the development of a more competitive and innovative industry landscape. In addition to embracing innovation to adapt seamlessly to evolving trends, we expanded our focus into new markets and regions as this would help in improving our growth performance. As part of this expansion, we enhanced our exposure into established regions such as the UK, Australia, and Singapore. This reflected our commitment to deepening our understanding of merchant markets and positioning ourselves strategically in these influential economic landscapes.

OUTLOOK

The outlook for RE in Malaysia is increasingly positive, with the implementation of the NETR and the country taking proactive steps towards a sustainable energy future. Aligned with one of our sustainability targets which is to achieve an RE capacity of 1,400 MW by 2031, Malakoff has established several strategic initiatives to expand its clean energy footprint as well as explore opportunities in waste management and environmental solutions.



EFB Pellets

WORKFORCE CHALLENGES

IMPACT

The amendments to Malaysia's Employment Act 1955, which came into force on 1 January 2023, are part of the broader context affecting corporations and the labour supply. These amendments aim to elevate employment standards to meet International Labour Organization standards and includes significant changes such as the expansion of the Act's applicability, reduction of normal work hours, introduction of paternity leave and increased maternity leave. In addition, unemployment remains low and competition for talent in our industry remains challenging amid the tight employment market.

OUR RESPONSE

In order to optimise our position in the talent market, we explored the feasibility of service contracts in lieu of service-for contracts, conducted a comprehensive review of employee benefits and salary packages as well as invested in the digitisation of training programmes.

We also implemented initiatives to strengthen our brand name as an employer of choice. To attract and retain our high-performing talent, we strengthened pull-factors by introducing competitive incentives and cultivating a conducive work environment.

OUTLOOK

Malakoff remains unwavering in its commitment to upholding human rights and labour management throughout our business and operations. We will continue to create a workplace that encourages open dialogue, treating our respect, dignity and equality. Our ongoing efforts is aimed at creating a conducive and inclusive workplace for employees.

How We Create Value

OPERATING LANDSCAPE

REGULATORY AND COMPLIANCE LANDSCAPE

IMPACT

In 2023, Malaysia's regulatory and compliance landscape continues to evolve, with a significant focus on sustainable development and environmental stewardship. The NETR underscores the Government's commitment to transitioning towards RE and reducing carbon emissions, aligning with global sustainability targets.

It also outlines ambitious plans for increasing the share of RE in the national energy mix, aiming to ensure energy security, affordability and sustainability. This includes specific targets for RE capacity, energy efficiency measures and the reduction of carbon intensity in the energy sector.

Businesses, particularly in the energy, manufacturing and industrial sectors, are expected to adapt to these new regulations by investing in cleaner technologies, enhancing energy efficiency and participating in carbon reduction initiatives.

Furthermore, the carving out of the energy transition portfolio to the new Ministry of Energy Transition and Water Transformation, as well as the Ministry of Finance's consideration of a carbon tax regime, reflects the Government's clear intent towards meeting Malaysia's own emissions targets. The launch of a voluntary carbon market exchange by Bursa Malaysia in December 2022 enables organisations to purchase carbon credits, facilitating compliance with internal carbon reduction targets and contributing to the national carbon neutrality objectives.

OUR RESPONSE

Continuing our commitment to sustainable practices, we actively pursued financing options tied to sustainability and explored green bond opportunities for upcoming projects that aligned with our ESG framework. At the same time, we continued to progressively transition towards revenue sources that prioritise the environment, thereby reducing dependency on coal-generated income. To advance our environmental objectives, we conducted

feasibility studies and initiated pilot projects aimed at minimising net emissions from our coal plants while concurrently expanding our portfolio of green solutions. We also collaborated with off-takers and industry experts to develop circular economy solutions, fostering a comprehensive and forward-thinking approach to environmental sustainability.

OUTLOOK

Moving forward, Malakoff remains focused on aligning with the government sustainability goals as this ensures business resilience and growth. Despite the evolving landscape, we will navigate the regulatory complexities while preserving our competitive edge. By minimising our environmental impact and optimising resource efficiency, we aim to lead Malaysia's transition toward a more sustainable future.

DIGITALISATION AND TECHNOLOGICAL DEVELOPMENT**IMPACT**

Organisations that have invested in driving digitalisation stand to gain from more efficient processes, increased cost-effectiveness and improved operational efficiency, including improved communication and stakeholder engagement. However, this creates a gap between organisations that have digitalised their business and those that are slow to adapt, leading to a widening gap in terms of business performance and future outlook. Therefore, the ongoing progress of digital technologies stresses the divide between digitally adept and non-digitalised organisations. This is why it is important to remain informed about technological advancements to ensure ongoing competitiveness and sustained growth.

While digitalisation takes off, we are cognisant of the rise of cyberattacks, presenting a multifaceted threat involving potential financial, reputational, operational and legal repercussions for organisations. Towards this end, the allocation of substantial investments in robust cybersecurity measures proactively implementing strategies to prevent and mitigate cyber threats is imperative. Such initiatives are pivotal not only for ensuring business continuity but also for safeguarding valuable assets. According to IBM Data Breach Report, up to 83% of organisations experienced multiple data breaches in 2022, resulting in significant financial repercussions such as a decline in share prices and long-term costs associated with rectifying these breaches.

OUR RESPONSE

In line with our Digital Blueprint and Roadmap 2023 - 2028, we initiated a series of strategic initiatives aimed at strengthening our digital infrastructure. This includes a comprehensive update of our Digital/IT governance policies to enhance cybersecurity, efficiency and agility. Simultaneously, we intensified efforts in selecting and planning the implementation of an Enterprise Resource Planning (ERP) platform, which serves as the backbone for automating and digitalising Malakoff's core business processes. We have successfully brought several Minimal Viable Products (MVPs) for analytics solutions to fruition, leveraging the speed of insights to drive strategic actions. Automation processes were deployed for ESG tracking and reporting, aligning our operations with sustainability

practices. Additionally, we integrated data and digital elements, including the adoption of mobility and agile approaches into our organisational DNA.

To fortify security measures, the establishment of the Security Operation Centre (SOC) functions as a centralised hub, utilising people, processes and technology to continually monitor and enhance Malakoff's security posture. Additional security measures, including multi-factor authentication, have been implemented to mitigate the risk of account takeovers. Ongoing training and simulation initiatives were conducted to deepen employees' awareness and ability to mitigate cyberattack risks, ensuring preparedness to respond to cybersecurity incidents.

OUTLOOK

We are committed to continuously strengthening our Digital Blueprint and Roadmap in line with the changing dynamics of Malakoff's growth. These efforts are aimed at enhancing productivity, efficiency and profitability including facilitating market expansion. Additionally, we will continue to accelerate digital adoption while concurrently safeguarding our business operations from potential cyber threats.

How We Create Value

STAKEHOLDER ENGAGEMENT

At Malakoff, we recognise our key stakeholders as those who have an impact on or are impacted by our activities. We actively seek to understand their expectations and address their concerns as this is fundamental to our process of value creation.

FREQUENCY OF ENGAGEMENT

- A Annually
- P Periodically
- Q Quarterly
- R On Request
- O Ongoing

EMPLOYEES

S1

Why We Engage

- To understand the workplace environment and sentiment, and identify opportunities for improvement
- To ensure we have the right compensation and benefit structures to attract, maintain and retain the best talents
- To clarify expectations, set objectives, identify goals and provide feedback
- To foster a culture of recognition and appreciation where achievements are acknowledged, boosting morale
- To promote collaboration and teamwork towards shared objectives and exchange ideas seamlessly

How We Engage

- Townhalls
- HR2U Day
- Intranet
- Newsletter
- Performance Appraisals
- Malakoff Talent Pulse Survey
- Employee Engagement Survey
- Hari Raya Gathering
- Long Service Award

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Value Created for Employees

- Competitive remuneration – salary and benefits
- Continuously enhance rewards programmes
- Periodic performance feedback through Balanced Scorecard approach
- Ability for career progression in rewarding, meritocratic work environment
- Promotion of collaboration fosters a cohesive work environment where employees work towards shared goals
- Employees receive clear expectations, objectives and constructive feedback on their performance
- A culture of recognition boosts employee morale by acknowledging and appreciating their contributions and achievements

Value Created for Malakoff

- Creation of an energised and innovative work culture, reducing staff turnover and increasing productivity
- Better employee relationships, better profits
- Engaged employees make valuable contributions to deliver on business strategy
- Creation of a diverse and inclusive employee profile

Key Concerns Raised

- Competitive pay and benefits
- Recognition and rewards besides remuneration to encourage good performance
- Understanding the performance appraisal process

Risks

- Non-engagement or non-performance impacting Malakoff's deliverables
- Dissatisfaction leading to staff attrition
- Inability to meet high expectations of people-centred brand promise
- Losing track of new expectations from the younger generation and changing dynamics of the workforce

Our Responses

- Implement strategies and policies to reward people fairly, equitably and consistently in line with their value to the Group
- Ensure the right compensation and benefit structures to attract, maintain and retain the best talent
- Track employees' performance consistently and reward contributions towards organisational growth
- Clarify expectations, objectives and goals by providing feedback to ensure performance is fairly evaluated
- Recognise employees for their excellent performance
- Achieve leadership excellence through world-class talent and succession management programmes

Opportunities

- Embrace technology, communication channels and change management programmes to stay ahead of the curve
- Increase the skills and experience of our employees to remain relevant

COMMUNITIES/GENERAL PUBLIC

S2

Why We Engage

- To build trust, public buy-in and support
- Gain higher rates of public participation in community programmes
- Increase visibility and understanding of the Group's businesses and its positive socioeconomic impact
- Ensure the welfare of local communities is taken care of
- Address growing awareness on green consumerism

How We Engage

- Engagement sessions with local communities
- Corporate Social Responsibility (CSR) programmes
- Mainstream print and electronic media (Facebook, Instagram, LinkedIn, YouTube and company website)
- Social media – Facebook, Instagram, YouTube, LinkedIn and company website
- Awareness/educational programmes related to Environmental, Social and Governance (ESG), energy and environmental solutions

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Value Created for Communities/General Public

- Greater awareness on environmental issues and initiatives
- Provision for a sustainable and safe environment
- Incentives for recycling through reward points and cash

Value Created for Malakoff

- Positive public and brand image
- Increased awareness on Malakoff's sustainability initiatives and moving forward plan
- Increased public awareness on sustainability and environmental impact
- Increased recycling rate and recyclable tonnage

Key Concerns Raised

- Environmental impact on our operations
- Quality of services provided
- Employment opportunities

Risks

- Community complaints and negative media coverage
- Wrong information provided to the public
- Losing Government concessions due to failure in meeting Key Performance Indicators (KPIs)

Our Responses

- Organise environmental programmes for public participation
- Organise community engagement programmes to strengthen bond and build community trust

- Promote recycling centre to raise awareness on recycling and waste recovery activities
- Provide continuous operational improvement programmes and activities
- Adoption of green initiatives such as green machinery such as electric vehicles and equipment and the use of bio-degradable products
- Communicate sustainability initiatives being undertaken e.g. green initiatives, recycling and waste management
- Provide employment opportunities for local communities

Opportunities

- New developments in green initiatives, recycling and sustainable waste solutions
- Growth within a controlled environment due to being a concession business

How We Create Value

STAKEHOLDER ENGAGEMENT

SHAREHOLDERS/ANALYSTS/INVESTMENT COMMUNITY

S3

Why We Engage

- To share the latest company updates and projects/roadmap to achieve sustainable growth
- To effectively deliver a fair valuation of the company and maintain a resilient shareholder base
- To communicate the Group's Sustainability Commitments

How We Engage

- Analyst briefings
- Financial reports
- Site visits
- Group/One-to-one meetings with analysts/fund managers
- Annual General Meetings (AGMs)

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Value Created for Shareholders/Analysts/Investment Community

- Timely reporting to facilitate informed investment decisions
- Enhance long-term investment value with transparent disclosures

Value Created for Malakoff

- Promote healthy and transparent two-way communication between the company and the investment community
- Board and Management are kept apprised of investment community sentiment

Key Concerns Raised

- Malakoff's growth prospects and initiatives to secure new projects
- Fuel margin impact on Malakoff's earnings, given the volatility in benchmark coal prices
- Dividend payout ratio as shareholders expect high yields
- Long and short-term mileposts to achieve Net Zero Emissions by 2050

Risks

- Inaccurate financial analyses and forecasts by analysts may impact investment decisions
- Incorrect valuation of the company
- Insufficient communication on the company's growth prospects

Our Responses

- Malakoff is aggressively pursuing Merger and Acquisition (M&A) opportunities in the Renewable Energy (RE) space
- Stringent monitoring of coal inventories and continuous engagement with key stakeholders
- We continue to commit to pay out a dividend of at least 70% of Profit After Tax and Minority Interests (PATMI)
- Consistent communication of the Group's progress in its ESG Roadmap against set targets and enhanced advocacy on the Company's sustainability commitments.

Opportunities

- Greater scope and transparency of disclosure for stakeholders including Environmental, Social and Governance (ESG) aspects
- More direct engagement with the investment community

CUSTOMERS/CLIENTS

S4

Why We Engage

- To build and maintain relationships with clients/partners, and to encourage loyalty and trust in the Malakoff brand and services provided
- To boost sales and revenue
- To improve operational deliverables
- To tailor strategies in addressing clients' requirements or challenges faced effectively

How We Engage

- Communication with sales personnel
- Site visits
- Sustainability collaboration
- Memorandum of Understanding (MoU) signings
- Launches and informal events
- Company website
- Local and international conferences

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Value Created for Customers/Clients

- Provision for sustainable services using green equipment and Internet of Things (IoT)
- Technical experience and expertise
- High level of customer/client experience

Value Created for Malakoff

- Enhance brand and sales success
- Increase in customer/clients' loyalty and trust
- Valuable feedback and testimony on our services

Key Concerns Raised

- Customer/Client experience
- Sustainability initiatives
- Health, Safety and Environment (HSE)

Risks

- Legal and political forces can change regulations, which affects marketing efforts
- Post-pandemic inflation
- Misunderstanding or misinterpretation of the company's vision and values
- Receiving inaccurate information about our initiatives/projects, potentially leading to a breakdown of trust

Our Responses

- Established strategic partnerships with various companies to enhance kerbside recycling and manage plastic and food waste as well as to streamline public recycling efforts and promoting waste reduction
- Explored diverse green power initiatives, including solar programs such as Corporate Green Power Programme (CGPP) and Self-Consumption (SelCo), alongside EV charging stations

Opportunities

- Modern digitalisation enables monitoring of site activities remotely
- New developments for recycling and sustainable waste solutions
- Leverage environmentally-friendly solutions and electric equipment to conduct services
- Expanding RE portfolio is crucial as we strive to meet the escalating demand for sustainable energy solutions

How We Create Value

STAKEHOLDER ENGAGEMENT

GOVERNMENT

S5

Why We Engage

- To forge stronger ties with key Government and regulatory agencies
- To keep updated on and gain greater insights into new regulations
- Enhance public-private partnership

How We Engage

- On-ground collaborations
- Face-to-face meetings
- Participation in Government/public programmes
- Corporate events

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Value Created for Government

- Better understanding of the Company's value proposition and contribution to the country's economy
- Ability to leverage the corporate sector to support key national targets
- Security and reliability of electricity supply and effective waste management

Value Created for Malakoff

- Increased customer loyalty and trust
- Valuable feedback and testimony on our services

Key Concerns Raised

- Post-pandemic stability and business continuity
- Sustainability of our operations
- Compliance with laws and regulations
- Management of environmental issues

Risks

- Being unprepared for changes in Government policy
- Unexpected increase in costs due to post-pandemic inflation

Our Responses

- Compliance with laws and regulations set by the Government
- Steadfast support towards the Government's national-level Sustainability Targets
- Collaborations through various recycling awareness programmes

Opportunities

- Contribution to nation-building and enhancing the quality of life through dependable energy and integrated waste management
- Invest in areas that support Government's sustainability goals

RATING AGENCIES AND FINANCIAL INSTITUTIONS

S6

Why We Engage

- To secure financing for working capital expenditure (CAPEX) requirements, business expansion and future growth
- To obtain best possible ratings for new sukuk issuance and maintain ratings for existing sukuk

How We Engage

- Virtual and physical meetings
- Engagement sessions with rating agencies & financial institutions
- Surveys/Questionnaires on credit rating

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Value Created for Rating Agencies and Financial Institutions

- Ability to always meet our obligations to repay our loans/borrowings (principal and interest) as well as compliance with other covenants
- ESG compliance imposed for green/ sustainability linked financing

Value Created for Malakoff

- Ability to raise financing from financial institutions for business expansion and CAPEX requirements
- Obtained desired ratings for issuance of new sukuk while able to maintain ratings for existing sukuk
- Improved market perception towards the Company with ESG aspirations

Key Concerns Raised

- Damaged turbine blade at Tanjung Bin Energy Power Plant (TBE) causing major outage and raising concerns on financial performance, insurance claim, Applicable Coal Price (ACP) losses, repair works and ability to maintain credit rating
- Ability to meet sukuk covenants [Finance Service Reserve Account (FSRA) balances, Finance Service Cover Ratio (FSCR) ratio, etc]
- Cash flow management and projections
- ESG initiatives undertaken towards meeting Net Zero Emissions by 2050
- Future business direction in view of expiring Power Purchase Agreements (PPAs)

Risks

- Non-compliance with financial institution covenants and failure to repay borrowings on time
- Sukuk ratings not being maintained

Our Responses

- Our plant managed to comply with financial covenants, hence, maintaining its credit rating
- Ability to meet our short-term obligations
- Business expansion into RE and environmental solutions to replace future income losses from expiring PPAs
- Malakoff is on track to meet with ESG aspirations

Opportunities

- Further improve our ESG agenda to enhance the perception of Malakoff, thereby facilitating the securing of new financing/refinancing with better rates

How We Create Value

STAKEHOLDER ENGAGEMENT

CONTRACTORS & VENDORS

S7

Why We Engage

- Business continuity and competitive terms in supply chain involve numerous Contractors and Vendors in making sure our operations are not disrupted
- Mitigate risk and enhance visibility to effectively reduce the risks associated with contractors and vendors

How We Engage

- Efficient procurement process
- Vendor engagement sessions
- Face-to-face and online meetings
- Site visits
- Advertisements

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Value Created for Contractors/Vendors

- High standards of corporate governance, integrity and ethics
- Awareness sessions on latest company policy and sharing from authorities e.g. Malaysian Anti-Corruption Commission (MACC)
- Fair, transparent and confidential dealings

Value Created for Malakoff

- Credible Contractors and Vendors coming onboard to maintain quality, safety, sustainable and cost effective operations
- Enhance management of intricate business alliances

Key Concerns Raised

- Supply chain disruptions
- Integrity and ethics in ensuring impartial and transparent procurement practices
- Increased cost of operations due to increased procurement costs
- Sourcing strategy and network enhancement

Risks

- Disruption to business due to non-performance of vendors
- Lack of updated vendor information could lead to disruption in communication processes
- Adverse impact on the Company's image and reputation

Our Responses

- Vendor performance assessment
- Enforcement of Anti-Bribery Management Systems (ABMS) and Vendor Code of Conduct in procurement
- Yearly vendor awareness event for knowledge sharing and feedback
- Pre-qualification assessment

Opportunities

- Best industry solutions provided by vendors will improve operations e.g. servicing, maintenance and design while reducing operational expenditure
- Organisational stability and global expansion

MEDIA

S8

Why We Engage

- Media plays a crucial role in the dissemination of precise and correct information to stakeholders and the public
- Media can enhance Malakoff’s brand visibility and reputation
- Media can strengthen Malakoff’s values and credibility among shareholders, stakeholders and the public

How We Engage

- Media engagement/networking sessions
- CSR collaboration programmes
- Festival wishes
- Media events (casual and sporting events)
- Media advertorial and news coverage spots
- Awareness programme - Malakoff Amazing Hunt

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Value Created for Media

- Transparency in our financial and non-financial reporting
- Concerns are addressed transparently
- Correct information shared with shareholders, stakeholders and the public

Value Created for Malakoff

- Increase publicity and visibility
- Enhance brand value and reputation
- Effective public relations and communication strategy

Key Concerns Raised

- Update on business portfolio/strategies
- ESG concerns
- Governance
- Leadership
- Business partnerships
- Financial performance

Our Responses

- Transparent information shared with shareholders, stakeholders and the public
- Fact sheets, statements, press conferences and media briefings
- Share current updates on business strategies, financial and non-financial achievements and collaborative initiatives via press releases

Risks

- Information shared with the public could be ruined by negative or inaccurate media coverage
- Negative social media coverage/comments may hurt public image

Opportunities

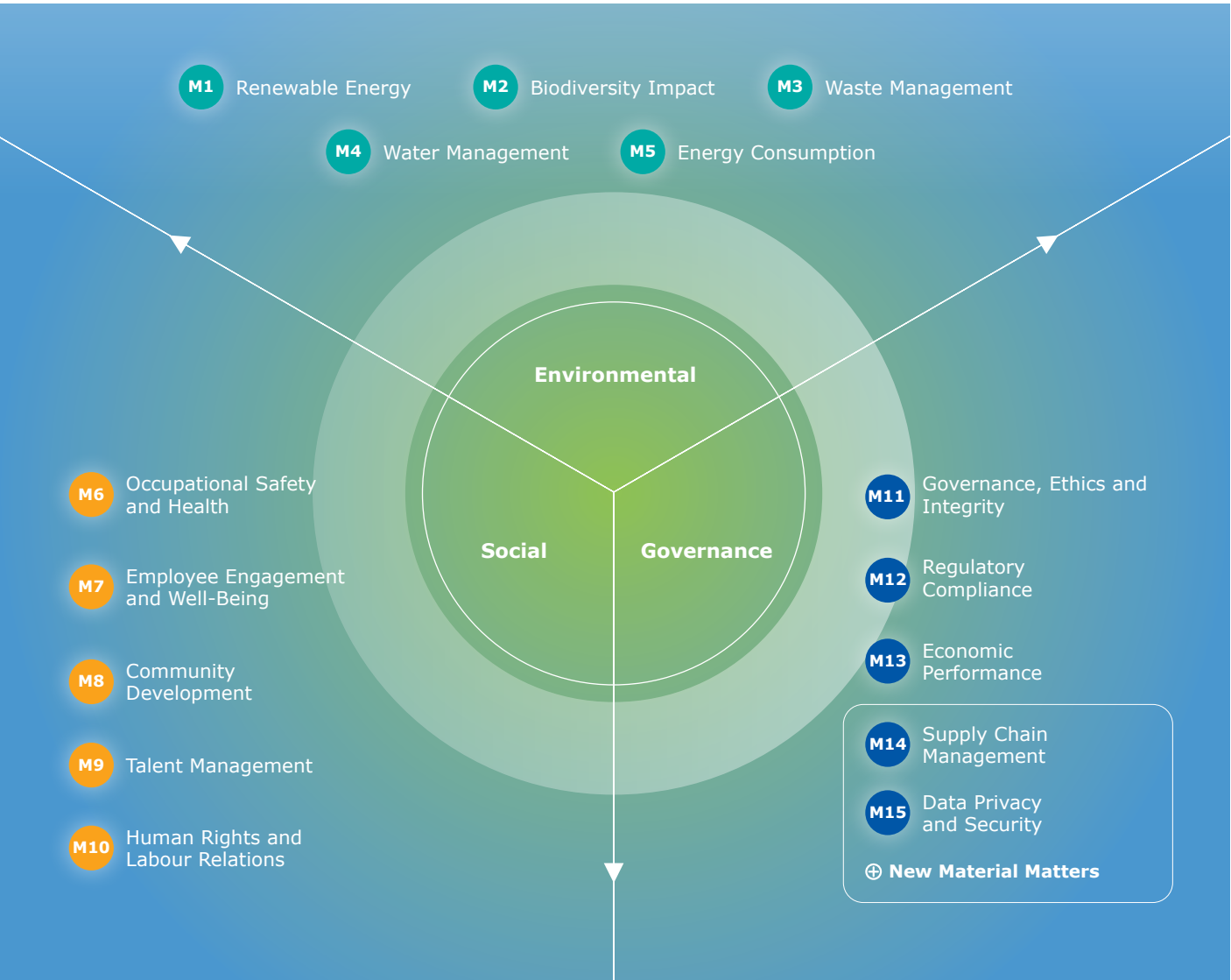
- Enhance relationships with key media members will assist in channelling updated and accurate information to shareholders, stakeholders and the public
- Attend to media inquiries on related topics for media input

How We Create Value

MATERIAL MATTERS

Material matters are issues that are considered significant to our stakeholders and relevant to how Malakoff creates long-term value. Understanding these matters are crucial as they direct our focus towards issues critical to the sustainability of our external environment while aligning with our corporate objectives.

In 2023, we conducted a validation exercise based on a comprehensive assessment executed in 2021, to ensure the ongoing relevance of our material matters to stakeholder needs and to streamline our focus for more effective management and reporting. Consequently, we have refined our list to encompass 15 material matters across Environmental, Social and Governance (ESG) categories. To align with current market trends, we have added Supply Chain Management and Data Privacy & Security to our Governance pillar. The following is the list of material matters in FY2023.



RENEWABLE ENERGY

- **Risk**
Neglecting renewable energy (RE) in our fuel mix would lead to decreased interest from ESG-focused investors and challenges in obtaining financing from banks aiming to expand their ESG portfolios. Our reputation would also suffer as a significant carbon emitter.
- **Opportunities**
 - Swift advancement of new technologies such as battery energy storage system (BESS), carbon-free fuel (e.g. hydrogen/ammonia) and Electric Vehicle (EV) chargers
 - There is an increasing demand for RE across commercial, industrial and residential sectors
 - The range of financing options for green or sustainability-linked infrastructure or projects is expanding
- **Our Commitment**
Please refer to pages 111 to 112 for more information.

Stakeholder Groups Affected



UN SDGs



BIODIVERSITY IMPACT

- **Risk**
Apart from biodiversity loss, Malakoff's environmental negligence could damage our reputation, increase insurance premiums as a high polluter and result in the loss of funding from investors due to environmentally irresponsible practices.
- **Opportunities**
 - Partner with environmental experts to explore preservation methods
 - Allocate resources to research and develop innovative technologies for improved waste management
 - Initiate environmental preservation projects at our operational sites
- **Our Commitment**
Please refer to pages 123 to 124 for more information.

Stakeholder Groups Affected



UN SDGs



WASTE MANAGEMENT

- **Risk**
Poor management of scheduled waste from plants or business sectors can lead to environmental pollution and harm the company's reputation.
- **Opportunities**
 - Embrace circular economy to minimise waste and explore alternative raw materials
 - Efforts to enhance resource efficiency and minimise waste generation will lead to lower operational costs
- **Our Commitment**
Please refer to pages 117 to 120 for more information.

Stakeholder Groups Affected



UN SDGs



How We Create Value

MATERIAL MATTERS

WATER MANAGEMENT

- **Risk**
Ineffective water management could raise our operational expenses and any water pollution from our effluents could lead to environmental fines and consequently damage our reputation.
- **Opportunities**
 - Implement cutting-edge technologies to decrease water usage and enhance equipment efficiency while meeting production demands
 - Regularly monitor water consumption and seek opportunities to improve efficiency
 - Monitor effluent levels consistently to ensure they meet the Department of Environment (DOE) standards and requirements for quality
- **Our Commitment**
Please refer to pages 121 to 122 for more information.

Stakeholder Groups Affected



UN SDGs



ENERGY CONSUMPTION

- **Risk**
Excessive energy consumption not only drives up costs but also amplifies our carbon footprint, hindering our progress towards becoming a low-energy organisation.
- **Opportunities**
 - Invest in innovative technologies to lower emissions as part of our journey towards achieving Net Zero Emissions status by 2050, in alignment with the national agenda
 - Explore avenues for selling Renewable Energy Certificates (RECs) to assist other companies in reaching their goal of Net Zero Emissions
- **Our Commitment**
Please refer to pages 113 to 116 for more information.

Stakeholder Groups Affected



UN SDGs



OCCUPATIONAL SAFETY & HEALTH

- **Risk**
Accidents or health and safety incidents could result in Lost Time Injuries (LTI) or even fatalities, which could incur significant costs to Malakoff, impacting our reputation and hampering productivity.
- **Opportunities**
 - Collaborate with the Department of Occupational Safety & Health (DOSH), BOMBA (Emergency Response Team and First Aider trainings) and safety experts to conduct safety training and other programmes
 - Foster a safety-centric behavioural culture where every individual takes ownership of their safety and that of colleagues
 - Regularly communicate messages highlighting individual responsibility for safety
- **Our Commitment**
Please refer to pages 126 to 130 for more information.

Stakeholder Groups Affected



UN SDGs



EMPLOYEE ENGAGEMENT & WELL-BEING

- **Risk**
Decreased employee engagement can lead to a rise in attrition rates, diminished morale and reduced staff productivity.
- **Opportunities**
 - Increase leadership engagement with employees to communicate the Company’s values, strategies and goals
 - Ensure employees are informed about improvements to the work environment based on feedback from the Employee Engagement Survey (EES)
 - Continuously improve Malakoff’s employee value proposition by understanding and meeting employee expectations
 - Cultivate an engaging corporate culture that fosters a sense of connection with Malakoff and empowers employees
- **Our Commitment**
Please refer to pages 131 to 132 for more information.

Stakeholder Groups Affected



UN SDGs



COMMUNITY DEVELOPMENT

- **Risk**
Underserved or marginalised communities present potential risks of social instability. Malakoff’s inability to demonstrate its contribution to these communities could adversely impact the company’s reputation.
- **Opportunities**
 - Ensure the sustainability of concession-based business by addressing and prioritising local concerns
 - Lower operational expenses by increasing the participation of local vendors in procurement processes
 - Enhance Malakoff’s reputation as a pioneer in responsible waste management and environmental protection through robust environmental solutions and effective CSR initiatives
- **Our Commitment**
Please refer to pages 133 to 135 for more information.

Stakeholder Groups Affected



UN SDGs



TALENT MANAGEMENT

- **Risk**
The departure of essential talent from Malakoff would adversely impact our business operations and the continuity of strategies to meet our corporate objectives.
- **Opportunities**
 - Cultivate a high-performance work culture by attracting top-tier talent through a compelling employee value proposition
 - Maintain valuable talent by offering enticing career development opportunities and fostering employee engagement
 - Strengthen succession planning efforts to ensure the continuity of programmes and strategies
- **Our Commitment**
Please refer to pages 136 to 142 for more information.

Stakeholder Groups Affected



UN SDGs



How We Create Value

MATERIAL MATTERS

HUMAN RIGHTS AND LABOUR RELATIONS

- **Risk**
Engaging in unethical or unjust treatment of employees or contract workers could result in legal consequences and damage Malakoff's reputation as an employer.
- **Opportunities**
 - Foster a culture that prioritises human rights through ongoing awareness initiatives
 - Position Malakoff as an ethical organisation to ensure a sustainable workforce of employees and contract workers
- **Our Commitment**
Please refer to pages 143 to 148 for more information.

Stakeholder Groups Affected



UN SDGs



GOVERNANCE, ETHICS AND INTEGRITY

- **Risk**
Bribery and corruption frequently result in financial and reputational damage, with lasting implications for business and investment opportunities, as well as the company's ability to attract top talent.
- **Opportunities**
 - Foster a culture of integrity by consistently reinforcing governance communication
 - Leadership sets the example by demonstrating Zero Tolerance for unethical behaviour
 - Host talks and events that emphasise the importance of integrity
- **Our Commitment**
Please refer to pages 150 to 151 for more information.

Stakeholder Groups Affected



UN SDGs



ECONOMIC PERFORMANCE

- **Risk**
Failing to achieve our financial goals would lead to an inability to honour commitments to stakeholders, a decline in share price and damage to our reputation among investors, business partners, suppliers and employees.
- **Opportunities**
 - Establish models to generate profitable ventures from emerging clean energy sources, including REC, BESS, hydrogen, ammonia and Waste-to-Energy (WTE)
 - Investigate offsetting mechanisms such as RECs and carbon credits, which encompass reforestation and conservation efforts
 - Invest in advanced, more efficient technologies for waste management
 - Maintain an optimal capital structure and robust financial position to secure ample funds for business development, growth and shareholder rewards
- **Our Commitment**
Please refer to page 154 for more information.

Stakeholder Groups Affected



UN SDGs



SUPPLY CHAIN MANAGEMENT

- **Risk**
Relying heavily on a small number of key suppliers for critical resources or components presents risks, leaving Malakoff vulnerable to supplier-specific challenges, potential shortages and reduced bargaining power. Moreover, the risk of failing to comply with evolving global and local regulations concerning supply chain practices could lead to fines, legal issues, reputational harm and potential disruptions in operations.
- **Opportunities**
 - Identifying and integrating alternative suppliers for vital resources or components can bolster resilience, lessen reliance and boost negotiation power
 - Adopting cutting-edge technologies for enhanced supply chain visibility and efficiency can streamline operations, enhance risk management and elevate overall supply chain performance
 - Embracing sustainable and ethical sourcing practices can cultivate a favourable brand image, meet stakeholder expectations and mitigate environmental and social risks
- **Our Commitment**
Please refer to page 155 for more information.

Stakeholder Groups Affected



UN SDGs



DATA PRIVACY AND SECURITY

- **Risk**
Data breaches which involve unauthorised access or theft of sensitive company or customer data, presents significant threats such as financial losses, reputational damage, legal repercussions and loss of customer trust. Non-compliance with data protection regulations and privacy laws could result in fines, legal consequences and damage to the company’s reputation. Third-party risks with vendors or partners handling sensitive data may result in data exposure, loss of control and legal consequences.
- **Opportunities**
 - By investing in cutting-edge cybersecurity technologies and protocols, we can bolster resilience against cyber threats, thereby safeguarding sensitive data
 - Regular training programmes aimed at educating employees on data security best practices can mitigate the risks of human error and enhance overall security measures
 - Implementing continuous monitoring systems to maintain compliance with data protection regulations can lessen legal risks, improve data governance and foster trust among stakeholders
- **Our Commitment**
Please refer to pages 156 to 157 for more information.

Stakeholder Groups Affected



UN SDGs



REGULATORY COMPLIANCE

- **Risk**
Failure to comply with local regulatory requirements may lead to fines, stop work orders or even the revocation of our licence to operate.
- **Opportunities**
 - Foster stronger relationships with authorities or regulators to stay informed about the regulatory landscape
 - Boost productivity through enhancements in labour, health and safety and quality procedures
- **Our Commitment**
Please refer to pages 152 to 153 for more information.

Stakeholder Groups Affected



UN SDGs



How We Create Value

VALUE CREATION MODEL

VISION

To be a **leading global energy generation and environmental solutions player, shaping a greener future through innovation and sustainability best practices**

VALUES

Integrity Teamwork Innovation Excellence Harmony

OUR CAPITALS...

... ENABLE VALUE-ADDING

INPUTS

FINANCIAL CAPITAL

- Secured RM975 million via the ASEAN Green SRI Sukuk Wakalah Issuance for Hydro project
- Cash Balance: RM3.06 billion
- Total Assets: RM20.30 billion
- Total Borrowings: RM8.81 billion

MANUFACTURED CAPITAL

- Total RE generating capacity: 153 MW
- Operated 11 Rooftop Solar PV facilities
- Total thermal installed capacity: 5,930 MW
 - Domestic: 5,342 MW
 - International: 588 MW
- Total capacity of Inert Waste Management facility in Kuantan: 120-170 tonnes per day
- Total capacity of mini-incinerators: 60 tonnes per day

HUMAN CAPITAL

- Total number of Employees: 4,319
 - 84% Male | 16% Female
 - Malaysians: 4,036
 - Permanent Employees: 3,294
 - Non Permanent Employees: 1,025
 - RM1.46 million invested in employee training

INTELLECTUAL CAPITAL

- Licensed to distribute up to 153.0 MW of electricity in KL Sentral
- Total of 10,290.1 MW Renewable Energy Certificates issued
- Established brand equity over the past 49 years
- Credible list of institutional investors including Permodalan Nasional Berhad (PNB), the Employees Provident Fund (EPF) and Retirement Fund (Incorporated) or KWAP

SOCIAL & RELATIONSHIP CAPITAL

- Total No. of suppliers: 3,559
 - Local: 93.5% (Malakoff) | 100% (Alam Flora)
- Total Customers:
 - MUSB: 3,500 customers
 - AFES: 124 customers
- Embracing sustainable development as well as responsible ESG practices

NATURAL CAPITAL

- Electricity consumption across operations: 105,691.06 MW
- 6,108.9 tonnes of recyclable materials collected
- Supplied 21% of national electricity demand
- 6.7% increased in electricity export to the National Grid despite expiry of GB3 Power Plant
- Water consumption across operations: 2,532,082.45 m³

MALAKOFF 2.0 STRATEGIC TRANSFORMATION PLAN

5 Key Strategic Growth Pillars

Key Enablers

Thermal Power Generation	International Expansion
Renewable Energy	Operational Excellence
Environmental Solutions	Sustainability Initiatives
Water Desalination	Organisational Transformation
Strategic Bets	Digitalisation

KEY RISKS

SUSTAINABILITY AGENDA

Environmental

Transitioning to a Cleaner Energy and Circular Economy Future

M1 Renewable Energy	M4 Water Management
M2 Biodiversity Impact	M5 Energy Consumption
M3 Waste Management	

Social

Empowering Our People and Supporting Our Communities

M6 Occupational Safety and Health	M9 Talent Management
M7 Employee Engagement and Well-being	M10 Human Rights and Labour Relations
M8 Community Development	

Governance

Embedding Sustainable, Innovative Business Practices and Acting with Integrity

M11 Governance, Ethics and Integrity	M14 Supply Chain Management
M12 Regulatory Compliance	M15 Data Privacy and Security
M13 Economic Performance	



MARKET TRENDS

Underpinned By

OUR OVERARCHING GOVERNANCE

MISSION

- We aspire to become the preferred employer
- We deliver superior shareholder value
- We are sought after as a partner of choice
- We sustain best-in-class operating discipline
- We earn respect as a good corporate citizen

ACTIVITIES THAT CREATE...

... VALUE FOR OUR STAKEHOLDERS

ACTIVITIES THAT CREATE...	OUTPUTS	OUTCOMES	STAKEHOLDERS						
<p>R1 R2 R3 R4 R5 R6 R7 R8</p> <p>Please refer to pages 66 to 70 for more information.</p>	<p>29,988,531.46 MWh of total energy generated from our thermal plants</p>	<p>FINANCIAL CAPITAL</p> <ul style="list-style-type: none"> • Revenue: RM9,067.0 million (2022: RM10,355.2 million) • LATMI: (837.2) million (2022: PATMI of RM302.2 million) • EBITDA: RM664.1 million (2022: RM2,561.4 million) • (Loss)/Earnings Per Share: (18.10) sen (2022: 5.22 sen) • Net Assets Per Share: RM 0.92 (2022: RM1.14) • Dividend Per Share: 3.00 sen (2022: 5.25 sen) 	<p>S1</p> <p>S2</p> <p>S3</p> <p>S4</p> <p>S5</p> <p>S6</p> <p>S7</p> <p>S8</p>						
<p>Thermal Power Generation</p> <p>Operation and Maintenance (O&M)</p> <p>Project Management Services</p> <p>Electricity Distribution (ED) and District Cooling System (DCS)</p>	<p>2,501 MWh of total energy generated from our solar power</p>	<p>MANUFACTURED CAPITAL</p> <ul style="list-style-type: none"> • Net Energy Sold inclusive of chilled water supply by MUSB <ul style="list-style-type: none"> - ED: 220,640.69 MWh (2022: 205,405.96 MWh) - DCS: 88,022.97 MWh (2022: 88,280.64 MWh) • Supplies 472,975 m³/day in the desalinated water Middle East <ul style="list-style-type: none"> - Shuaibah Phase 3 IWPP is one of the Largest IWPP projects in the MENA region and first IWPP in Saudi Arabia - Al-Ghubrah IWP is Oman's fourth largest water desalination plant <p>IWPP - Independent Water and Power Producer IWP - Independent Water Producer</p>							
<p>Environmental Solutions</p> <p>Water Desalination</p>	<p>International Power Generated: 12,257,021 MWh</p>	<p>HUMAN CAPITAL</p> <ul style="list-style-type: none"> • Lost Time Incident Rate (LTIR) Malakoff: 0.73 Alam Flora: 0.86 • Total Training Hours: 32,468 hours • Employee attrition rate: 11.56% • Employees that received EDGILE core skills training: 529 							
<p>Renewable Energy</p>	<p>Total waste managed by Alam Flora and AFES: 1,600,843.57 tonnes</p>	<p>INTELLECTUAL CAPITAL</p> <ul style="list-style-type: none"> • Increased partnerships and collaborations with clients transitioning to cleaner energy sources. • Maintained 99% availability of our critical systems and recorded zero major cybersecurity incident • ISO Certifications Achieved: <table border="0"> <tr> <td>- 9001: Quality</td> <td>- 37001: ABMS</td> </tr> <tr> <td>- 14001: Environmental</td> <td>- 27001: ISMS</td> </tr> <tr> <td>- 45001: OHSMS</td> <td></td> </tr> </table> 		- 9001: Quality	- 37001: ABMS	- 14001: Environmental	- 27001: ISMS	- 45001: OHSMS	
- 9001: Quality	- 37001: ABMS								
- 14001: Environmental	- 27001: ISMS								
- 45001: OHSMS									
<ul style="list-style-type: none"> • Volatility in Energy Commodity Prices • Addressing Climate Change • Demand For Renewable Energy • Workforce Challenges • Regulatory and Compliance Landscape • Digitalisation and Technological Development 	<p>23 MW rooftop solar PV capacity commissioned in 2023</p>	<p>SOCIAL & RELATIONSHIP CAPITAL</p> <ul style="list-style-type: none"> • Contribution to educational institutions: RM131,000 (2022: RM107,400) • Community investment and development: RM109,500 (2022: RM437,575) 							
	<p>Total GHG emissions based on equity approach for assets owned & operated by Malakoff in Malaysia (Scope 1 and Scope 2): 16.48 million tCO₂e inclusive of Alam Flora's fuel and electricity consumption</p>	<p>NATURAL CAPITAL</p> <ul style="list-style-type: none"> • 2.07% reduction for Scope 1 and Scope 2 absolute carbon emissions (2022: 5.36% average reduction) • 2,501 MWh of clean energy generated, reducing carbon emissions by 14,632 tCO₂e from the operation of 23 MW rooftop solar PV facilities 							

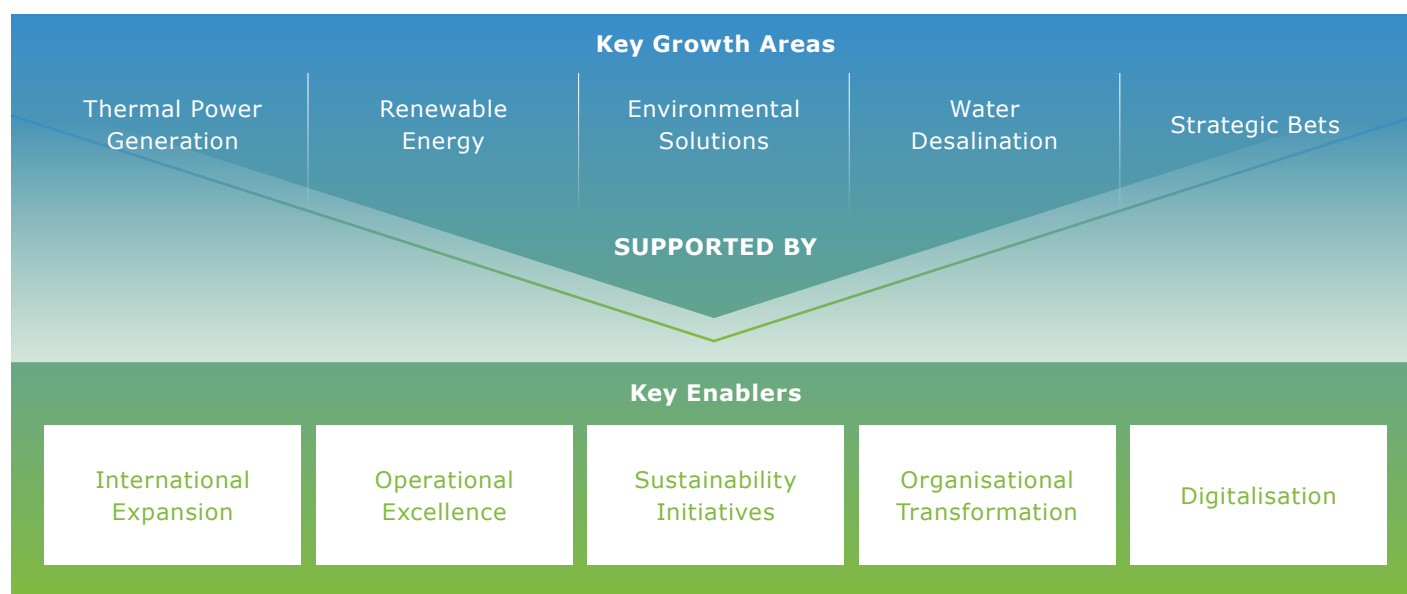
► Premised on the Shariah Principles, we commit to uphold the highest level of integrity in our everyday decisions and actions, in our efforts to uplift our communities and our nation.

How We Create Value


OUR STRATEGY





The Malakoff 2.0 Strategic Transformation launched in 2021 continues to guide the Group in integrating Environmental, Social and Governance (ESG) best practices into our business operations. As part of the strategy, we embraced a revitalised purpose of “Enhancing Life, Enriching Communities”, which centres on diversifying and expanding our business portfolio, prioritising ESG materialities and yielding sustainable returns. Our primary objective is to generate positive ESG outcomes from current operations while concurrently developing an ESG-focused portfolio. This involves strategic investments in Renewable Energy (RE), environmental solutions and other financially viable green ventures.

The Malakoff 2.0 Strategic Transformation encompasses five key growth areas supported by key enablers:



Our progress and achievements in 2023 for all five focus areas are reflected in the following table:

STRATEGIC PILLAR/ FOCUS AREA	2023 INITIATIVES	2023 ACHIEVEMENTS	2024 OUTLOOK AND PRIORITIES
 Thermal Power Generation	<ul style="list-style-type: none"> • Securing new greenfield Combined-Cycle Gas Turbine (CCGT) power plants • Implementing effort to extend Power Purchase Agreements (PPAs) • Engaging in efforts to decrease greenhouse gas (GHG) from thermal power plants 	<ul style="list-style-type: none"> • Launched the Biomass co-firing initiatives and being identified as a flagship activity under National Energy Transition Roadmap (NETR) • Diverted ~344,278 MT of fly ash from being dumped into our existing ash pond and secured additional value from fly ash disposal 	<ul style="list-style-type: none"> • Drive aggressive efforts to secure the new CCGT projects • Utilise our technical expertise to broaden our presence locally and internationally • Continuously striving for operational excellence and value optimisation

STRATEGIC PILLAR/ FOCUS AREA	2023 INITIATIVES	2023 ACHIEVEMENTS	2024 OUTLOOK AND PRIORITIES
 <p>Renewable Energy</p>	<ul style="list-style-type: none"> • Growing presence in solar, Small Hydropower Plant (SHP) and Waste-to-Energy (WTE) • Securing rooftop solar (RTS) contracts that are currently in the pipeline • Focusing on the new development, policies, and merger and acquisition (M&A) for renewable energy (RE) local utilities scale projects 	<ul style="list-style-type: none"> • Secured SHP projects in Kelantan with total capacity of 84 MW, namely Kemubu SHP (29 MW), Kuala Geris SHP (25 MW) and Serasa SHP (30 MW) via acquisition of 70% equity in RP Hydro (Kelantan) Sdn Bhd (RPHK), and successfully achieved Financial Close (FC) for these projects in July 2023 • Signed 27 Solar Power Purchase Agreements (SPPAs) for 12.8 MW of RTS projects as of 2023 • Signed a Heads of Agreement (HoA) with Abu Dhabi Future Energy Company PJSC-Masdar (Masdar) to collaboratively develop solar photovoltaic (PV) power project with an aggregate capacity of up to 1,000 MW and explore other potential RE projects across Peninsular Malaysia 	<ul style="list-style-type: none"> • Materialise the possibility of exporting energy to neighbouring countries • Involve in the competitive bidding process for solar projects [Large Scale Solar (LSS)/ Corporate Green Power Programme (CGPP)] by the Malaysian Government • Acquire operating or secure greenfield opportunities in LSS projects
 <p>Environmental Solutions</p>	<ul style="list-style-type: none"> • Growing our concession and non-concession businesses • Participating in WTE tenders 	<ul style="list-style-type: none"> • Established Recovery Initiative Sustainable Eco-Facility Kuala Lumpur (RISE@KL) at Batu Caves, Gombak • Achieved significant progress in securing a WTE plant • Completed 80% of the foundation work for Port Recovery Facilities (PRF) at Johor Port • Entered into a conditional Share Sales and Purchase Agreement (SSPA) dated 27 October 2023 between Metacorp Berhad and Tuah Utama Sdn Bhd in relation to the proposed acquisition of 49% equity interest in E-Idaman Sdn Bhd 	<ul style="list-style-type: none"> • Explore potential M&A opportunities in waste management and environmental solutions • Continue to expand our non-concession businesses • Continue to expand our concession business
 <p>Water Desalination</p>	<ul style="list-style-type: none"> • Pursuing strategic brownfield (acquisition) and greenfield opportunities • Exploring strategic partnership 	<ul style="list-style-type: none"> • Recorded exceptional plant availability performance across all water desalination assets in the Middle East and North Africa (MENA) region • Concluded the arbitration case on our Algeria's investment positively to Malakoff in FY2023 	<ul style="list-style-type: none"> • Continue to deliver reliable plant availability performance • Pursue growth in desalination portfolio by actively exploring M&A opportunities and greenfield projects • Pursue opportunities in Reverse Osmosis (RO) based desalination projects globally
 <p>Strategic Bets</p>	<ul style="list-style-type: none"> • Offering sustainable green solutions to the market 	<ul style="list-style-type: none"> • Launched our Electric Vehicle (EV) charging infrastructure offerings to our clients and potential clients 	<ul style="list-style-type: none"> • Continue to explore and deploy potentially viable green technologies for Malakoff

How We Create Value

KEY RISKS AND MITIGATION

The industries in which Malakoff and our Group of Companies operate generate permanent risks. We acknowledge that while it may not be feasible to prevent and eradicate all these risks, we are committed to managing them in order to safeguard our business and continue creating value for our stakeholders. Our approach and initiatives in mitigating and resolving risks are described in the following pages.

For more detailed information on Malakoff’s risk management, refer to the Risk Management and Internal Control section on pages 223 to 229.



Likelihood/Impact	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	6	7	8	9	10
Likely	5	6	7	8	9
Possible	4	5	6	7	8
Unlikely	3	4	5	6	7
Rare	2	3	4	5	6

Table 1: Risk Matrix

Terminate	Opting to not engage in and steering clear of activities that are likely to pose risks
Reduce	Implementing and executing action plans that can control or minimise the significance of risks
Accept	Capitalising on the Group’s resources to strategically accept risks and gain a competitive advantage over competitors
Pass	Shifting the impacts of risks to external entities such as insurance or hedging
Spread	Reducing the occurrence of risks by collaborating with third-parties through efforts such as outsourcing or partnerships

Table 2: Risk Treatment

RISK TREND

- + INCREASED - DECREASED
- STABLE

RISK IMPACT

- INSIGNIFICANT
- MINOR
- MODERATE
- MAJOR
- CATASTROPHIC

HEALTH & SAFETY
- OPERATIONAL RISK

R1

Description and Implication on Value Creation

Occupational hazards associated with an unsafe working environment may result in employees' injuries or, in extreme cases, fatalities during operational activities. Additionally, employees are exposed to the risks of communicable diseases which may require long recovery periods. These risks affect our business performance, value chain and reputation.

Response and Mitigation Actions

- Complied with local health and safety regulations by enforcing proper safety protocols
- Conducted regular risk assessments to identify, evaluate and mitigate workplace hazards
- Implemented employee wellness programmes to encourage healthy lifestyles, manage stress and provide mental health support

Opportunities Arising from this Risk

- Healthier and safer workplaces often result in higher employee productivity, fewer disruptions, and reduced absenteeism
- Comply with health and safety regulations to not only mitigate legal risks but also enhance the organisation's reputation as a responsible and ethical employer
- Invest in advanced digital systems that will help to reduce health and safety risks

Risk Trend and Impact on Malakoff: ● STABLE MAJOR

Material Issue

M6

Capitals



Stakeholders

S1 S3 S6 S7

TALENT MANAGEMENT
- OPERATIONAL RISK

R2

Description and Implication on Value Creation

Inadequate talent management processes may lead to risks and potential challenges that can affect business growth and performance. Employees who lack commitment to the Company or fail to align with our values often result in diminished productivity, lower-quality services and unsatisfactory outputs. This will adversely affect our reputation.

Response and Mitigation Actions

- Maintained competitive salary packages
- Conducted talent retention programmes
- Implemented various development programmes for all levels of employees

Opportunities Arising from this Risk

- Regularly review and adjust compensation packages to remain competitive within the industry
- Implement a robust hiring process that identifies candidates with the right skills, culture fit, and potential for growth potential within the organisation
- Offer continuous learning and development opportunities to employees

Risk Trend and Impact on Malakoff: ● STABLE MODERATE

Material Issue

M7 M9

Capitals



Stakeholders

S1

How We Create Value

KEY RISKS AND MITIGATION

CYBERSECURITY - OPERATIONAL RISK

R3

Description and Implication on Value Creation

A robust digital infrastructure is needed to prevent and safeguard the company against potential cyberattacks that can cause damage to our systems. These damages can range from loss or corruption of data, which negatively affects our financial performance and reputation.

Response and Mitigation Actions

- Implemented comprehensive cybersecurity protocols and intrusion detection systems
- Ensured all software and systems are up-to-date with the latest security patches
- Implemented strict access control measures to limit access to sensitive data and systems only to authorised personnel

Opportunities Arising from this Risk

- Enhance the organisation's reputation as a secure and reliable entity
- Effective cybersecurity measures to streamline operations by reducing downtime caused by cyber incidents, thus increasing overall efficiency and productivity
- Mitigation of cybersecurity risks allows organisations to negotiate favourable terms for cyber insurance, providing financial protection in case of cyber incidents

Risk Trend and Impact on Malakoff: ● STABLE ■ MODERATE

Material Issue

M15

Capitals



Stakeholders

S1 S3 S4 S5 S6 S7

POLICIES AND REGULATIONS - OPERATIONAL RISK

R4

Description and Implication on Value Creation

The various aspects of our business including energy production, waste management, human capital, employee health and safety, data security, carbon emissions, corporate governance, disclosure, tax payments and more are governed by respective policies and regulations. Non-compliance with regulations and laws will lead to legal proceedings which pose reputational risks and negatively impact our business operations and financial performance.

Response and Mitigation Actions

- Conducted regular audits to ensure that the organisation adheres to relevant laws, regulations and internal policies
- Established processes to monitor legislative updates and assess their impact on the organisation's policies and operations
- Conducted risk assessments to identify areas where there may be potential non-compliances to policies and regulations

Opportunities Arising from this Risk

- Understand and adhere to regulations to open entries into new markets and business opportunities
- Compliance reduces penalties, fines and legal issues resulting from non-compliance, protecting the organisation from financial and reputational damage
- Encourages the organisation to develop more efficient practices and technologies that comply with regulations while enhancing productivity

Risk Trend and Impact on Malakoff: + INCREASED ■ MAJOR

Material Issue

M1 M2 M3 M4 M5 M6
M10 M12 M14 M15

Capitals



Stakeholders

S1 S2 S3 S4 S5 S6
S7 S8 S9

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK
 – REPUTATIONAL & SUSTAINABILITY RISK

R5

Description and Implication on Value Creation

Failure to embed proper ESG practices in the Company can affect our reputation, business operations and financial standing. Currently, the primary environmental risks include 1) climate change, which involves the escalating pressure on energy producers to transition to more sustainable fuel sources, and 2) environmental degradation resulting from ineffective waste management practices.

– **Response and Mitigation Actions**

- Engaged with stakeholders, including investors, customers, employees, communities and regulators to understand their expectations and concerns regarding ESG issues
- Developed programmes that support social causes such as diversity, equity and inclusion, fair labour practices, employee well-being, community engagement and philanthropic activities
- Integrated ESG considerations into the organisation’s overall strategy, ensuring alignment with environmental stewardship, social responsibility and strong governance practices

– **Opportunities Arising from this Risk**

- ESG performance can enhance our brand reputation and perception among consumers, investors and the public
- Establish Malakoff as a leader in waste reduction and segregation by enhancing our waste initiatives
- Set and meet our own carbon neutral and net zero carbon targets, thus contributing significantly towards Malaysia achieving its Net Zero Emissions target by 2050

Risk Trend and Impact on Malakoff: INCREASED MAJOR

– **Material Issue**



– **Capitals**



– **Stakeholders**



EMERGENCE OF NEW TECHNOLOGIES
 – OPERATIONAL RISK

R6

Description and Implication on Value Creation

With the emergence of digitalisation, new technologies are rapidly being introduced in the market. While this is beneficial to our business, the company can also be at risk if we are not able to keep pace with transformations and its threats.

– **Response and Mitigation Actions**

- Regularly monitored technological advancements and assessed their potential impact on the industry and the organisation
- Collaborated with technology experts, industry peers and stakeholders to gain insights, share best practices and collectively mitigate risks associated with new technology adoption
- Continuously invested in new technologies within the market/industry

– **Opportunities Arising from this Risk**

- Utilise collaborative tools and remote work technologies to enhance communication and flexibility among teams, enabling efficient collaboration and improving productivity regardless of physical location
- Adoption of eco-friendly and sustainable technologies not only aligns with environmental goals but also enhances the Company’s reputation by demonstrating a commitment to sustainability
- Leverage on advanced analytics and data-driven technologies allows Malakoff to gather actionable insights, enabling informed decision-making and strategy development for better business outcomes

Risk Trend and Impact on Malakoff: STABLE MODERATE

– **Material Issue**



– **Capitals**



– **Stakeholders**



How We Create Value

KEY RISKS AND MITIGATION

CHALLENGES IN GETTING NEW BUSINESS - SUSTAINABILITY RISK

R7

Description and Implication on Value Creation

Business resilience and adaptability is crucial for the company, enabling us to withstand and counter disruptions. The ability to overcome challenges also allows us to uphold business continuity and safeguard our people, assets and equity.

Response and Mitigation Actions

- Conducted comprehensive market research to understand customer needs, preferences and market trends
- Developed targeted marketing strategies to reach potential customers effectively
- Continuously monitored the potential of exporting our expertise to countries in the Middle East, where we have a presence; as well as in ASEAN, where we have a good understanding of local cultures

Opportunities Arising from this Risk

- Ensure sustainable returns for stakeholders, enhancing investor confidence, potentially attracting more investments and securing future growth opportunities
- Strengthen stakeholders relationship, especially with existing customers can foster loyalty, open opportunities for additional business leads and enhance customer retention
- Spearhead cleaner energy initiatives to elevate Malakoff's reputation, attract partnerships, customers and investors seeking sustainable energy solutions

Risk Trend and Impact on Malakoff: + INCREASED MAJOR

Material Issue



Capitals



Stakeholders



FRAUDULENT, ILLEGAL OR UNETHICAL ACTS - REPUTATIONAL AND BRIBERY RISK

R8

Description and Implication on Value Creation

Managing and mitigating risks related to unethical acts such as soliciting, giving and receiving gratification through the exchange of monetary, services or goods. Engaging in these activities poses a significant risk to the company's reputation, increases the likelihood of bribery-related issues and erodes ethical standards and integrity.

Response and Mitigation Actions

- Conducted regular training and awareness sessions to educate employees about ethical practices and company policies on fraudulent, illegal and unethical acts
- Developed and enforced robust policies, procedures and controls
- Established a confidential reporting system to protect whistleblowers

Opportunities Arising from this Risk

- Cement Malakoff's reputation as an organisation dedicated to transparency and accountability
- Create robust and efficient anti-corruption initiatives to safeguard the company's integrity
- Implement systems and protocols to facilitate ongoing risk monitoring for fraud and corruption, ensuring early detection and timely intervention against corruption risks

Risk Trend and Impact on Malakoff: ● STABLE MODERATE

Material Issue



Capitals



Stakeholders

