

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

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KEY RISKS AND MITIGATION

CYBER SECURITY - 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

