



**malakoff**

A Member of  **MMC** Group

**Enhancing Life,  
Enriching Communities.**

## **Sustainable Finance Framework**

**Malakoff Corporation Berhad (“MCB”)**

December 2023

## Table of Contents

<b>1</b>	<b>INTRODUCTION .....</b>	<b>3</b>
1.1	About Malakoff Corporation Berhad .....	3
1.2	Sustainability at Malakoff .....	5
1.3	Malakoff's 2.0 Strategic Transformation .....	6
1.3.1	Malakoff's Transition Strategy and Governance .....	6
1.3.2	Malakoff's ESG Materiality Matters.....	9
1.3.3	Malakoff's 1.5°C Climate Transition: Science-Based and National Climate Agenda Alignment.....	15
1.3.4	Malakoff's Transition Implementation Transparency.....	17
<b>2</b>	<b>MALAKOFF'S SUSTAINABLE FINANCE FRAMEWORK OVERVIEW.....</b>	<b>19</b>
2.1	Use of Proceeds .....	21
2.1.1	Eligible Green Projects .....	21
2.1.2	Eligible Social Projects.....	24
2.1.3	Exclusion List for Green and Social Projects .....	25
2.1.4	Eligible Transition Projects.....	26
2.2	Project Evaluation and Selection .....	28
2.3	Management of Proceeds.....	29
2.4	Reporting.....	30
2.5	External Review.....	33
2.5.1	Pre-Issuance Review .....	33
2.5.2	Post-Issuance Review /External Review .....	33
2.6	Update and Amendment of the Framework .....	33

# 1 INTRODUCTION

## 1.1 About Malakoff Corporation Berhad

A sustainably-driven multinational energy generation and environmental solutions company, Malakoff Corporation Berhad (“**the Company**” or “**MCB**” or “**Malakoff**”) is committed to enhancing lives and enriching communities. It is Malaysia’s largest Independent Power Producer (“**IPP**”) with a total generating capacity of 6,953 MW through domestic thermal plants and a Renewable Energy (“**RE**”) portfolio of 151 MW as at November 2023. Through its subsidiary, Alam Flora Sdn Bhd (“**Alam Flora**”), Malakoff is also one of the country’s leading environmental services companies, managing waste volume of 5,748 tonnes per day.

Malakoff has established an international footprint of innovative solutions, notably through its power generation and water desalination ventures in Saudi Arabia, Bahrain, and Oman.

Currently in its next transformational stage, Malakoff is driving change to realise the nation’s ambitions of carbon neutrality and a circular economy through its three core entities namely;

- (i) Malakoff Green Solutions for renewables through solar, small hydro, biogas, biomass and carbon-free mobility infrastructure;
- (ii) Malakoff Environmental Solutions for solid waste management & public cleansing, infrastructure cleaning and waste solutions, integrated facility management, recycling, marine and hazardous waste solutions, water desalination and Waste-to-Energy projects; and
- (iii) Malakoff Energy for thermal power generation assets, operations & maintenance, electricity distribution and district cooling system.

In its pursuit of a cleaner and greener world, Malakoff is dedicated towards fostering collaboration, sharing of knowledge, and leveraging collective expertise to create a more sustainable and resilient future for all.

Tier 1 Holding/Group

Tier 2 Brand Entities



## 1.2 Sustainability at Malakoff

As a sustainably conscious organisation, Malakoff takes a three-pronged holistic approach towards sustainability, covering all business areas. Malakoff believes in the approach of embedding the triple bottom line into its business operations, objectives, and goals to ensure that the Malakoff and its group of companies (“**Malakoff Group**” or the “**Group**”) will remain relevant in the longer term.

### Commitment Towards Sustainability



**Easy access to**  
Reliable power, clean water, and effective waste disposal.



**Greener energy sources**  
From fossil fuels to renewables.



**Cleaner environment**  
Effective and efficient waste management as part of a circular economy.

### Group-wide Sustainability Development Goals

The 17 Sustainable Development Goals (“**SDGs**”) of the 2030 Agenda for Sustainable Development were all adopted by all members of the United Nations community to achieve a better and more sustainable future for all.

Malakoff have adopted the following goals to demonstrate its commitments in alignment with the following Environmental, Social and Governance (“**ESG**”) pillars:



#### Environmental

We are committed to combatting climate change by **reducing our carbon emissions** and **advancing the transition to a cleaner and circular economy future**

#### Social

We will enrich communities and cultivate an **inclusive culture in an agile organisation** with **equal opportunities** for all our people to **grow professionally** within a **safe and healthy work environment**

#### Governance

We will enforce and observe the **highest corporate compliance** standards in all units and activities of the Group (Goal: Zero misconduct)



### 1.3 Malakoff's 2.0 Strategic Transformation

Malakoff has embarked on a transformation journey to develop a new business direction as it enters the new era, moving away from the traditional IPP image, and towards becoming a global RE and environmental player guided by clear sustainability/ESG considerations. The renewed direction is premised upon the Group's new purpose, "Enhancing Life, Enriching Communities", which relates to delivering dependable energy, efficient environmental management, and innovative green solutions to better the lives of communities across the world.

In cognisance of the fact that some of its existing Power Purchase Agreements ("PPA") would be expiring in the next few years, Malakoff is taking this opportunity to transition its plants to cleaner energy sources and plug the earnings gap with new growth projects.

As a result, Malakoff today has a diversified portfolio of businesses with key focus in RE (solar, small hydro, biogas, biomass, waste to-energy), integrated environmental services, carbon free mobility infrastructure and water desalination.

#### 1.3.1 Malakoff's Transition Strategy and Governance

##### (i) Malakoff's Transition Strategy

Given the nature of Malakoff's core businesses in energy and environmental solutions, Malakoff has a significant impact on Malaysians and communities globally where it operates. As a responsible organisation, Malakoff seeks to enhance the lives that it touches by creating economic, environmental, and social value, supported by sound corporate governance.

Malakoff is driven to maintain profitable operations not just for its business sustainability, but to create economic value for its shareholders, suppliers, partners, investors and general society. Environmentally, Malakoff is embedding green considerations into the heart of its operations, as reflected in the '**Malakoff 2.0 Strategic Transformation**' that was launched in mid 2021.

In line with **Malakoff 2.0**, Malakoff is no longer just enhancing energy and waste management efficiencies, Malakoff is greening its core businesses themselves – decarbonising its power generation, accelerating RE ventures and diversifying into sustainable environmental solutions that promote a circular economy.

In line with the above aspirations, Malakoff is also embarking on digitalisation to facilitate the Group's carbon accounting process through a robust, comprehensive and integrated platform that will automate the calculation of the company's carbon footprint and identify its emissions impact in line with established global standards. This will allow Malakoff to further leverage data analytics to provide valuable insights, identify areas for improvement, enhance ESG disclosures and guide data-drive decision making towards achieving its sustainability goals.

Malakoff is also actively analysing its carbon emission and looking into the potential of Renewable Energy Certificates ("**RECs**") and carbon credits generation based on the RE projects and circular economy business activity its involved in. Malakoff is in discussion with education hubs to activate R&D for Malakoff's businesses in line with exploration of new technologies and business activities to reduce its carbon emission.

At the same time, Malakoff maintains its social licence to operate by empowering its employees through an energised, diverse and engaging workplace that rewards high performance. Within the community, Malakoff continues to give back to society in ways that are meaningful. Good corporate governance underlines its entire approach to sustainability, ensuring that it upholds the principles of transparency and integrity as it creates value for its stakeholders. Malakoff is guided in this regard by the Malaysian Code on Corporate Governance (“**MCCG**”) issued by the Securities Commission Malaysia as well as continuous compliance with the Main Market Listing Requirements (“**MMLR**”) issued by Bursa Malaysia Berhad.

(ii) Malakoff’s Sustainability Framework

In 2022, Malakoff rolled out its Sustainability Framework to underpin its commitment to key ESG matters as part of its role in advancing the transition to cleaner energy sources and embarking towards a low-carbon and circular economy future.



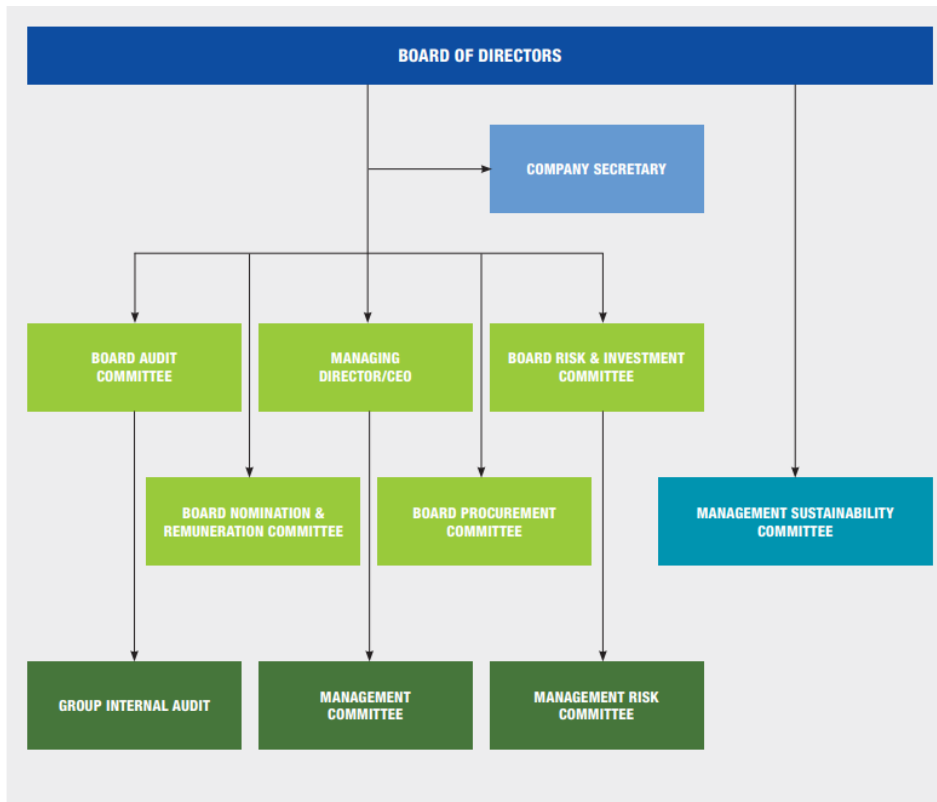
(iii) Sustainability Governance at Malakoff

Sustainability at Malakoff is overseen by Malakoff’s Board of Directors (“**Board**”), which has the ultimate responsibility for Malakoff’s corporate governance and stakeholder value creation. The Board is supported by a dedicated Sustainability Department which reports to the senior management of the Company (the “**Management**”) and the Board. To further strengthen its sustainability governance, Malakoff’s Board has approved the development and establishment of Terms of Reference (“**TOR**”) for its Management Sustainability Committee (“**MSC**”).

The MSC will guide the development of the Group’s sustainability strategy and direction, ensuring these are in line with Malakoff’s corporate vision, goals and values. It will also provide

leadership and set the tone from the top, on the development of a sustainability culture across the Group. Malakoff believes that to obtain optimal ESG results, everyone at Malakoff must understand the importance of sustainability and contribute to Malakoff's corporate goals.

Malakoff has embarked on roadshows to engage all senior management, Heads of Departments and key operations personnel in Malakoff to share about Malakoff's sustainability journey while obtaining ideas for improvement of operations and reducing Malakoff's emissions footprint.



As part of the Group's Sustainability Framework, the establishment of the MSC is crucial to drive the sustainability strategy and support the Board in overseeing the Company's sustainability approach, goals and targets across the organization. Below are the key terms of the MSC:

- The purpose of the MSC is to oversee, consider, review and resolve matters in relation to the Group's sustainability strategy and initiatives covering the ESG aspects as well as embedding sustainability practices into the Company and its subsidiaries.
- The MSC will report directly to the Board and will consist of the Management Committee and Ex-Officio, chaired by the Managing Director/Chief Executive Officer.
- The Committee will convene at least twice a year, with additional meetings as and when necessary.
- The Committee will prepare an ESG report to be tabled to the Board at least once a year, covering key ESG issues, achievements and progress against the Sustainability Performance Indicators.
- The MSC will play a crucial role in overseeing the implementation of the Group's Sustainability Framework and tracking the progress of the ESG Roadmap towards achieving Net Zero Carbon Emissions.



### 1.3.2 Malakoff's ESG Materiality Matters

In 2022, Malakoff reviewed the material matters that had been established based on a comprehensive assessment in 2021, and made a few changes in order to streamline matters for more effective management as well as reporting. As a result of the review, as at the date of this framework, Malakoff has 13 material matters under the Environmental, Social and Economic/Governance categories as depicted in a diagram below. For each category, Malakoff has itemised the material matters according to their priority.



Summary of the material matters for Malakoff in the context of ESG:

	Material Matters	Opportunities	Malakoff's Response	Value Creation Matrix
M1	<p><b>Renewable Energy</b> Increasing use of non-carbon based RE sources in generating power, for example solar, biogas, biomass, small hydro, ammonia/ hydrogen, among others</p>	<ul style="list-style-type: none"> <li>▪ Rapid development of new technologies</li> <li>▪ Increasing demand for RE from commercial, industrial and residential sectors</li> <li>▪ More financing options available for green or sustainability-linked infrastructure/ projects</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expansion of RE to residential areas through rooftop solar projects</li> <li>▪ Studying opportunities for investment in lower carbon sources, clean energy and RE, including biomass and new energies</li> <li>▪ Exploring virtual power purchase agreements ("VPPA") and REC</li> </ul>	<ul style="list-style-type: none"> <li>▪ Total RE Capacity</li> </ul>
M2	<p><b>Biodiversity Impact</b> Conserving or restoring the natural environment to help preserve the country's rich biodiversity, including monitoring/ managing greenhouse gas ("GHG") emissions</p>	<ul style="list-style-type: none"> <li>▪ Collaborate with experts on ways to preserve the environment</li> <li>▪ Invest in R&amp;D on the development of new technologies to enhance waste management</li> <li>▪ Undertake projects to preserve the environment at the locations of business operations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Operations are guided by Environmental Policy that guides Malakoff in minimising its environmental impact</li> <li>▪ Installation of latest technology, improve plant's efficiency, and recycling of by-products where applicable</li> <li>▪ Rainwater harvesting and reuse of treated leachate at available locations of operations to reduce raw water consumption</li> <li>▪ Responsible management of solid waste and extensive recycling programmes</li> <li>▪ CSR projects in biodiversity conservation</li> <li>▪ Carbon accounting exercise to monitor impact to the environment</li> </ul>	<ul style="list-style-type: none"> <li>▪ % Of Total Waste Recycled</li> <li>▪ No. Of Environmental Projects Carried Out</li> <li>▪ Compliance with Clean Air Regulation ("CAR") for power plants</li> <li>▪ Net Carbon Emission for Malakoff Group</li> </ul>
M3	<p><b>Waste Management</b> Promoting responsible consumption and management of waste, including effluents, in compliance with regulations</p>	<ul style="list-style-type: none"> <li>• Invest in circular economy to reduce waste and exploration of new raw materials</li> <li>• Increased resource efficiency and decreased waste generation will reduce operational costs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leverage emerging technologies for circular economy and waste management</li> <li>▪ Disposal of all scheduled waste in accordance with regulatory requirements</li> <li>▪ Collaborate with fly ash off-takers who utilise it as raw material for cement production, and studying the potential of brick production as well as sand replacement for roadworks using bottom ash</li> <li>▪ Increase recycling capacity and rate in Alam Flora in line with national targets</li> <li>▪ Promote technological innovation, together with a strong focus on recycling</li> </ul>	<ul style="list-style-type: none"> <li>▪ Recycling rate</li> <li>▪ Waste handling capacity in tonnage per day ("TPD")</li> <li>▪ Volume of fly ash collected by off-takers</li> </ul>

	Material Matters	Opportunities	Malakoff's Response	Value Creation Matrix
			supply chain resilience and sustainability	
M4	<b>Water Management</b> Managing water consumption efficiently, involving efforts to monitor and improve efficient usage of water across the value chain	<ul style="list-style-type: none"> <li>▪ Invest in the latest technologies to reduce water consumption and increase equipment efficiency to meet the same demand/ production</li> <li>▪ Continuously monitor water consumption and explore ways to enhance consumption efficiencies</li> <li>▪ Continuously monitor effluents and ensure quality meet the standards and requirements by the Department of Environment (“DOE”)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide water desalination services in the Middle East to ensure security of water supply to the local population</li> <li>▪ Look into emerging technologies to reduce raw water consumption for internal consumption</li> <li>▪ Recycle water at Malakoff's plants, plug leakages, and harvest rainwater for non-essential</li> <li>▪ Ensure effluents are properly treated and meet the DOE's standards prior to being released into the environment</li> </ul>	<ul style="list-style-type: none"> <li>▪ Raw water consumption monitoring</li> <li>▪ Quality of effluents</li> <li>▪ Capacity of clean water production at water stressed regions</li> </ul>
M5	<b>Energy Consumption</b> Managing energy consumption to minimise emissions and therefore environmental impact	<ul style="list-style-type: none"> <li>▪ Invest in the latest technologies to reduce emissions as Malakoff works towards become a Net Zero organisation by 2050, supporting the national agenda</li> <li>▪ Explore opportunities to sell RECs for other companies to meet their target of Net Zero carbon emissions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Enhance efficiencies at power plants to optimise heat rate performance thus reduce coal and gas consumption</li> <li>▪ Monitor energy usage in power production, office buildings, electricity distribution system and District Cooling System and implement energy efficiency initiatives to reduce internal consumption and losses</li> <li>▪ Conserve electricity usage in Malakoff's office premises with energy efficient systems</li> </ul>	<ul style="list-style-type: none"> <li>▪ Energy consumption across the Group</li> <li>▪ Heat rate margin</li> </ul>
M6	<b>Occupational Health &amp; Safety</b> Ensuring the health and safety of Malakoff employees and all contractors as well as business partners	<ul style="list-style-type: none"> <li>▪ Engage with the Department of Occupational Safety &amp; Health (“DOSH”), BOMBA and other safety experts to run safety training and other programmes</li> <li>▪ Instil a behavioural culture of safety in which everyone takes responsibility for his/her safety and that of colleagues</li> <li>▪ Share constant messages emphasising individual</li> </ul>	<ul style="list-style-type: none"> <li>▪ Have in place a robust Occupational Health and Safety (“OHS”) Policy to prevent injuries due to work hazards</li> <li>▪ Accredited with the ISO 45001:2018 Occupational Health and Safety standard</li> <li>▪ Provide constant training to ensure everyone at work sites has the knowledge to carry out their functions safely</li> <li>▪ Yearly internal and external audits on QHSE programmes and documentations</li> </ul>	<ul style="list-style-type: none"> <li>▪ No. of Fatalities</li> <li>▪ Lost Time Injuries (“LTI”)</li> <li>▪ No. of Fire incidents</li> <li>▪ No. of Property Damage</li> <li>▪ Near miss reports</li> </ul>

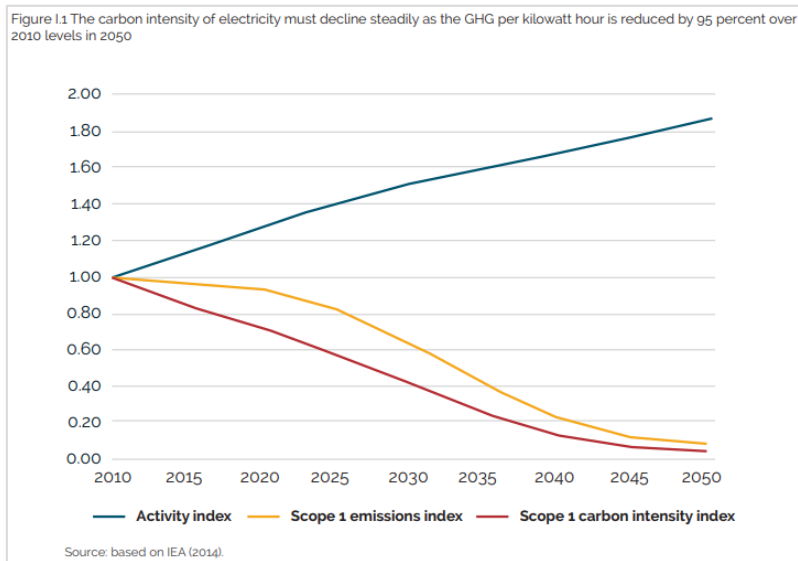
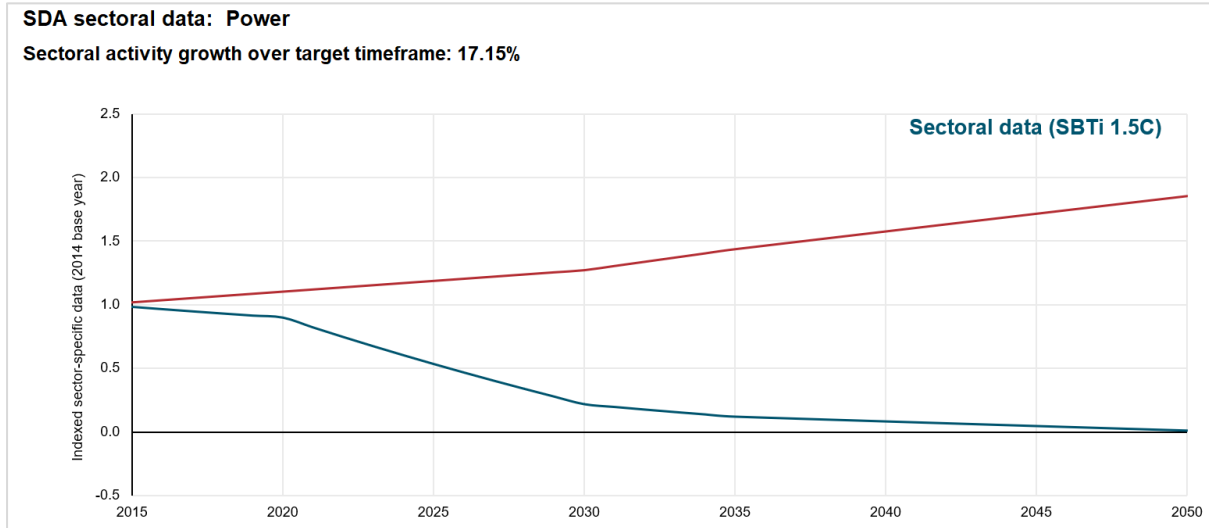
	Material Matters	Opportunities	Malakoff's Response	Value Creation Matrix
		<ul style="list-style-type: none"> <li>accountability for safety</li> </ul>		
M7	<p><b>Employee Engagement &amp; Well-being</b> Managing benefits, rewards and recognition for employees; as well as improving diversity, flexibility and inclusiveness within the workforce to promote employee well-being across all of Malakoff's operations</p>	<ul style="list-style-type: none"> <li>Create more opportunities for the leadership to engage with employees to share the Company's values, strategies and aspirations</li> <li>Ensure employees are aware of measures taken to enhance the work environment based on their comments in the Employee Engagement Survey ("EES")</li> <li>Keep enhancing Malakoff's employee value proposition by understanding and meeting the expectations of employees</li> <li>Develop a corporate culture that is engaging and that inspires a sense of connectedness with Malakoff</li> </ul>	<ul style="list-style-type: none"> <li>Frequent engagement with the staff to keep them involved, engaged and informed of the company's progress and plans through frequent townhall sessions</li> <li>Malakoff offers competitive salaries and benefits that are benchmarked against industry standards</li> <li>Malakoff promotes diversity and inclusivity in the workplace and does not tolerate any discrimination.</li> <li>Malakoff promotes work-life balance, and invites external professionals to provide sharing sessions on finance, health and wealth management</li> <li>Malakoff undertakes an annual survey EES to understand concerns that employees have and address these</li> </ul>	<ul style="list-style-type: none"> <li>EES score</li> <li>Attrition rate</li> </ul>
M8	<p><b>Community Development</b> Strategic programmes and corporate contributions that positively impact local communities</p>	<ul style="list-style-type: none"> <li>Safeguard concession-based business as local concerns are protected and well taken care of</li> <li>Reduce operational costs by allowing more local vendors to participate in procurement exercise</li> <li>Build Malakoff's reputation as a leader in responsible waste management and environmental protection through sound environmental solutions arm and effective CSR initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Invest in programmes to develop technical skills, enhance community development, inculcating competitive spirit and taking measures to conserve the environment</li> <li>Undertake community engagement activities and implement welfare programmes to improve socioeconomic conditions</li> <li>Established Malakoff Edufund Programme to support 11 adopted schools in the vicinity of Malakoff's operations in Perak, Penang and Johor</li> <li>Actively invest in the needs of local communities</li> </ul>	<ul style="list-style-type: none"> <li>Investment in CSR activities</li> <li>Number of social engagement programmes</li> </ul>
M9	<p><b>Talent Management</b> Investing in the long-term development of employees through talent attraction, retention, training</p>	<ul style="list-style-type: none"> <li>Develop a high-performance work culture by attracting high calibre talent through attractive</li> </ul>	<ul style="list-style-type: none"> <li>Organise training to fill in competency gaps in the organisation</li> <li>Develop a highly skilled pool of managers through the</li> </ul>	<ul style="list-style-type: none"> <li>Total training hours and average training hours per employee</li> </ul>

	Material Matters	Opportunities	Malakoff's Response	Value Creation Matrix
	and development, as well as succession planning	<ul style="list-style-type: none"> <li>employee value proposition</li> <li>▪ Retain good talent through attractive career development opportunities in addition to high level of employee engagement</li> <li>▪ Further develop succession planning to safeguard continuity of programmes and strategies</li> </ul>	<ul style="list-style-type: none"> <li>Malakoff Management Development Programme</li> <li>▪ Identified two levels of successors for each critical position, and planned training programmes for the talents</li> <li>▪ All executive and mid-management level staff are enrolled in an online learning management system to develop their soft and functional skills</li> </ul>	<ul style="list-style-type: none"> <li>▪ No. of employees who undergo training</li> <li>▪ No. of talents identified as high-potential</li> <li>▪ No. of Talents in the Group's Succession Planning programme</li> </ul>
M10	<b>Human Rights &amp; Labour Relations</b> Ensuring working conditions are nonexploitative by implementing human rights frameworks, such as the Universal Declaration on Human Rights ("UDHR") and the International Labour Organisation ("ILO") Core Conventions	<ul style="list-style-type: none"> <li>▪ Instil a culture that respects human rights through regular awareness creation</li> <li>▪ Establish Malakoff as an ethical organisation in order to sustain the supply of employees and contract workers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure Malakoff meets all requirements of Malaysia's Employment Act, 1955 and international labour standards such as those promoted by ILO and UDHR</li> <li>▪ Malakoff's salaries adhere to the Minimum Wages as stipulated by the National Wages Consultative Council</li> <li>▪ Malakoff fully embraces the principle of freedom of association, enabling employees to join industry unions</li> <li>▪ Establishment of Staff Sports and Recreational Club for Malakoff employees</li> <li>▪ Based on the principles of diversity and inclusion, ensure ethical and fair treatment of all employees</li> <li>▪ Employees are protected by a Staff Handbook; and any grievances can be channelled via the Group's intranet, MACNET</li> <li>▪ Contractors are required to adhere to the Employment Act and all relevant labour laws in Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>▪ No. of whistleblowing cases regarding human rights</li> </ul>
M11	<b>Governance, Ethics &amp; Integrity</b> Organisation's commitment to integrity as demonstrated by its values, principles, standards and norms, such as code of conduct and ethics	<ul style="list-style-type: none"> <li>▪ Create a culture of integrity through constant reinforcement of governance communication</li> <li>▪ Leadership sets the tone from the top in demonstrating Zero Tolerance for unethical behaviour</li> <li>▪ Organise talks and events highlighting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Guide all employees on the right way to deal with internal and external stakeholders through Malakoff's Code of Conduct and Ethics</li> <li>▪ Attained ISO37001 Anti-Bribery Management System ("ABMS") certification for Malakoff</li> <li>▪ Under the ABMS, Malakoff has developed a bribery risk register to evaluate the</li> </ul>	<ul style="list-style-type: none"> <li>▪ No. of whistleblowing cases</li> </ul>

	Material Matters	Opportunities	Malakoff's Response	Value Creation Matrix
		the importance of integrity	<p>suitability and effectiveness of the Group's current controls to prevent bribery and corruption</p> <ul style="list-style-type: none"> <li>Support the ABMS with a Whistleblowing Policy, Code of Conduct and Ethics, and Limits of Authority which define the authority limits of the Board and Management</li> </ul>	
M12	<p><b>Regulatory Compliance</b> Compliance with all applicable laws and regulations in the different countries where Malakoff operates in relation to labour rights, health, safety, governance and quality</p>	<ul style="list-style-type: none"> <li>Development of closer relationship with the authorities or regulators in order to keep abreast of the regulatory environment</li> <li>Increased productivity from improved labour, health and safety, and quality procedures</li> </ul>	<ul style="list-style-type: none"> <li>Frequent engagement with authorities and regulators to understand regulatory policies and any changes relevant to Malakoff's operations</li> <li>Establishment of a compliance function within the Group, which is supported by internal auditors</li> <li>Regular audits on various functions that are subject to regulation, such as work safety, risk management, and policies and procedures that govern the implementation of the regulatory requirements</li> </ul>	<ul style="list-style-type: none"> <li>No. of summons or non-compliance reports issued to Malakoff</li> </ul>
M13	<p><b>Economic Performance</b> Generating sustainable economic value and creating wealth for stakeholders by maintaining profitable operations and a healthy balance sheet</p>	<ul style="list-style-type: none"> <li>Develop models to create a profitable business from new, cleaner sources of energy</li> <li>Explore offsetting mechanisms which include reforestation and conservation</li> <li>Invest in newer, more efficient technologies in waste management</li> <li>Maintain an optimal capital structure and a strong financial position to ensure sufficient funds for business development and growth as well as to reward shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Development and implementation of clear strategies to guide the Company towards Malakoff's corporate goals</li> <li>Aggressive expansion of business into high-growth sectors</li> <li>Partnerships with technology leaders to develop and introduce new technologies for more efficient operations</li> <li>Digitalisation across the Group to enhance efficiencies and reduce human error</li> </ul>	<ul style="list-style-type: none"> <li>Value distributed in terms of: <ul style="list-style-type: none"> <li>Dividend</li> <li>Amount paid to government in taxes</li> <li>Total salaries</li> <li>Investment in new technologies</li> </ul> </li> </ul>

### 1.3.3 Malakoff's 1.5°C Climate Transition: Science-Based and National Climate Agenda Alignment

Malakoff has set a target to achieve Net-Zero Emissions by 2050, in line with the 1.5°C climate transition scenario analysis based on the Science Based Target Initiative (“SBTi”) Sectoral Decarbonisation Approach<sup>1</sup> and based on the International Energy Agency (“IEA”) scenario analysis as shown in the figure below:



Based on the guidance from SBTi and IEA’s decarbonisation approach for the energy sector, Malakoff is currently developing its own emissions projection, and has identified business operation activities to be undertaken towards supporting its targeted decarbonisation. In line with that, all new business activities and potential areas of investment have been identified as defined in [Section 2.1](#) below, and will be approved for selection by the MSC.

Through Malakoff’s transformation, Malakoff seeks to contribute towards various environmental-related aspirations of the Malaysian Government:

<sup>1</sup> Reference: <https://sciencebasedtargets.org/resources/files/Sectoral-Decarbonization-Approach-Report.pdf>



### Malaysia's Sustainability Commitments

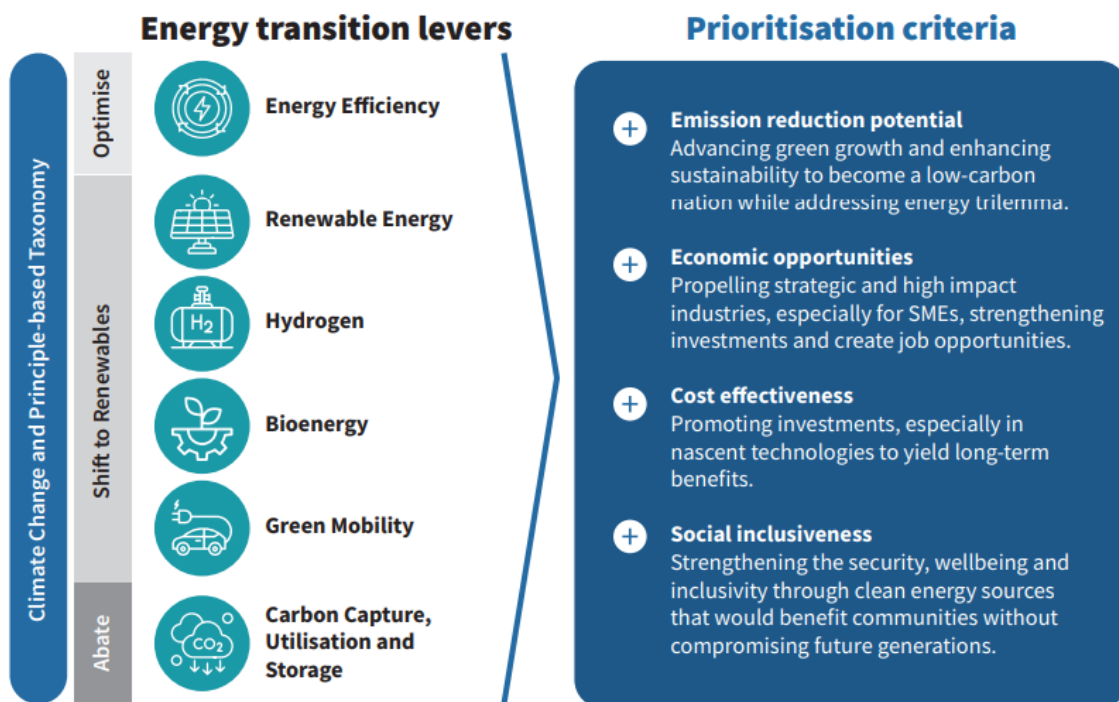
- Become a Net Zero GHG Emissions nation as early as 2050<sup>2</sup>
- Achieve a target of 70% of installed RE capacity by 2050<sup>3</sup>
- National Recycling Rate to be at least 40% by 2025<sup>4</sup>



### Malakoff's Sustainability Commitments

- Reduce GHG emissions intensity by 30% by 2031, from a 2019 baseline
- Become a Net-Zero Emissions organisation by 2050, in line with the 1.5°C scenario analysis based on the SBTi Sectoral Decarbonisation Approach
- No new greenfield coal investments
- Increase Malakoff's RE capacity to 1,400 MW by 2031
- Increase revenue contribution from RE & Environmental Solutions to at least 50% in the next 10 years
- Achieve a 15%-20% Recycling Rate by 2025 from waste collected by Alam Flora
- Collect, handle and manage waste volume of 10,000 tonnes per day by 2031
- Towards achieving a Zero Waste Circular Economy goal

Moving towards the set sustainability commitments, Malakoff is employing energy transition levers that are in line with Malaysia's National Energy Transition Roadmap ("NETR")<sup>5</sup> as announced in August 2023:



<sup>2</sup> Reference: <https://ekonomi.gov.my/sites/default/files/2023-08/National%20Energy%20Transition%20Roadmap.pdf>

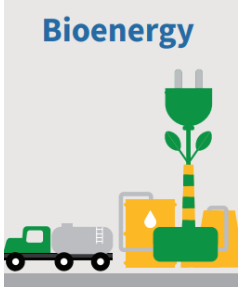
<sup>3</sup> Reference: <https://ekonomi.gov.my/sites/default/files/2023-08/National%20Energy%20Transition%20Roadmap.pdf>

<sup>4</sup> Reference: <https://rmke12.ekonomi.gov.my/en>

<sup>5</sup> Reference: <https://ekonomi.gov.my/sites/default/files/2023-08/National%20Energy%20Transition%20Roadmap.pdf>



In conjunction with the NETR, Malakoff will be championing one of the NETR’s 10 flagship catalyst projects and initiatives, for bioenergy.

Energy Transition Levers	Flagship	Modalities	Champion
 <p><b>Bioenergy</b></p>	<p><b>Biomass Demand Creation</b></p>	<p><b>Biomass Co-firing</b> Co-firing initiative at the existing 2100 MW Tanjung Bin Power Plant by burning biomass along with coal. Biomass sources include empty fruit bunch (“EFB”) pellets, wood chips, wood pellets, bamboo pellets, coconut husk and rice husk. A pilot phase of co-firing will commence in 2024 with the scale-up potential to a minimum of 15% biomass co-firing capacity by 2027.</p>	<ul style="list-style-type: none"> <li>▪ Kementerian Peladangan dan Komoditi (“KPK”)</li> <li>▪ Malakoff</li> </ul>

### 1.3.4 Malakoff’s Transition Implementation Transparency

Malakoff is transparent in its implementation of its Malakoff 2.0 Strategic Transformation and transition, guided by sustainability imperatives as highlighted by frameworks such as the United Nations’ SDGs; the expectations of Malakoff’s stakeholders; and risks that face the organisation.

#### Malakoff’s ESG Roadmap

Malakoff has developed its ESG roadmap to guide it towards transformation into a sustainability conscious company. The roadmap sets clear mileposts that will take Malakoff progressively closer to its sustainability goals while contributing to the nation’s transition towards a low-carbon, circular economy.



Currently, Malakoff has established an MSC which governs the ESG framework and implementation across the Group. Roadshows have been conducted across business for the management to inculcate

sustainability requirements in daily business operation and identify key performance indicators which are relevant and achievable within the operations areas.

The finalized and approved performance indicators are to be shared amongst staff via roadshows and internal circulation to inculcate the sustainability DNA within the organisation. Malakoff is also in discussion with several external sustainability statement assurance service providers and finalizing its carbon accounting software service provider to enhance its sustainability disclosures.

Malakoff has engaged with ESG institutions such as S&P Global, United Nation Global Compact Network Malaysia & Brunei ("UNGCMYB") and other research institutions to review the methodology of ESG scoring for Malakoff while improving its score on ESG in its public domain.

**Malakoff's ESG Roadmap is mapped against ESG pillars**



**GHG Reduction**

- Reduce GHG emissions produced by business activity through the value chain

Efficiency Improvement  
 – Technical heat rate margin and improvement of maintenance programme inclusive of planned and unplanned outages

**GHG Compensation**

- Extract carbon from atmosphere through natural GHG removal and technologies to compensate for business emissions

Tree Planting Programme (one tree reduces 21 kg of CO<sub>2</sub> a year)  
 Options to retrofit with carbon capture technology  
 Fuel Switching to Ammonia/ Hydrogen  
 Fly Ash (Green Option for Offtakers)



**Workforce Equalisation**

- Analysis of existing compensation structures and packages
- Clear policies of inclusion and equality

Launch of social and human rights charter

**Retention and Progression**

- Focused talent management efforts to retain and reward employees without discrimination or bias

Culture Transformation Programme

**Recruitment**

- Increase gender-equal pipeline through strategic recruitment campaigns

Increased Employee Engagement  
 Enhanced Human Rights and Labour Standards



**Risk Assessment**

- Further review specific Company risks and review current practices
- Mitigation of bribery risks

**Sensitisation**

- Run training courses and implement programmes to increase awareness among employees on the Company's governance policies

**Enforcement & Compliance**

- Reporting of incidents and auditing of reports with documented remediation and disciplinary procedures



## 2 MALAKOFF'S SUSTAINABLE FINANCE FRAMEWORK OVERVIEW

As Malakoff embarks on its Malakoff 2.0 Strategic Transformation journey, this Sustainable Finance Framework (the “**Framework**”) has been established to demonstrate how Malakoff intends to enter into Sustainable Finance Transactions (“**SFTs**”) to fund projects. These SFTs will support Malakoff’s renewed direction premised upon its new purpose of *Enhancing Life, Enriching Communities*, which relates to delivering dependable energy, efficient environmental management and innovative green solutions to better the lives of communities across the world.

In October 2022, Malakoff’s subsidiary, Alam Flora established its Green Financing Framework<sup>6</sup>. Alam Flora’s Green Financing Framework sets out clear and transparent guidelines and principles for the issuances of Green Finance for eligible projects carried out by Alam Flora and its subsidiary which positively impacts the environment.

Now, within this Sustainable Finance Framework developed by Malakoff, Malakoff defines how Sustainable Finance instruments are set up within the Malakoff Group. Under this Framework, the SFTs for the Use of Proceeds formats of new and/or existing specific investments, assets and projects can be utilised by any Malakoff subsidiary engaging in the Eligible Green, Social, and Transition Project categories as defined in [Section 2.1](#) below. Alam Flora retains the option to issue green financial instruments separate from this Framework i.e., Alam Flora’s Green Financing Framework dated October 2022.

Under this Framework, Malakoff will be able to undertake SFTs and/or any other financing instruments undertaken in Use of Proceeds formats i.e., Green, Social, Sustainability (“**GSS**”), Transition, and in different currencies.

This Framework adopts the principles and/or guidelines set by the International Capital Market Association<sup>7</sup> (“**ICMA**”), ASEAN Capital Markets Forum<sup>8</sup> (“**ACMF**”), Securities Commission Malaysia (“**SC**”)<sup>9</sup> and Loan Market Association<sup>10</sup> (“**LMA**”)/ Asia Pacific Loan Market Association (“**APLMA**”)/ Loan Syndications & Trading Association (“**LSTA**”) as specified below. These principles provide a set of voluntary guidelines that recommend transparency and disclosure, while promoting integrity in the development of the sustainable finance market by clarifying the approach for raising Sustainable Finance.

With respect to bonds, issuances will be aligned with the following frameworks as appropriate for the type of bond issued or as they may be subsequently amended:

- (a) ICMA Frameworks, such as Green Bond Principles 2021 (with June 2022 Appendix 1) (“**GBP**”), Social Bond Principles 2023 (“**SBP**”), and Sustainability Bond Guidelines 2021 (“**SBG**”);

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<sup>6</sup> Reference: <https://www.marc.com.my/rating-announcements/marc-ratings-assigns-gold-impact-assessment-to-alam-floras-green-financing-framework/>

<sup>7</sup> Reference: <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>8</sup> Reference: <https://www.theacmf.org/initiatives/sustainable-finance>

<sup>9</sup> Reference: <https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416>

<sup>10</sup> Reference: [https://www.lsta.org/content/?industry\\_sector=guidelines-memos-primary-market&asset\\_type=publication](https://www.lsta.org/content/?industry_sector=guidelines-memos-primary-market&asset_type=publication)

- (b) ACMF Frameworks, such as ASEAN Green Bond Standards 2018 (“**ASEAN GBS**”), ASEAN Social Bond Standards 2018 (“**ASEAN SBS**”) and ASEAN Sustainability Bond Standards 2018 (“**ASEAN SUS**”); and
- (c) SC’s Framework, namely the SRI Sukuk Framework 2019.

Loan transactions will be aligned with the following frameworks developed by LMA as of 2023 or as they may be subsequently amended:

- Green Loan Principles (“**GLP**”); and
- Social Loan Principles (“**SLP**”).

Based on the above-mentioned market guidelines, principles and standards, Malakoff’s Sustainable Finance Framework for Use of Proceeds is based upon the following four core components:

1. Use of proceeds;
2. Project evaluation and selection;
3. Management of proceeds; and
4. Reporting.

In addition, to underscore Malakoff’s transition towards a low-carbon and circular economy future, this framework has been developed in line with the four disclosure guidelines of the Climate Transition Finance Handbook 2023 (“**CTFH**”)<sup>11</sup> as published by the ICMA:

1. Issuer’s climate transition strategy and governance;
2. Business model environmental materiality;
3. Climate transition strategy to be ‘science-based’; and
4. Implementation transparency.

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<sup>11</sup> Reference: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Climate-Transition-Finance-Handbook-CTFH-June-2023-220623v2.pdf>

## 2.1 Use of Proceeds

Malakoff has committed that the proceeds of each transaction shall be used exclusively for financing and/or refinancing projects, assets or activities that meet the eligibility criteria for the financing of Eligible Green Projects, Eligible Social Projects or Eligible Transition Projects (hereinafter defined, each an **Eligible Project** and collectively, the **Eligible Projects**).

In order to be earmarked as eligible, Eligible Projects must align with all of the following criteria:

### i. Eligible Types of Investments


- Eligible Projects can include investments and capital expenditures (“**CAPEX**”) and operational expenditures (“**OPEX**”) (such as maintenance costs that either increase the lifetime or the value of the assets) of physical assets meeting the eligibility criteria outlined below.
- Research and Development (“**R&D**”) expenditures aiming at developing new products and solutions, investments and/or business ventures and opportunities.

### ii. Lookback Period






- The net proceeds of each Use of Proceeds Financing instruments will be used to finance Eligible Projects occurring post issuance of each financing instrument and/or refinancing disbursement to Eligible Projects initiated up to **36 months** from the time of issuance.



For the avoidance of doubt, the proceeds can be used by Malakoff for working capital requirements relating to an Eligible Project, refinancing of existing debt relating to an Eligible Project, fees and expenses in relation to each Eligible Project and/or inter-company advances to Malakoff and its subsidiaries in relation to each Eligible Project, so long as the proceeds are not used to fund new or existing assets, businesses, projects and/or products falling outside the Eligible Projects identified.

### 2.1.1 Eligible Green Projects




Eligible Green Category	Environmental Benefits	Eligible Criteria	Alignment with UN SDGs
<b>Renewable energy</b>	Climate Change Mitigation	<p>Investments and expenditure relating to the construction, development, acquisition, maintenance, and/or operation of renewable energy installations, such as solar and wind power, hydropower, biogas, green hydrogen, and associated grid infrastructure, such as:</p> <ul style="list-style-type: none"> <li>• Development of Solar Power Projects, Solar Rooftops, Solar Building integrated photovoltaics, and Solar Farms and floating solar</li> <li>• Development of Concentrated Solar Plants with majority of electricity (&gt;85%) sourced from solar energy)</li> <li>• Wind Energy Farms</li> </ul>	

Eligible Green Category	Environmental Benefits	Eligible Criteria	Alignment with UN SDGs
		<ul style="list-style-type: none"> <li>Hydropower Projects (with power density of &gt; 5W/m<sup>2</sup>, OR greenhouse gas GHG emissions intensity of &lt; 100g CO<sub>2</sub>e/kWh, OR run-of-river without artificial reservoir/low storage capacity) which have undertaken where environmental and social impact assessments have been conducted by a credible third-party with no significant risk, controversies, or expected negative impact identified</li> <li>Biogas energy plants which is not derived from palm, peat and non-sustainably produced crops</li> <li>Green Hydrogen production by electrolysis which is powered by renewables or through extraction from landfill gas capture at landfills which are no longer active</li> <li>Energy Storage System (“ESS”) for renewable energy storage which includes Battery, Pumped Hydro and Hydrogen</li> </ul>	<p>Malakoff’s increased usage of renewable energy sources contributes towards UNSDG targets 7.2, 9.1, and 11.c by:</p> <ol style="list-style-type: none"> <li>Increasing renewable energy share in the global energy mix</li> <li>Development of quality, reliable, sustainable and resilient infrastructure</li> <li>Providing technical assistance for sustainable infrastructure in underserved areas, utilizing local materials</li> </ol>
<b>Energy efficiency</b>	Climate Change Mitigation	<p>Investments and expenditure relating to the development, acquisition, maintenance, and/or retrofitting of existing public utilities and infrastructure to increase energy efficiency, such as:</p> <ul style="list-style-type: none"> <li>Energy efficiency initiatives (i.e. combustion tuning, mill optimisation, sea water pump optimization, mechanical ventilation and air cooling system (“MVAC”), air compressor system)</li> <li>Energy efficient systems such as LED lighting, motion sensors, digital transformations that increase efficiency</li> <li>Development of smart grids (i.e. electric power grids upgraded with advanced automatic control and communications techniques and other forms of information technology)</li> </ul>	  <p>Malakoff’s increased energy efficiency contribute towards UNSDG targets 7.3, and 9.4 by:</p> <ol style="list-style-type: none"> <li>Increasing global rate of energy efficiency improvement</li> <li>Increasing resource-use efficiency and clean/environmentally sound technologies</li> </ol>
<b>Pollution prevention and control</b>	Pollution Prevention and Control	<p>Investments, acquisitions, and expenditures relating to the prevention, reduction, or elimination of pollution, including the mitigation of GHG emissions, such as:</p> <ul style="list-style-type: none"> <li>Waste Management Facilities that improve waste minimization, waste filtering and waste management</li> <li>Recycling and reuse processes that divert organic materials from landfills to composting</li> <li>Waste-To-Energy power plants</li> <li>Biomass power plants</li> <li>Carbon Capture (including the capture of GHG) Technologies Emission Reduction Initiatives (incl. carbon emission accounting platforms)</li> <li>Microalgae production by repurposing flue gas from boilers)</li> <li>Production of Biocoal from biomass or Municipal Solid Waste (which has undergone</li> </ul>	  <p>Malakoff’s pollution prevention and control activities contribute towards UNSDG targets 3.0 and 11.6 by:</p> <ol style="list-style-type: none"> <li>Reducing deaths and illnesses from hazardous chemicals, pollution and contamination</li> <li>Reducing adverse environmental impact of cities relating to air quality and municipal/other waste management</li> </ol>



Eligible Green Category	Environmental Benefits	Eligible Criteria	Alignment with UN SDGs
		separation of waste components for recycling)	
<b>Clean transportation</b>	Climate Change Mitigation; Pollution Prevention and Control	<p>Investments and expenditures relating to the development, acquisition, maintenance, and/or retrofitting of transportation systems to reduce greenhouse gas emissions and other pollutants, such as:</p> <ul style="list-style-type: none"> <li>• Development of infrastructure for electric vehicle (“EV”) charging</li> <li>• Electric vehicles which include micro mobility (i.e. electric scooters, pedal-assisted electric bicycles, electric motorcycles etc.)</li> <li>• Hybrid vehicles at or below the threshold of 100g CO2/km</li> <li>• Development of Carbon-free fuel (e.g. hydrogen/ammonia) for transport</li> <li>• Biofuel production from palm oil and recycled oil (where feedstock used is certified by Roundtable of Sustainable Biofuels (“RSB”) or International Sustainability and Carbon Certification (“ISCC Plus”)) AND with efficient lifecycle emissions</li> </ul>	 <p>Malakoff’s clean transportation projects contribute towards UNSDG target 11.2 by:</p> <ol style="list-style-type: none"> <li>Providing access to sustainable transport systems for all</li> </ol>
<b>Sustainable water and wastewater management</b>	Pollution Prevention and Control	<p>Investments and expenditures relating to the production, construction, development, research, and maintenance of sustainable infrastructure for clean and/or drinking water, and wastewater treatment, such as:</p> <ul style="list-style-type: none"> <li>• Desalination projects with a reasonable brine disposal plan (powered by low-carbon sources such as renewables or where the average carbon intensity of electricity used for desalination is at or below 100g CO2e/kWh)</li> <li>• Water Recycling Systems for installation at plants</li> <li>• Rain water harvesting</li> <li>• Leachate treatment plant for repurposing byproducts to reduce waste water</li> </ul>	   <p>Malakoff’s sustainable water and wastewater management projects contribute towards UNSDG targets 6.3, 11.5, and 12.2 by:</p> <ol style="list-style-type: none"> <li>Improving water quality and recycling and safe water reuse globally</li> <li>Reducing negative impact from water-related disasters</li> <li>Increasing sustainable management and efficient use of natural resources</li> </ol>
<b>Circular economy adapted products, production technologies, and processes, and/or certified eco-efficient products</b>	Natural Resource Conservation	<p>Investments and expenditures relating to the development, production, and/or use of circular economy adapted products, production technologies, and processes, and/or certified eco-efficient products, such as:</p> <ul style="list-style-type: none"> <li>• Waste reduction and recycling technologies</li> <li>• Plastic recycling via mechanical recycling</li> <li>• Plastic recycling via chemical recycling</li> <li>• E-Waste Recycling which follows robust waste management policies and processes</li> </ul>	 <p>Malakoff’s eco-efficient projects contribute towards UNSDG target 12.5 by:</p> <p>Reducing waste generation through prevention,</p>

Eligible Green Category	Environmental Benefits	Eligible Criteria	Alignment with UN SDGs
		<ul style="list-style-type: none"> <li>Fly ash recycling</li> <li>Used oil recycling and repurposing as lube oil for motors</li> <li>Fabrics recycling which includes repurposing its initial usage via upcycling</li> <li>Repurposing of biomass products as an alternative fuel source such as wood chips, emptied fruit branch (“EFB”)</li> </ul>	reduction, recycling and reuse
<b>Terrestrial and aquatic biodiversity conservation</b>	Biodiversity; Natural Resource Conservation	<p>Investments and expenditures relating to the conservation and restoration of terrestrial and aquatic ecosystems, including the protection, afforestation and restoration of endangered species habitats:</p> <ul style="list-style-type: none"> <li>Marine Conservation programme</li> <li>Mangrove planting</li> <li>Projects that support the development of carbon offsets/ credits (such as through biological sequestration projects), certified under relevant carbon credit registry standards</li> </ul> <p>Where relevant, prior to undertaking such projects, environmental and/or social impacts assessments may be carried out to understand the feasibility of such measures and if they are required. For avoidance of doubt, animal pest management, as well as synthetic and chemical pesticides and weedicides will be excluded from financing. Only tree species that are well-adapted to the local site conditions shall be planted, and the above activities will also have a sustainable management plan</p>	  <p>Malakoff’s conservation projects contribute towards UNSDG targets 14.2 and 15.1 by:</p> <ol style="list-style-type: none"> <li>Protecting marine and coastal ecosystems to avoid significant adverse impacts</li> <li>Ensuring conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems</li> </ol>

## 2.1.2 Eligible Social Projects

Eligible Social Category	Target Population	Eligibility Criteria	Alignment with UN SDGs
<b>Access to Essential Services</b>	General Public, Underserved and Unserved due to lack of quality access to essential goods and services	<p>Investment in providing basic services like water, electricity, and telecommunications to underserved and unserved communities, such as:</p> <ul style="list-style-type: none"> <li>Development of water desalination systems and distribution networks</li> <li>Related infrastructure for transmission and distribution of renewable energy sourced electricity to underserved and unserved areas</li> </ul>	   <p>Malakoff’s projects for essential services contribute towards UNSDG targets 1.4, 3.3, and 10.2 by:</p> <ol style="list-style-type: none"> <li>Ensuring access to basic services, natural resources, appropriate new technology</li> <li>Preventing spread of water-borne and other communicable diseases</li> <li>Empowering social, economic and political inclusion for all</li> </ol>



Eligible Social Category	Target Population	Eligibility Criteria	Alignment with UN SDGs
<b>Socioeconomic Advancement and Empowerment</b>	Vulnerable groups such as women, low-income families, and indigenous communities	Support programs and projects that improve livelihoods and income-generating opportunities, such as: <ul style="list-style-type: none"> <li>Community engagement activities and welfare programmes to improve socioeconomic conditions of vulnerable communities</li> <li>Malakoff Edufund Programme to support educational advancement</li> <li>Investing in the needs of local communities</li> </ul>	 <p>Malakoff's projects for socioeconomic advancement and empowerment contribute towards UNSDG targets 1.2, 4.4, 8.6, and 10.3 by:</p> <ol style="list-style-type: none"> <li>Reducing poverty</li> <li>Increasing youth and adults with relevant technical and vocational skills, for employment, decent jobs and entrepreneurship</li> <li>Increasing proportion of youth in employment, education, or training</li> <li>Ensuring equal opportunity and reduce inequalities of outcome</li> </ol>
<b>Employment Generation</b>	Unemployed	Investments and expenditures relating to the initiatives that promote employment generation, such as: <ul style="list-style-type: none"> <li>Programmes to develop technical skills, and inculcate competitive spirit</li> </ul>	 <p>Malakoff's projects for employment generation contribute towards UNSDG targets 8.5 by:</p> <ol style="list-style-type: none"> <li>Increasing productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</li> </ol>

### 2.1.3 Exclusion List for Green and Social Projects

Malakoff's Utilisation of Proceeds for Green and Social Projects shall be excluded from financing projects or activities related to the following industries below ("**Green and Social Project Exclusion List**"), consistent with Malaysia's projected Total Primary Energy Source by 2050<sup>12</sup>, and as aligned with the ACMF's ASEAN GBS (e.g. fossil fuel generations projects), and ACMF's ASEAN SBS (e.g., activities that pose a negative social impact related to alcohol, gambling tobacco and weaponry):






- Luxury sectors (precious metals / precious minerals / artworks and antiques wholesale or brokerage);
- Child labour or forced labour;
- Gambling;
- Adult entertainment;
- Weapons and military contracting;

<sup>12</sup> Reference: <https://ekonomi.gov.my/sites/default/files/2023-08/National%20Energy%20Transition%20Roadmap.pdf>

- (f) Alcohol;
- (g) Tobacco;
- (h) Fossil-fuel related activities (including extraction, exploration, production, power generation or transport of fossil fuels); and
- (i) Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans.

### 2.1.4 Eligible Transition Projects

As Malakoff is moving to be a global Renewable Energy and environmental player guided by clear sustainability considerations, Malakoff has committed to no new coal investments. In its efforts to transition, Malakoff is also carrying out efforts to decarbonise its existing thermal assets through the Eligible Transition Projects listed below, until lower carbon and green alternatives become feasible:

Eligible Transition Project Category	Sustainability Benefits	Eligibility Criteria	Alignment with UN SDGs
<b>Thermal Power Plant Efficiency</b>	Climate change mitigation	Investments and expenditures relating to the implementation of energy efficiency measures at fossil fuel power plants, such as: <ul style="list-style-type: none"> <li>• System optimisation programmes, e.g. Mechanical Ventilation and Air-Cooling (“<b>MVAC</b>”) at Malakoff’s thermal plants to ensure that the input and output temperatures are continuously monitored to lower fuel usage</li> <li>• Leak detection tests carried out to avoid unnecessary cooling and loss of energy</li> <li>• Upgrade of existing coal fired plants to ultra-supercritical (“<b>USC</b>”) technology</li> <li>• Upgrades on power plants to enhance the heat rate margin and increase performance efficiency and improve reduction of emissions where applicable</li> <li>• Life-extension or repowering programs to extend the service life of power plants (excluding coal-fired power plants).</li> <li>• Retrofits to existing power plants with installation of:               <ul style="list-style-type: none"> <li>○ CCS technology (to reduce lifecycle emissions by at least 50% over conventional (unabated) natural gas fired power or with carbon capture efficiency of at least 90%) and</li> <li>○ Methane leakage measurement/ estimates from the supply chain (if any)</li> </ul> </li> </ul>	  <p>Malakoff’s efforts to increase efficiency of its thermal power plants contribute towards UNSDG targets 7.3, and 9.4 by:</p> <ul style="list-style-type: none"> <li>i. Increasing global rate of energy efficiency improvement</li> <li>ii. Increasing resource-use efficiency</li> </ul>
<b>Low-Carbon Alternatives for Thermal Power Generation</b>	Climate change mitigation	Investments relating to the construction, development, acquisition, maintenance, life-extension, installation, and/or operation of: <ul style="list-style-type: none"> <li>• Gas-fired power plants as part of an overarching scheme/framework to balance an increase in the share of green energy in the electricity generation mix with:               <ul style="list-style-type: none"> <li>○ Methane leakage measurement/ estimates from their supply chain if any</li> </ul> </li> <li>• New gas-fired power plants with:</li> </ul>	   <p>Malakoff’s transition to low carbon alternative sources for thermal power generation contribute towards UNSDG targets 7.2, 9.1, and 11.c by:</p> <ul style="list-style-type: none"> <li>i. Decreasing share of coal-fired</li> </ul>

		<ul style="list-style-type: none"> <li>○ Lifecycle GHG intensity below 425 gCO<sub>2</sub>e/kWh<sup>13</sup>;</li> <li>○ Intent to switch away from coal/oil power, or to deliver services for seasonal peaks, storage, or high-temperature heat for industries; and</li> <li>○ Methane leakage measurement/ estimates from their supply chain if any</li> <li>● Production of hydrogen through steam reforming process using natural gas/biogas with carbon capture and storage</li> <li>● Power plant fuel-switching projects to lower carbon alternatives, such as: <ul style="list-style-type: none"> <li>○ Co-firing and fuel switching studies</li> <li>○ Co-firing with biomass</li> <li>○ Co-firing/ switching to Ammonia/ Hydrogen</li> <li>○ Co-firing/ switching to Natural Gas</li> </ul> </li> </ul>	<p>energy in the global energy mix</p> <ul style="list-style-type: none"> <li>ii. Development of infrastructure for equitable access to economic development and human well-being for all</li> <li>iii. Providing infrastructure in underserved areas, utilizing local materials</li> </ul>
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<sup>13</sup> In line with the Amber Tier 2, ASEAN Taxonomy version 2, Technical Screening Criteria for electricity, gas, steam and air conditioning supply. Reference: <https://asean.org/wp-content/uploads/2023/03/ASEAN-Taxonomy-Version-2.pdf>

## 2.2 Project Evaluation and Selection

Malakoff's Management Sustainability Committee ("MSC") shall endorse and approve the selection of Eligible Green, Social, and Transition Projects to be funded as SFTs under the Framework, with the recommendations from executive approval and also board approval where necessary. The Eligible Projects are to be proposed by the Heads of Divisions or project teams of Malakoff's subsidiaries, in alignment with Malakoff's Sustainability Framework and Roadmap and shall be assessed and vetted by Malakoff's Sustainability Department.

The MSC will hold the ultimate responsibility for the Malakoff Sustainable Finance Framework. The responsibilities shall include:

- a. Reviewing and approving the Malakoff Sustainable Finance Framework and any subsequent changes.
- b. Reviewing and approving the annual reporting as prescribed under Malakoff's Sustainable Finance Framework.
- c. The MSC will be supported by the Sustainability Department in identifying and reviewing the Eligible Categories and Eligible Criteria under Malakoff's Sustainable Finance Framework.

The process for evaluation and selection of Eligible Projects is as follows:

- a. The Heads of Divisions or project teams of Malakoff's subsidiaries will review and validate that the operations of the intended Eligible Project, is in accordance with the guiding principles for the selection of Eligible Categories and Eligible Criteria for the Use of Proceeds, as laid out within Malakoff's Sustainable Finance Framework.
- b. The Heads of Divisions or project teams will submit their recommended Eligible Project to the MSC for approval on the selection of the Eligible Projects.
- c. The respective Heads of Divisions or project teams will monitor the Eligible Project during the actual operations, and will report to the MSC as soon as practicable in the case where an Eligible Project no longer meets the eligibility criteria.

Where applicable, Malakoff will undertake necessary processes to identify and manage potentially material environmental and social risks associated with the Eligible Projects. In relation to the Eligible Projects, Malakoff has complied and will comply with the relevant environmental, social and governance standards or recognised best practices. An Eligible Project that ceases to meet the eligibility criteria can be substituted with another Eligible Project that is evaluated and selected in accordance with the aforesaid procedures.

The MSC shall meet at least twice a year, with additional meetings as and when necessary, to evaluate prospective Eligible Projects. The MSC shall also convene, as may be appropriate, in the event of any material development to the SFTs or the status of the Eligible Projects.

Malakoff, with guidance of the MSC, will be responsible for managing any future updates of the Framework, including any expansion of the eligibility criteria under the use of proceeds. Any changes to the Framework will be published on Malakoff's website: <https://www.malakoff.com.my/>.

## 2.3 Management of Proceeds

The proceeds from SFTs will be deposited into Malakoff's bank account which shall be managed by Malakoff's Group Finance Division and earmarked for utilisation towards Eligible Projects. Malakoff intends to allocate an amount equal to the net proceeds to assets or projects that comply with the eligibility criteria as soon as reasonably practicable, or within 36 months, whichever sooner. To ensure that net proceeds from SFTs are appropriately tracked and allocated, Malakoff will maintain a register of Eligible Projects managed by Malakoff's Group Finance Division which will outline the following information:

### i. Type of funding transaction

- Key information including, issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortisation profile, maturity date, and interest or coupon (and in the case of bonds, the ISIN number).

### ii. Allocation of Use of Proceeds information including:

- Name and description of Eligible Projects to which the proceeds of the SFTs have been allocated in accordance with this Framework.
- Amount of SFT proceeds allocated to each project.
- The remaining balance of unallocated proceeds.
- Other relevant information such as information of temporary investment for unallocated proceeds.

The utilization of the proceeds is intended to be dynamic, with Malakoff being able to propose new Eligible Projects or substitute another Eligible Projects, as may be determined by Malakoff to be more appropriate. During the life of Malakoff's SFTs, if any Eligible Project ceases to comply with the Framework, Malakoff will identify other projects that comply with the Framework for approval by the MSC based on recommendation by the Heads of Divisions or project teams. Upon approval, the MSC will allocate the proceeds to the newly identified Eligible Projects as soon as is practicable.

Malakoff's internal records will show the allocation of the net proceeds relative to each Eligible Project for as long as the offering remains outstanding. Payment of principal and interest on any SFTs may be made from general funds and shall not be directly linked to the performance of any Eligible Project. Pending full allocation, the proceeds of the financing instrument shall be invested cash, cash equivalents, deposits, money market instruments and / or other short-term liquid marketable investments in accordance with Malakoff's cash management policy. Full allocation of proceeds is intended to be carried out as soon as reasonably practicable, or within 36 months, whichever sooner.

## 2.4 Reporting

On an annual basis, at least until full allocation or in case of material changes, Malakoff will provide the following reporting on its SFT(s) to the extent feasible:

In the **Allocation Report**, Malakoff will include:

- i. The amount issued and outstanding for the SFTs;
- ii. The total value of Eligible Projects;
- iii. A description of the portfolio of Eligible Projects including a breakdown of the allocated amounts by ICMA / LMA categories where appropriate;
- iv. The amount and/or percentage of new and existing projects (share of financing and refinancing); and
- v. Any further information on how unallocated proceeds have been held.

The **Impact Report** will provide qualitative and quantitative performance measures and examples associated with each category of Eligible Projects, where feasible. Impact reporting, to the extent feasible, may include the following impact metrics (as guidance), but is not limited to:

- (i) Eligible Green Project Type

Eligible Green Project Type	Example of Impact Metrics
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> <li>• Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy)</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>• Volume of air/water pollutants prevented, avoided, or reduced as a result of the project in tonnes or any other relevant unit</li> <li>• Volume of hazardous waste generated and treated as a result of the project in tonnes or any other relevant unit</li> <li>• Annual absolute (gross) amount of waste that is separated and/or collected, and treated (including composted) or disposed of (in tonnes p.a. and in % of total waste)</li> </ul>
<b>Clean transportation</b>	<ul style="list-style-type: none"> <li>• Annual reduction in transport-related GHG emissions in tonnes of CO2 equivalent</li> <li>• Annual reduction in fuel consumption in litres or other relevant units</li> </ul>

<b>Eligible Green Project Type</b>	<b>Example of Impact Metrics</b>
<b>Sustainable water and wastewater management</b>	<ul style="list-style-type: none"> <li>• Annual Million Cubic Meters of water produced</li> <li>• Volume of Water delivered to customers</li> <li>• Compliance to water drinking quality standards</li> </ul>
<b>Circular economy adapted products, production technologies, and processes, and/or certified eco-efficient products</b>	<ul style="list-style-type: none"> <li>• Annual volume of waste reduced, reused, or recycled as a result of the project in tonnes or any other relevant unit</li> <li>• Annual volume of certified eco-efficient products or materials produced or consumed as a result of the project in tonnes or any other relevant unit</li> </ul>
<b>Terrestrial and aquatic biodiversity conservation</b>	<ul style="list-style-type: none"> <li>• Net change in area of habitat protected or restored, in hectares</li> <li>• Number of species protected, or their habitats restored or enhanced</li> </ul>

(ii) Eligible Social Project Type

<b>Eligible Social Project Type</b>	<b>Example of Impact Metrics</b>
<b>Access to Essential Services</b>	<ul style="list-style-type: none"> <li>• Number of people provided access to clean and affordable energy</li> <li>• Number of affordable solar or other renewable energy projects</li> <li>• Number of new household power connections</li> <li>• Number of kilometers of new or upgraded power lines</li> <li>• Number of water infrastructure projects built/upgraded</li> <li>• Percentage/size of populations provided access to clean water and/or sanitation</li> <li>• Number of new household water connections</li> </ul>
<b>Socioeconomic Advancement and Empowerment</b>	<ul style="list-style-type: none"> <li>• Number of micro, small, and medium enterprises in the utility sector supported</li> <li>• Number of capacity-building programs for utility sector workers</li> <li>• Gender and diversity ratios in utility sector beneficiaries</li> <li>• Number of schools reached</li> <li>• Number of scholarship beneficiaries</li> <li>• Number of education facilities and/or initiatives</li> </ul>
<b>Employment Generation</b>	<ul style="list-style-type: none"> <li>• Rate of employment of people with disabilities</li> <li>• Number of disabled people employed</li> <li>• Jobs created and/or retained</li> </ul>

(iii) Eligible Transition Project Type

Eligible Transition Project Type	Example of Impact Metrics
<b>Thermal Power Plant Efficiency</b>	<ul style="list-style-type: none"><li>• Annual energy savings</li><li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li></ul>
<b>Low-Carbon Alternatives for Thermal Power Generation</b>	<ul style="list-style-type: none"><li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li></ul>

The impact reporting will be disclosed annually, with the methodology of the indicators above where relevant and feasible, and articulated on Malakoff's website, <https://www.malakoff.com.my/>.

Any material developments, such as modification of the Framework, will also be reported in a timely manner on Malakoff's website, <https://www.malakoff.com.my/>. Such information will be provided on an annual basis until all the net proceeds have been allocated to the Eligible Projects.



## **2.5 External Review**

To allow investors to follow the information related to transactions, Malakoff is supported by the following external reviews, detailed in the following sections.

### **2.5.1 Pre-Issuance Review**

Malakoff has obtained an independent Second Party Opinion (“**SPO**”) from MARC Ratings Berhad (“**MARC**”) on the Sustainable Finance Framework indicating alignment to the components of the ICMA’s Green and Social Bond Principles, and Sustainability Bond Guidelines, LMA’s Green and Social Loan Principles, ACMF’s GSS Bond Standards, as well as SC’s SRI Sukuk Framework. In addition, MARC’s Second Party Opinion on Malakoff’s Sustainable Finance Framework also includes reference to the alignment of Malakoff’s approach to Sustainability (i.e. its ESG Strategy, ESG Roadmap, Sustainability Framework), with ICMA’s Climate Transition Finance Handbook.

The Malakoff Sustainable Finance Framework and SPO report will be made available on Malakoff’s website: <https://www.malakoff.com.my/>.

### **2.5.2 Post-Issuance Review/External Review**

External verification of the tracking of the SFT proceeds may be provided by an independent third party appointed by Malakoff, or may be reviewed by Malakoff’s internal auditors to opine on all allocation and impact reports produced as well as management of proceeds to verify Malakoff’s internal tracking method.

## **2.6 Update and Amendment of the Framework**

Malakoff may review this Framework from time to time, including its alignment to updated versions of the relevant principles as and when available in the market. Any major update will be subject to the prior approval of MARC or any such other qualified provider of a Second Party Opinion.