CSC STEEL
中鋼馬來西亞

ESG REPORT
2023

CONTENT

Message From Our Group Managing Director

In recent years, the business landscape changed drastically when sustainability became an important aspect that can no longer be ignored. Stakeholders have constantly voiced their concerns regarding sustainability, especially issues relating to Environment, Social, and Governance (ESG). At CSC Steel Holdings Berhad and its operating subsidiaries (the Group), we are committed to engaging continually with all stakeholders as expectations will continue to change. Sustainable business practices are an integral part of the Group's day-to-day operations and they are essential for ensuring the Group's long-term goals and continuity are achievable.

We are changing our previous way of reporting from only Corporate Social Responsibility (CSR) to the broader scope of ESG, to demonstrate how committed we are to sustainable business practices. It is with great pleasure and pride to share with you here, our various initiatives in making our business practices more sustainable.

Protecting the Environment

Malaysia intends to achieve carbon neutrality by 2050. In line with this goal, we formed a Carbon Neutral Management Subcommittee which is under the Energy Conservation Committee (ECC) to plan the initiatives to be carried out to reduce our own carbon footprint. We actively participate in the government's initiatives relating to carbon neutrality efforts, such as Green Energy Tariff (GET), and obtaining the ISO 14064-1 and ISO 14067 certifications in the near future. Furthermore, we are taking the necessary steps to manage our consumption of energy and water, and reducing generated wastes in our day-to-day operations.

Uplifting People and Community

As always, we believe education is essential for a nation's prosperity. It is only natural that we contribute extensively to education related activities and events. We are committed to the well-being of the communities around us. We do our part to be a good neighbor. But, most of all, our greatest concern is for our employees' safety and health. Thus, we provide an infrastructure where they can work safely and in comfort.

Maintaining Sound Governance

Our governance framework is fully integrated with our daily operations. We are committed to ensuring the highest standards of governance are being adopted for the operations of the Group. The Board is entrusted with and is responsible for the Group's overall strategy, growth and directions, including its business and financial performance. The Board directs and guides the management of the Group, including the governance aspect. It maintains control of the Group's activities through a matrix of authority filtering down to the various components of the Group.

Last but not least, we truly understand our role as a corporation in ESG matters. As such, we always keep abreast of the latest development in ESG, and we strive to achieve our business goals, without neglecting our commitment to sustainability.

Thank you.

About Us

1.1 Overview

The sole operating subsidiary of the Group, CSC Steel Sdn. Bhd. (CSCM), is a mid-stream flat steel manufacturer, which was acquired by China Steel Corporation (CSC) of Taiwan in December 2000. In recent years, CSCM has realigned its resources to focus on strengthening its position in the domestic market while keeping an eye on opportunities for penetrating the steel markets in Southeast Asia.

The main products of CSCM are pickled and oiled steel coils (PO), cold rolled steel coils (CR), galvanized steel coils (GI) and pre-painted galvanized steel coils (PPGI). The annual production capacity is approximately 480,000 metric tons. There are two coated steel product brands: realzinc and realcolor. Our aim is to expand the market share in the building materials industry.

The Group's main income comes from CSCM. The market segment of CSCM is approximately 98% from domestic and 2% from export sales. While the domestic customer base is spread throughout the country, most of the sales are in West Malaysia.

1.2 Our Vision

Pursuing value innovation, energy efficiency, environmentally friendly and commitment on social responsibility to become a trustworthy and excellent steel company in Malaysia as well as Southeast Asia.

1.3 Our Core Values

Core values are essential for a company to have continuous improvement in its daily operation. The core values that the Group emphasizes are as follows:

Teamwork
Replace internal rivalries with coordination and cooperation with a common goal in mind-the corporate objectives.

Pursuit of Innovation
Managing people and processes through research and development that turn new ideas into profit. Being innovative keeps the company abreast of the latest industry development.

Down-to-Earthness
The state of being practical and realistic as well as making sensitive decisions as to deal with problems effectively.

Entrepreneurial Approach
Stressing efficiency for the day-to-day operation to preserve growth. Has a responsibility to provide superior products and services to its customers and an environment for its employees to grow professionally and intellectually as well as satisfying return on shareholder's investment.

2.0 Protecting the Environment
Overview

Environmental conservation is an essential part of the Group's business strategy. The Group is committed to numerous environmental management practices that will both conserve natural resources and reduce environmental impact.

CSCM has been awarded with ISO 14001:2015 Environmental Management System (EMS) since 2009. To maintain the validation, environmental audits and practices are scheduled to monitor the performance and to ensure continuous improvement in our environmental management. We are committed to managing our own environmental impact while growing as a sustainable business.

CSCM is categorized under heavy industry. It is very energy dependent, consuming mostly natural gas, electricity, diesel and petrol. The Group is committed to using energy efficiently and being environmentally friendly. Therefore, we endeavor to:

- Improve energy efficiency continuously by implementing effective energy management programs.

- Ensure availability of information and resources to meet energy objectives and targets.

- Educate, train and motivate employees on how to maximize utilisation and save energy.

- Support purchase of energy-efficient products and services for energy performance improvement.

- Comply with applicable laws and regulations.

Apart from these initiatives, the Group has also set up an Energy Conservation Committee (ECC) with the following responsibilities.

- Organize and implement energy conservation programs,

- Monitor and audit energy consumption,

- Report findings on energy conservation,

- Promote awareness among employees, and

- Provide information and advice on energy efficiency activities and programs.

The ECC is responsible for ensuring employees are aware of energy management, and for regularly reviewing the status of the program to ensure its continuing suitability, adequacy, and effectiveness.

We safeguard the health and safety of not only our employees but also other stakeholders. We work continuously towards improving their occupational safety, health, and hygiene. The Group is committed to adopting the best environmental protection practices in our business operations. We express our commitments through:

Care for Life

Respect and value life with effective implementation of energy efficiency, environmental protection, and occupational safety and health management programs. Progressively reduce significant energy consumption, prevent pollution and occupational injuries as well as illnesses. Additionally, promote protection of future generations by optimizing resource consumption, minimizing waste generation and enhancing the health of workers as well as other stakeholders.

Risk Management

Assess risks and opportunities by determining internal and external effects on operation control, integrating accepted risk management practices in decision making, and establishing a hierarchy of risk controls inclusive of preventive measures covering the impacts and aspects, with the aim to eradicate potential hazards and reduce risks.

Training, Communication, Consultation and Participation
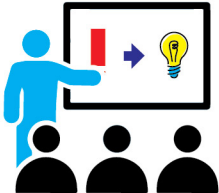
Educate, communicate and instill in employees, suppliers, contractors and interested parties on energy saving, green business practices, work safety and health consciousness. Promote common awareness, and cultivate a culture of energy efficiency, environmental protection, occupational safety and health amongst all parties. Enhance the effectiveness of the Management System with the participation and consultation of competent employees and their representatives.

Legal and Other Requirements Compliance

Comply with applicable legal and other requirements by implementing Guided Self Regulations and incorporating adequate monitoring systems in all operations and activities, instituting an effective risk-based thinking mechanism, with the aim to fulfill our corporate social responsibilities and our ultimate goal of zero accident and major diseases.

Continuous Improvement
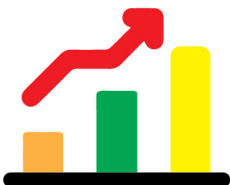
Establish, maintain and evaluate long-term achievable performance goals using the PDCA (Plan-Do-Check-Act) framework which focuses on selecting an appropriate design and also procuring suitable products, equipment and services to ensure continuous improvement of the Management System.

2.1 Carbon Neutral Management

Low carbon transition has become crucial to corporate sustainability these days. We align with Malaysia's commitment to achieve carbon neutrality by 2050. We strive to move forward on the road to net zero and have begun to consider how we can best reduce our carbon footprint beyond our premises.

2.1.1 Management Approach

The Group set up a Carbon Neutral Management Subcommittee under the ECC in April 2023 to brainstorm our carbon neutral strategy. ECC meetings will be held quarterly, with the Carbon Neutral Management Subcommittee is responsible for providing support for the Group's greenhouse gas (GHG) data collection and verification processes, as well as communicating carbon-related information within our premises. Additionally, Carbon Neutrality Meetings will be organized periodically with the Group's top management to discuss strategies for achieving carbon neutrality within the Group and to ensure it is aligned with the Group's direction.

Energy Conservation Committee (ECC) Organization Chart
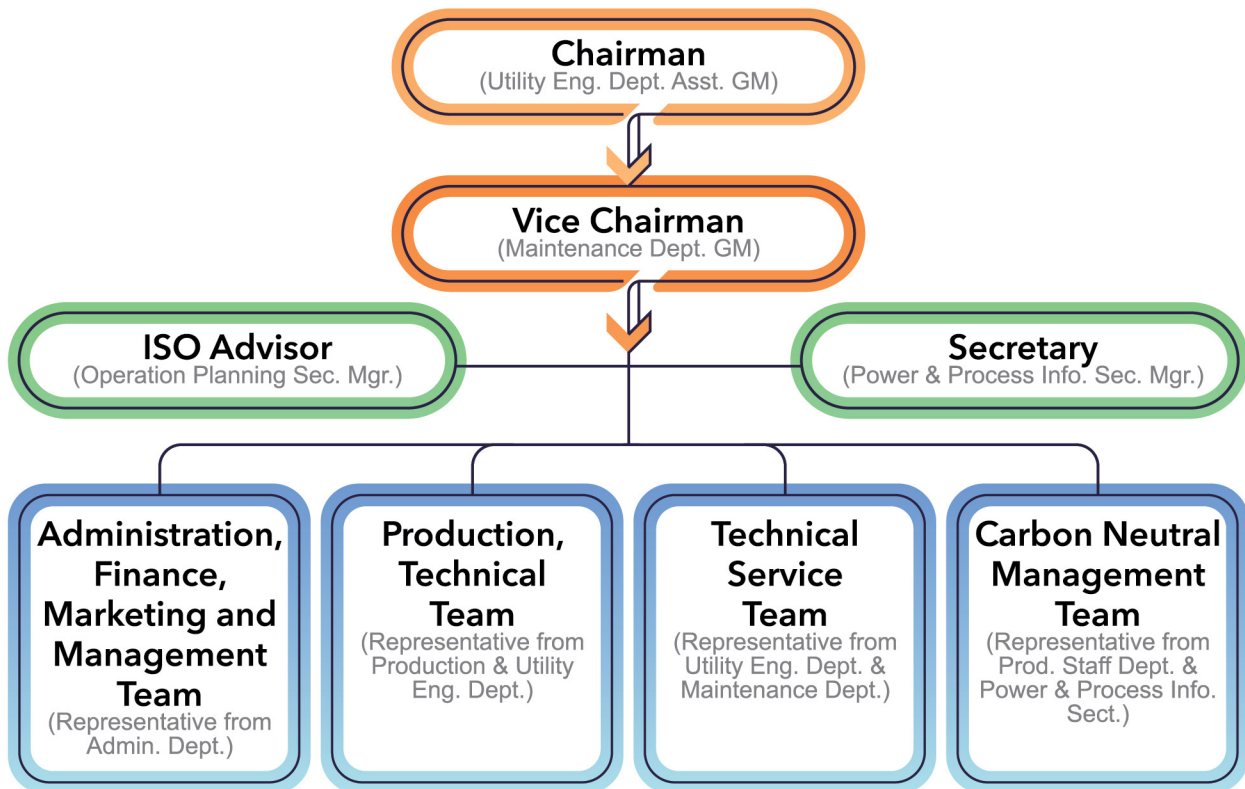
The function and responsibility of Carbon Neutral Management Subcommittee are listed as below:

a) Provide support in the development of GHG inventory, report, strategy, program and documents;

b) Plan, coordinate and conduct the internal verification activity;

c) Arrange, manage and supervise the external verification activity;

d) Propose GHG training to promote GHG awareness and related activities to relevant personnel, so that they will have the opportunity to contribute to the company's GHG reduction or removal program.

2.1.2 Carbon Neutral Strategy Planning

The Group is striving to achieve Carbon Neutrality across all operations by 2050. The Carbon Neutral Management Subcommittee has developed a Carbon Roadmap to provide a clear pathway for the Group to achieve this target.

Carbon Neutrality

Baseline 93,494 tons CO2e	Short Term Goal 10%	Mid Term Goal 25%	Long Term Goal 100%

Reduction

YEAR 2016	-1.1% / Year	YEAR 2025	-3.0% / Year	YEAR 2030	-3.75% / Year	YEAR 2050
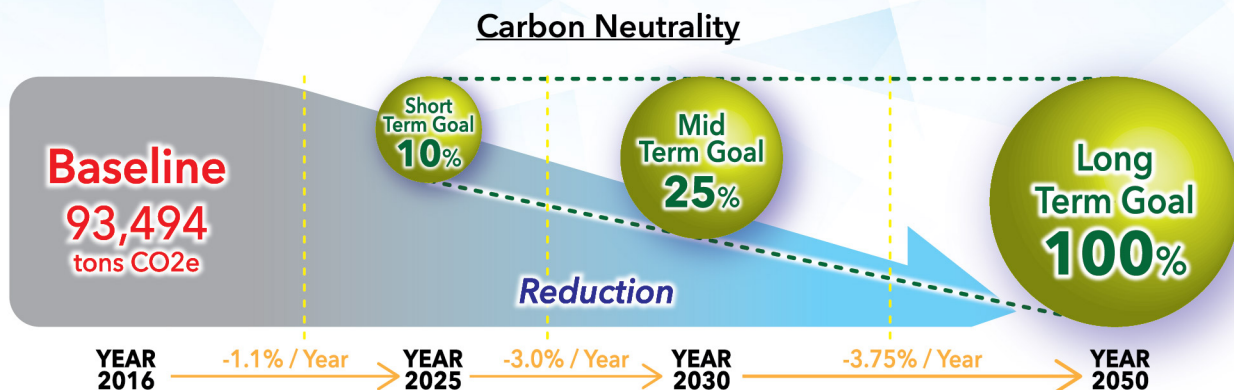
Short Term Goal 2025

We focus on implementing energy dispatch management, optimizing temperature control, and enhancing combustion control. Furthermore, we aim to maximize product yield improvement and streamline our manufacturing processes to minimize wastage of natural resources.

Medium Term Goal 2030

For the transition towards carbon-neutrality, it is inevitable that we renew our manufacturing equipment and machinery. We plan to introduce smart manufacturing systems to maximize the productivity while reducing unnecessary carbon emissions from the manufacturing activities. The Group has outlined several initiatives to maximize the usage of green energy, such as developing solar panel systems, and evaluating combined heat and power systems. These efforts would generate energy that does not produce greenhouse gas emissions from fossil fuels, thereby reducing environmental pollution.

Long Term Goal 2050

While our long-term goal focuses on maximizing the electrification of the production process with the combination of green energy to reduce the Group's carbon emissions, we are committed to exploring low-carbon or carbon-free fuels, such as hydrogen-based fuel. In addition, we will continue to explore the market's Best Available Technology (BAT) and incorporate it to achieve our carbon neutrality target by 2050.

2.1.3 Strategy and Action Plan

(a) Towards ISO 14064-1 and ISO 14067

One way to mitigate climate change is to understand how to quantify and report our greenhouse gas (GHG) emissions, which is what ISO 14064-1 GHG sets out to do. In 2023, we had planned to apply for ISO 14064-1 and we aim to fulfill the requirements of ISO-14064-1 by the end of 2024. ISO 14064-1 is an important reference for conducting organizational GHG inventories. By obtaining this certification, we believe it will help us to prepare better for any changes in carbon related issues in the future.

Subsequently, we plan to continue carrying out product carbon footprint inventory and meet the ISO 14067 Product Carbon Footprint (CPF) requirements by 2026. Our product carbon footprint measures the total greenhouse gas emissions generated by a product from the extraction of its raw materials until it leaves our boundary (Cradle-to-Gate). The product carbon footprint inventory is expected to be measured for our four main products.

(b) Actively participate in Government Initiatives

In order to achieve carbon neutrality by 2050, the Malaysian government has initiated several programs to encourage corporate entities to join their journey towards net zero. We have wholeheartedly decided to be involved in them. Currently, the Group is participating in the Corporate Green Power Program (CGPP). This program allows us to collaborate with solar power producers (SPPs) to commission new solar power capacity, providing us with long-term and secure renewable energy supply. This initiative not only increases our uptake of green energy but also reduces our carbon footprint. Additionally, we have joined Green Energy Tariff (GET), another government initiative aimed at reducing carbon footprints in electricity consumption.

2.2 Energy Management

In 2013, the Group was the trailblazer in Malaysia's iron and steel industry when we obtained the ISO 50001:2011 Energy Management System (EnMS), certification. We subsequently upgraded to ISO 50001:2018 in 2020. This proved that the Group has covered most of the key areas, which include quality and environment. In this section, we would like to share how we minimize the energy consumption in our factory and office.

2.2.1 Energy Saving Activities

GHG are the by-products in the generation of electricity as well as in the combustion of Natural Gas (NG). The impact on Mother Earth could be minimized through energy-saving activities which target the reduction of GHG emission. In 2023, there was a reduction of a total of 1,058,438 kWh of electricity and 376,509 SM^3 of NG, or 1,474 tons of carbon dioxide emissions. Our efforts in lowering energy consumption are summarized as follows:

Fans & Pumps	**Waste Heat Recovery Systems**	**Motors, Belts and Drives**
✓ Optimum sizing ✓ Throttling ✓ Variable speed control ✓ Idle time saving	✓ Stack flue temperature ✓ Leakage management ✓ Improve heat insulation of rector	✓ Variable speed drives ✓ Correct sizing
Compressed Air System	**Air Conditioning System**	**Lighting System**
✓ Leakage control ✓ Proper piping design ✓ Optimum system and operating pressure ✓ Inverter type air compressor	✓ High efficiency chillers ✓ Air Condition Thermostat 26 °C ✓ Installation of self-closing doors to minimize air conditioning load ✓ Use of window shades or solar film	✓ Automatic timers for lighting switches ✓ Energy efficient lamps ✓ Use of natural light ✓ Switching off main power of appliance when not in use for a period of time

Renewable Energy	✓ Solar Panel System

The total energy savings from 2021 to 2023 is shown in Table 1.

Table 1: Total energy savings from 2021 to 2023.

Type of Energy	Units	Total Energy Savings		
		2021	2022	**2023**
Electricity	kWh	1,076,814	821,642	**1,058,438**
Natural Gas	Sm³	40,503	1,169,089	**376,509**

Note: 1

The Grid Emission Factor (GEF) is 0.758kg CO2e/kWh for electricity as per Malaysia Energy Information Hub (MEIH). The emission factor for Natural Gas is 56.1 tCO2/PJ combusted as per Intergovernmental Panel on Climate Change (IPCC 2006).

Table 2: Targeted and actual savings in 2023.

Objective	Energy Management Program	Target		Result	
		kWh	Gkcal	kWh	Gkcal
To improve energy efficiency in electricity consumption	To achieve energy saving of 135,142 kWh on motor application	135,142	0.3022	163,819	0.3663
	To achieve energy savings of 400,554 kWh on compressed air consumption	400,554	0.8956	404,844	0.9052
	To achieve energy savings of 161,361 kWh by increasing production line speed	161,361	0.3608	88,439	0.1977
	To achieve energy savings of 76,148 kWh on lighting application	76,148	0.1703	34,849	0.0779
	To achieve energy savings of 330,721 kWh on coolant heating cost	330,721	0.7395	278,417	0.6225
	To achieve energy savings of 140,848 kWh on rectifier current	140,848	0.3149	88,070	0.1969
	TOTAL	**1,244,773**	**2.7833**	**1,058,438**	**2.3667**

Objective	Energy Management Program	Target		Result	
		SM³	Gkcal	SM³	Gkcal
To improve energy efficiency in NG consumption	To achieve energy saving of 48,326 SM³ by increasing production line speed	48,326	0.1081	65,517	0.1465
	To achieve energy saving of 82,769 SM³ on steam cost	82,796	0.1851	226,939	0.5074
	To achieve energy saving of 58,346 SM³ on ARP NG consumption	58,346	0.1305	84,053	0.1879
	TOTAL	**189,467**	**0.4236**	**376,509**	**0.8419**

Note: 1

Sm³ = 40 MJ, 1 MJ = 0.2778 kWh

Actual energy savings (Jan to Dec) calculated from the month first implemented

The Group will continue to monitor the energy management program and its energy-savings results. The ECC will actively review and update the program regularly. To further improve energy efficiency, strengthen conservation, and encourage the participation of employees and society, a series of training programs and activities are implemented for both internal and external organizations. These projects and activities are as follows:

i.   Formulating an energy policy with commitment from top management to achieve energy performance improvement.

ii.   Inviting energy experts from parent company for knowledge sharing, guidance, technical assistance, cooperation and program implementation.

iii. Setting Energy Performance Index(s) (EnPIs), energy objective targets, and action plans to increase energy performance of processes and activities, and analyze results for future reference.

iv.   Having effective communication methods and media advocacy to increase public awareness.

v.   Complying with applicable laws and regulations in establishing EnMS.

vi.   Posting announcements on notice board on departmental energy saving activities to raise employees' awareness.

vii. Timely posting of energy-related news on notice board, system and reminder via email.

viii. Implementing a reward scheme for both employees and non-employees who propose energy saving opportunities in work area and industry premises.

ix.   Setting up Process Management Information System (PMIS) and Utility Monitoring System (UMS) as tools that provide statistical and analytical data in monitoring the electricity usage of processes.

x.   Conducting energy audits and section audits in order to analyze energy flows and identify potential areas for improvement.

xi.   Conducting ISO 50001 EnMS awareness training during new employee's induction, and yearly training as refreshers for existing employees.

2.2.2 Energy Performance

2.2.2.1 Electricity Performance

The electricity energy baseline is established by using the regression method. The regression model is based on the past three years' electricity consumption and production output data. The 2023 energy performance (unit consumption) is based on the above-mentioned baseline.

Table 3: Electricity consumption intensity from 2021 to 2023

Electricity	Units	Year		
		2021	2022	2023
Production	t	1,396,109	1,369,078	1,470,886
Electricity	kWh	66,078,103	76,294,073	76,742,042
Intensity	kWh/t	47.33	55.73	52.17

Note:
The 2021 data do not include the June, July and August figures due to the Covid-19 pandemic Movement Control Order (MCO).
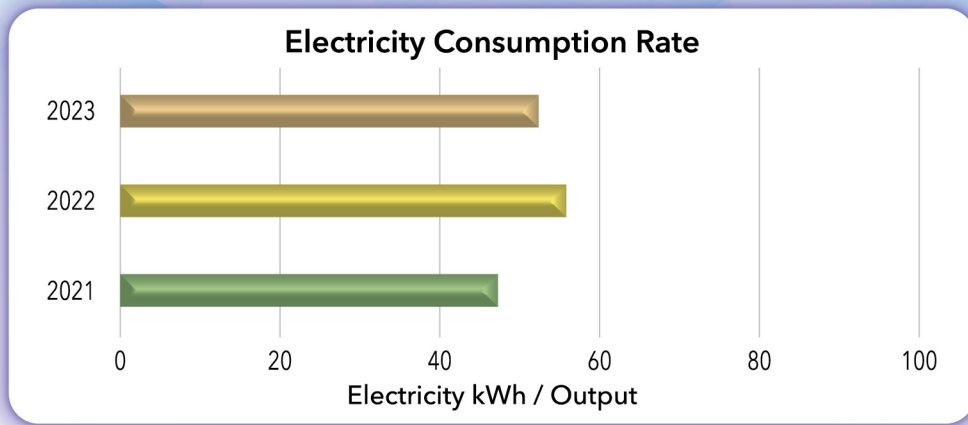
Figure 1: Electricity consumption rate from 2021 to 2023

The electricity consumption intensity in 2023 was 6.4% higher than in 2022 because production had increased.

2.2.2.2 Natural Gas Performance

Electricity is one main energy source for us. Natural gas is another. The consumption of natural gas corresponds with the increase in production output of both thinner and thicker gauges of strip. The ECC is fully dedicated to reducing the consumption of natural gas. This is achieved through studies on heat recovery from fuel gas, the reuse of steam condensate from selected process lines, and improvements in insulation to prevent heat loss.

Table 4: Natural gas consumption intensity from 2021 to 2023

Natural Gas	Units	Year		
		2021	**2022**	**2023**
Production	t	949,806	938,303	**1,223,539**
Natural Gas	SM³	13,054,561	13,421,701	**13,656,741**
Intensity	SM³/t	13.74	14.30	**11.16**

Note:
The 2021 data do not include the June, July and August figures due to the Covid-19 pandemic Movement Control Order (MCO).

Figure 2: Natural gas consumption rate from 2021 to 2023

The 2023 NG consumption was 22% lower compared to 2022 despite the increase in production. This is because the coolant heating system of the cold-rolling mill (CRM) was changed from electrical to steam. The 2021 and 2022 figures do not include CRM in their consumption intensity calculation.

2.3 Environment Sustainability

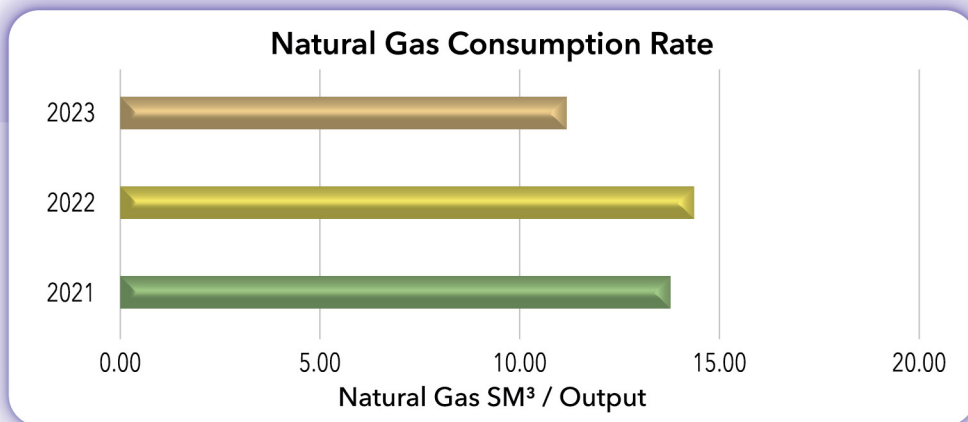One of the Group's highest priorities is environmental sustainability, aiming to contribute to the flourishing of human, flora, and fauna life. Therefore, we implemented an environmental monitoring program to track the quality of city water, treated effluents, chimney stack emissions, and ambient air quality, ensuring compliance with regulatory requirements. Proper waste disposal, done in an environmentally friendly manner, also plays a vital role in maintaining environmental sustainability. The monitoring program and waste management practices are as follows:

2.3.1 Environmental Monitoring Program

We have implemented an environmental monitoring program to ensure we can identify how our daily operations impact the environment. The annual environmental report is prepared quarterly by a third party that appointed by the Group, and is submitted to the Department of Environment in Melaka. The implementation of the ISO 14001:2015 Environmental Management System (EMS) has further enhanced the effectiveness of environmental protection. It is supported by the following factors:

- Persist lead-in new Environmental Management Program to ensure continuous improvement.

- A competent internal audit team carries out an annual audit to assist the EMS implementation which is consistent with the ISO 14001:2015 requirements.

- Top Management reviews the EMS performance twice a year together with all the relevant department heads.

2.3.2 Environmental Performance Indices

2.3.2.1 City Water
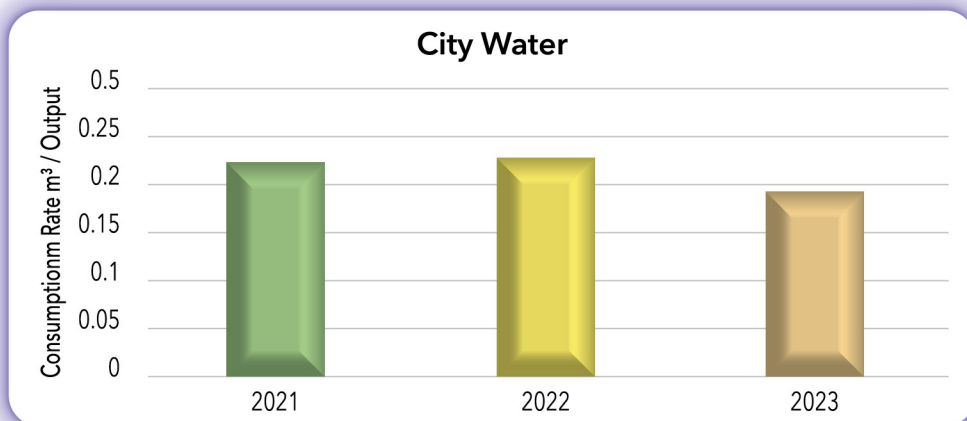
Figure 3: City water consumption rate from 2021 to 2023

In 2023, our total water consumption volume was 277,671 m^3, which is a reduction of approximately 22,765 m^3 compared to 2022 (300,436 m^3). Figure 3 also shows our city water consumption rate over the past three years. City water consumption is a measure of the plant's water intensity. In 2023, the city water consumption rate was 15% lower than in 2022. The ongoing water conservation program is yielding positive results indeed.

2.3.2.2 Treated Effluents
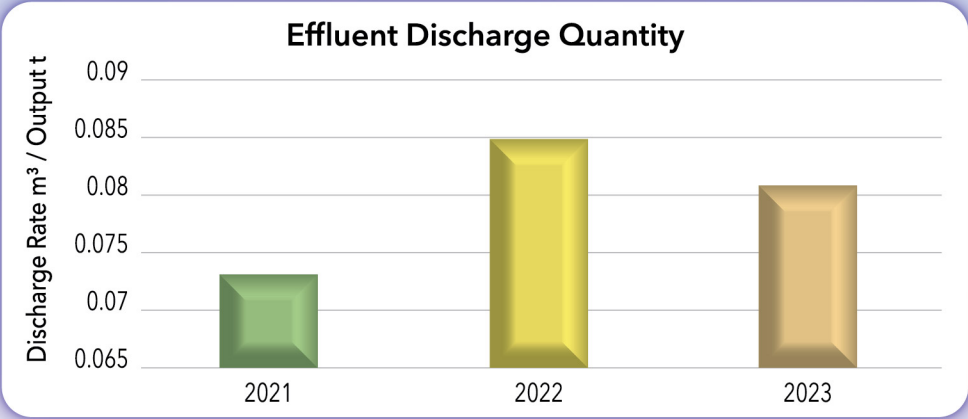
Figure 4 : Effluent discharge quantity from 2021 to 2023

Figure 4 shows the quantity of effluent discharge from 2021 to 2023. The operation of our wastewater treatment plant within our premises aims to maintain the hydrology and water quality through the installation of various online monitoring devices, such as pH sensors, online chemical oxygen demand (COD) analyzers, and flow meters. These devices allow us to control and ensure the quality of water effluent discharged into the drainage. Furthermore, the system is linked to the Human-Machine Interface (HMI) to ensure that water quality is under close surveillance.

2.3.2.3 Wastewater Treatment Plant

Upholding our commitment to contribute to environment cleanliness and zero pollution, our wastewater is treated at our wastewater treatment plant to ensure that it complies with Standard B of the Malaysian Environmental Quality Act 1974, Environmental Quality (Industrial Effluent) Regulations 2009 before exiting the drainage of the Ayer Keroh Industrial Estate and discharging to the Sungai Putat (Putat Piver) and finally to the Melaka River.

2.3.2.4 Effluent Discharge Quality

Weekly sampling is collected by an accredited laboratory to safeguard all controlled parameters, especially for the heavy metals and harmful materials, to be even lower than the limit set by the Standard B Environment Quality (Industrial Effluent) Regulations 2009. The effluent quality, COD, for the past three years is shown in Figure 5.
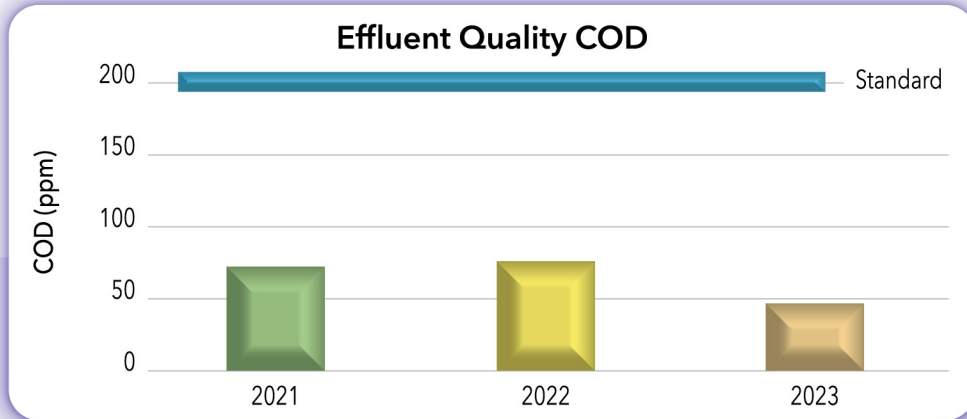
Figure 5 : COD of effluent quality from 2021 to 2023

2.3.2.5 Emission

Quarterly Stack Monitoring is also carried out by an accredited laboratory to ensure that all controlled parameters are within the maximum limits specified under the Environment Quality (Clean Air) Regulations 2014. The ambient concentrations for all parameters are monitored in three surrounding residential areas to ensure the air released from our premises does not exceed the limits of the Malaysian Recommended Air Quality Standards. These areas are situated at Taman Pelangi (Point A1), Kampung Tun Razak (Point A2), and Taman Muzaffar Shah (Point A3).

Ambient Air Quality

We strive to maintain the quality of emitted ambient air and ensures that it would not affect the surrounding residential areas. The results for the past three years are shown in Figure 6.
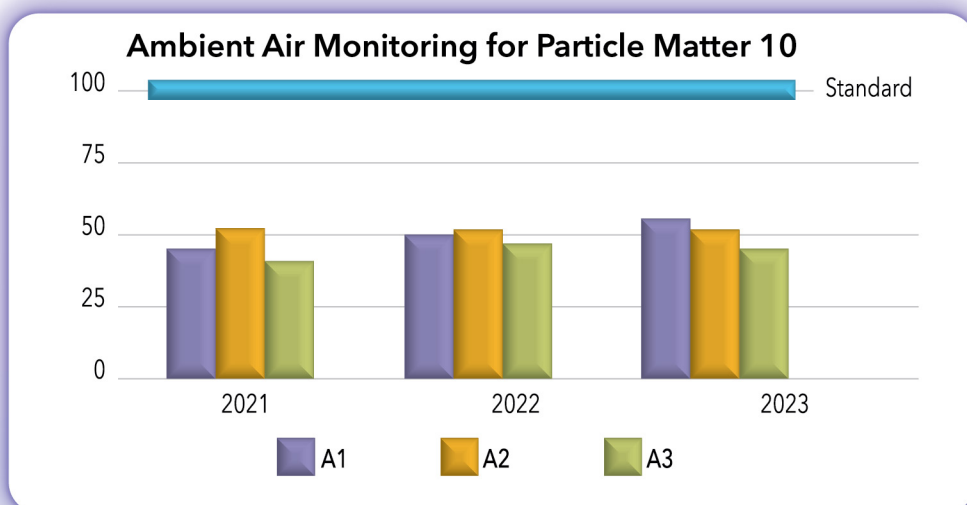
Figure 6 : Ambient air quality from 2021 to 2023

2.4 Scheduled Waste Management

Scheduled waste contains harmful elements, which may injure, poison and pollute the whole ecosystem. In order to have adequate protection of human health and environment, we work very hard to ensure that scheduled waste is properly placed, stored, arranged, or transported with prior written approval from the Director General of the Department of Environment, Malaysia (DOE).

The scheduled wastes generated are recycled and recovered via DOE licensed contractors. They are fully complied with the EQA Scheduled Wastes Regulations 2005. We aim to implement the principle of 'Cradle to Cradle' cycle in waste management system to ensure the sustainability of environmental development.

♻️ **Metal Hydroxide Sludge (SW 204)**
Recovered and to be utilized as raw material for cement making.

♻️ **Zinc Dross (SW104)**
Sent for recovery.

♻️ **Waste Oil (SW305)**
Collected for recycling and blending into fuel oil.

♻️ **Waste Solvents (SW322) and Empty Containers (SW409), Waste Filter Cloths (SW40), Waste Chromic Acid (SW206)**
Further recycling and recovery.

2.5 Biodiversity

As part of our effort to create an environmentally friendly workplace, hundreds of plants and trees have been strategically planted in the surroundings of our premises. We are committed to continuing this tree planting effort within our premises, as it not only beautifies our factory surroundings but also aligns with our company initiatives to reduce our carbon footprint.

KAWASAN PENGHIJAUAN

GREENING AREA

中馬綠化區

3.0 Uplifting People and Community

We firmly believe that our people are our most valuable asset. We recognize the power of diversity in empowering individuals and harnessing their skills and talents. Therefore, we are committed to practicing fair and equal employment opportunities, regardless of race, nationality, or religion. We understand that maintaining a high level of productivity and fostering a high-performance work system are essential pillars for the success of any organization.

To enhance employee engagement, we actively encourage our employees to participate in various activities aimed at promoting a healthy work-life balance. Safety is a top priority for us, and we are dedicated to ensuring the well-being of our employees, contractors, and transporters by minimizing the risk of accidents in the workplace.

In addition to our internal Corporate Social Responsibility (CSR) activities, we are also committed to giving back to the community through donations to schools and other needy communities.

3.1 Diversity

We strive to practice fair and equal employment. Our recruitment process is based on the suitability of candidates' educational qualifications, skills, expertise, and capabilities, which must match the requirements of the position. We embrace diversity in our workforce, which consists of employees from various backgrounds.

Currently, the Group has nearly 700 employees of different races, nationalities, and religions. Our workforce composition is: 35% Chinese, 56% Malay, 3% Indian, and 6% other races and nationalities. We firmly believe in non-discrimination and embrace diversity in our daily routine.
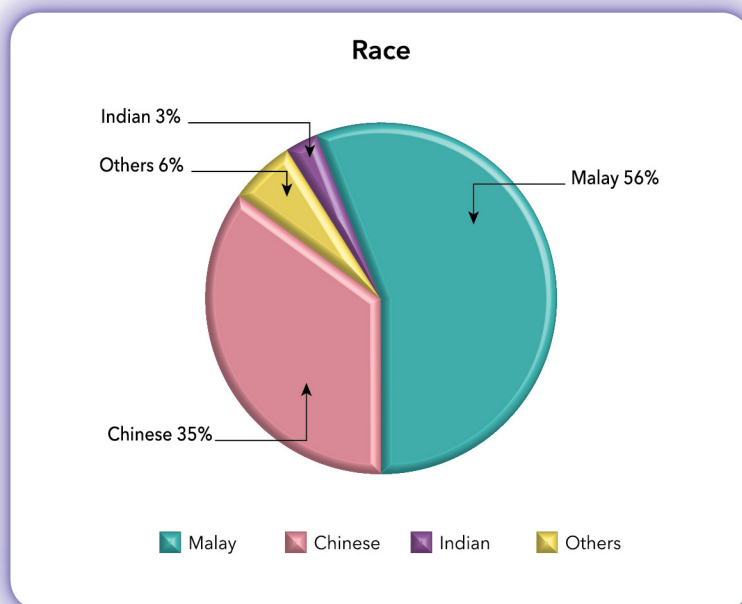
Figure 7 : Racial breakdown

3.2 Labour Practices, Welfare and Benefits

The Group recognizes that our employees are the driving force behind all our successes. Therefore, we make every effort to create a conducive workplace that encourages productivity while safeguarding the safety and health of our employees.

Labor practices such as zero-tolerance for inappropriate behavior, including sexual harassment, are entrenched here. Besides that, we have an open communication environment where employees are very comfortable addressing their work concerns through Employee Discussions.

We are not the only ones concerned with our employees' welfare and benefits. Our employees themselves are very concerned too. To enhance their health, we offer health screening programs and complimentary nutritious meals. Career wise, we provide our employees with opportunities for up-skilling and re-skilling.

3.2.1 Sexual Harassment Policy

We are committed to a work environment free from sexual harassment. The Sexual Harassment Policy is not merely a legal compliance. We assure our employees irrevocably that we will uphold their dignity and treat them with respect. We boldly announce our stand via prominent notices and posters. We eliminate any doubt as to how we will not tolerate abuse and inappropriate behavior.

3.2.2 Employees Discussion

Two-way communication between employee and management is a norm here. We hold Employee Discussions twice a year. These frank discussions strengthen the bond between the management and the non-managerial employees. The non-managerial employees can raise their concerns directly with the management. During these sessions, the management also explains the Group's direction and strategy, making them transparent and understandable. Employees are not kept in the dark about the Group's business approach and direction.

3.2.3 Health Screening Program

A healthy workforce is beneficial for an organization's performance. We value our employees' health and well-being. Our employees are entitled for personal health screens. Medical threats are nipped in the bud, resulting in healthier, and thus fitter, employees.

3.2.4 Human Capital Development

Everyone knows that a trained employee will perform better. In 2023, we had arranged numerous training and development activities to expand the abilities of our employees. About 700 employees were trained to help them develop the necessary skills to grow in their career. Each employee received an average of 25 hours of training. There were 11 training categories, as relevant for their job descriptions. See Figure 8 for the details.
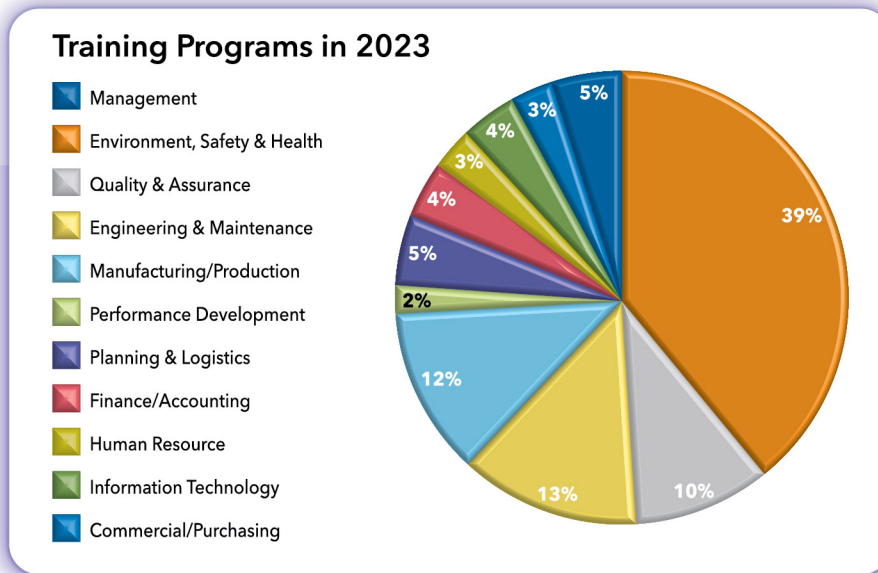
Figure 8 : Training programs in 2023

We do not train only our own employees, we train others too, like students before they graduate and join the workforce. We welcome interns to our organization. Internship is an excellent way for students to develop and strengthen their personal character. It enables them to make a smooth transition from their learning institution to the work place. The Group collaborates closely with colleges and universities to provide students with hands-on industrial practice. In 2023, 11 students were accepted to join us for their internship. They undertook a series of activities to apply their academic knowledge, which at the same time provided them with valuable insights into an organization's daily operation.

3.2.5 Complimentary Meals

The Group considers employees as part of its family. To validate this belief, we provide the employees with balanced, hygienic and nutritious meals within the premises. Daily meals are prepared in accordance with the healthy food pyramid, comprising grains, vegetables, meat, and fruits to provide a nutrient-dense balanced diet. The Group offers the employees with 2 options. One is pre-packed lunch boxes for employees who prefer take away. Another option is buffet style for those who choose to dine in. We encourage our employees to order their meals beforehand in order to prevent wastage due to over-purchasing and over-storage of raw food supplies.

3.3 Employee Engagement

Employee engagement is the amount of the passion employees feel for their job and the level of their commitment to the organization. Engaged employees are more likely to be more productive and performing better, which are attributes that can only benefit the organization. The Group set up the Employee Activity Committee (EAC) to strengthen the bond between company and employees. The EAC plans and organizes various activities such as annual dinners, weekly sports activities, and sports tournaments, to foster a sense of belonging among the employees.

3.3.1 Annual Appreciation Dinner

The annual dinner is one of the major events organized by the EAC to commemorate the Group's gratitude for the employees' contribution throughout the year. The popular highlights of the previous years' annual dinners were repeated, which is the 'Best Employee Award'. It affirms very clearly that we value and appreciate their contribution to the organization's overall success.

3.3.2 Employees Activities

Regular exercise is necessary for physical and emotional fitness, and for better health. We encourage our employees to exercise regularly. We boost their enthusiasm in taking up a sport by organizing activities and tournaments such as badminton, bowling and fishing. These activities not only build relationships among the employees, they also create a more harmonious working environment.

We deem it necessary to safeguard our employees' safety when they are on the road. As we truly care for our employees, we incorporated a safety month program, and it was not only covered the safety awareness program, but also the safety precautions to be taken within or even without the workplace. There was a series of activities being held, such as poster drawing contest to encourage our employees to learn and understand how to be safe on the road.

Another measure to promote better health among our employees is the '3 Months Healthy Program', with exciting activities such as virtual health talks and free training sessions in tabata and kickboxing. There were also free gym sessions for the taking. Employees, who successfully achieved their ideal body fat and BMI within these 3 months, were given awards.

3.3.3 Blood Donation

Donating one's blood is a very noble act. Donated blood saves lives. We participated in blood donation campaigns organized by the Malacca General Hospital. Donating blood not only benefits the recipients, blood donors benefit too. During a blood donation, a donor may find out he has a health problem and so is able to take the necessary steps to correct it.

This notwithstanding, donating blood lowers the risk of heart attacks for the donor. Another good side effect is the donor's blood cell production is stimulated. But, of course, the ultimate reward for donating blood is the wonderful feeling of having helped someone to live another day. Blood donation is a win-win for the donor and recipient.

3.4 Employee Safety and Health

Danger never takes a vacation, which is why safety should always be a priority in our daily lives. The Group shares this priority and is deeply concerned with the safety of its employees, contractors, and transporters. The Group is dedicated to minimizing the risk of accidents in the workplace.

3.4.1 Injury Rate

As we operate in the steel manufacturing industry, the risk of exposed to injury and death may high. So, it is vital to ensure our employees are safe when within our premises. We are obsessed with minimizing the injury rate. We implemented the 'area responsibility' system where employees are designated to be in charge and be responsible for the safety aspect for their respective areas. Our 2023 figures shown how well the system had worked.

Table 5: Injury rate from 2021 to 2023

Electricity	Year		
	2021	2022	2023
Minor injury (first-aid level)	1	3	0
Lost days (employees)	3	1	0
Lost days rate (employees)*	74.92	90.50	0
Injury rate (total workforce)	1.44	0.47	0
Occupational diseases rate (Hearing Impairment of total workforce)	0	3.07%	0.58%
Absolute number of fatalities (total workforce)	0	0	0

*lost days rate = (total workdays lost/total hours worked)*1,000,000*

One measure we took to minimize the frequency and severity rate of occupational accidents is to make sure the employees know what the risks are and how to minimize them. The first step is always providing regular safety training. The next step is to augment the training and keep them vigilant always with leaflets and guidelines through the ERP system. In this manner, our employees understand the safety risks completely and are always competent in the safety precautions and protective measures.

The injury rate due to occupational accidents was at a high of 9.06 in 2011. It is very admirable indeed that we have achieved an astounding record of ZERO in 2023.

3.4.2 Potential Occupational Risk

The Safety Officer, Occupational Safety and Health Panels, and/or Department Heads are responsible for reviewing the control measures from time to time. In addition, employees are encouraged to submit Job Safety Proposals (JSPs) to report any near-miss cases. JSPs accepted by the management will be rewarded.

Table 6 shows the number of potential hazard cases identified and eliminated in the past 3 years.

Table 6: Number of cases with potential risk being eliminated from 2021 to 2023

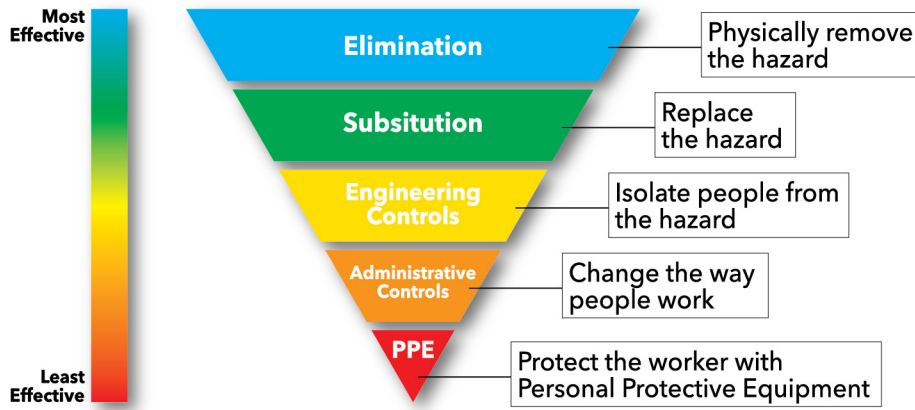| Electricity	Year		
	2021	2022	2023
Monthly inspection lead by SHC Chairman	6	6	6
Weekly inspection by Safety Inspectors / SHO	218	398	422
Job Safety Proposal (JSP) by employees	291	325	292
Total Cases of Potential Risks being Eliminated	517	621	582

3.4.3 Loss Time Injury

Our target is 183 consecutive days without Loss Time Injury (LTI). 183 consecutive days are approximately 6 months or half a year. The target is set to raise the safety awareness of the employees. The reward for achieving the target is cash vouchers. The reward system is instrumental in making the employees more aware of their safety while performing their tasks. We have successfully achieved a record of 703 days without a lost-time injury (LTI) and continue to build on this accomplishment.

3.4.4 Contractor Safety

We are not concerned about our employees only. We are also concerned about our major working partners: the contracted transporters who load and unload our raw materials and finished goods. The transporters undergo a vigorous training program similar to that for our employees. Their safety management includes safety hierarchy, HIRARC assessment, and type of work permit/STBO which are elaborated as follows.

For contractors, simple occupational accidents come with a high cost – bodily injuries and/or damages to machinery, tools, equipment or facilities. To ensure an occupational accident does not occur, they need to understand thoroughly their job scope and the inherent risks. We require our contractors to assess their own risks and understand absolutely their Safe Job Procedures (SJPs) before commencing work.

Risks tend to escalate when the workplace is unfamiliar. An occupational accident involving a contractor within our premises is not acceptable to us. As such, all contractors must complete their safety training and orientation successfully before they are allowed to work here. If they do not comply with this regulation, they will be barred. Additionally, the Group focuses on a hierarchy of controls which is used to minimize or eliminate exposure to hazards, and Hazard Identification, Risk Assessment and Risk Control (HIRARC).

Hierarchy of hazard controls pyramid — from Most Effective to Least Effective:
- **Elimination** — Physically remove the hazard
- **Subsitution** — Replace the hazard
- **Engineering Controls** — Isolate people from the hazard
- **Administrative Controls** — Change the way people work
- **PPE** — Protect the worker with Personal Protective Equipment

The Specific Task Before Operation (STBO) Report/Work Permits provides systematic instructions in conveying information concerning the environment, safety and health. It is a systematic process to authorize controlled work in nonstandard, potentially hazardous conditions, in order to alert and to call attention again to aspects that could impact or harm the environment, safety and health of any person within the Group's premises.

3.4.5 Logistic Safety

The Group has undertaken large-scale construction projects to upgrade and maintain the roads around its sites, focusing on concrete and asphalt-paved surfaces to enhance transportation safety. These infrastructure improvements include proper design considerations such as drainage systems, pavements, underground piping, and truck parking spaces. Enhancing logistic infrastructure is crucial and necessary, even though the investment is high.

Furthermore, we launched an intelligent transportation system project with the initial goal of improving the transportation safety for raw material receiving and goods delivery processes, streamlining truck routes, and enhancing employee safety. The implementation of RFID systems has not only simplified the process of controlling truck entry and exit, but also accelerated and enhanced the accuracy of the transporter registration processes, while strengthening the truck flow monitoring system. Additionally, the Group developed its own smart phone applications to facilitate the transportation systems, thereby enhancing employee efficiency and workplace safety.

3.4.6 Occupational Safety and Health

We prioritize the safety and health of our employees while actively preventing work-related injuries and diseases. We regularly conduct internal occupational safety training for employees on HIRARC, and safety operating procedures. Additionally, basic safety and health trainings are provided during induction training for all new employees.

In September 2023, we held a two-month 'Safety and Health Month' with activities aimed at promoting awareness of the employees' occupational safety. Alongside these activities, a safety credo emphasizing our commitment to maintain a sound occupational safety system was distributed to the employees via a Google Form. We also had a poster competition related to factory safety and cleanliness inspection during this period to encourage the employees to prioritize job safety and increase awareness. Furthermore, safety talks and quiz games were conducted with prizes to incentivize employee participation in the program.

Moreover, a Plan-Do-Check-Act (PDCA) analysis was conducted for every department in the Group to assess their respective occupational safety status. The scope of the analysis included workflow, operational procedures, and training. The strengths and areas for improvement were summarized for each department, providing clear insight for them to enhance their occupational safety standards.

3.5 Contribution to Local Communities

The local communities are fundamental to our business. The Group strives to create a positive impact for all through meaningful programs and initiatives. We interact with them in areas where we can and where our contribution is beneficial and very much needed. Here are some things that we did for the communities.

3.5.1 People in Need
3.5.1.1 Donating Food and Daily Necessities

As we are just back to normal from the Covid-19 outbreak that started in 2020, most of the non-profit organizations are in difficult situation as well. It is mainly due to their fundraising were curtailed by the current poor economy situation. The Group understands their situation and commiserates with them. We alleviate the sufferings of several charities by donating food and daily necessities. It should be noted too that we just don't help humans only. Another form of life requires our help too. That said, we donate to local animal shelters.

3.5.2 Education

The Group understands that a sound education base is essential in a knowledge-based economy era. The Group is always enthusiastic in collaborating with both public and private institutions of higher learning to enhance the effectiveness and quality of education.

3.5.2.1 Monetary and Non-monetary Aid to Schools

The Group subsidized school scholarship funds meant for students from families who are financially destitute. Besides monetary aid, we also donated used computers. In 2023, we donated 80 sets of used computers to 6 primary schools. We decided to donate computers because the Malaysian education system is becoming more and more digital. Our donation will definitely be more apt as there will be more computers for the students to use.

3.5.2.2 Sponsoring the Minecraft Championship 2023 (Virtual)

The Group partially sponsored a secondary school's in organizing the Minecraft Championship 2023. Students from the different states and from other countries participated. The competition was a platform for the students to develop their innovative thinking skills and, at the same time, raise their awareness in protecting World Heritage.

3.5.2.3 Sponsoring Fundraising Events on School Facilities Upgrades

In 2023, we came to know a secondary school in Bukit Baru, Melaka, was cash strapped to upgrade their facilities, in particular, the canteen which could not accommodate the student population during recess. While the school had a carnival to raise funds, the funds were not enough. We stepped in and contributed with a monetary donation.

3.5.2.4 Sponsoring the Rainforest Card Games

In October 2023, the Malaysian Nature Society from Negeri Sembilan and Melaka approached us to sponsor their upcoming Rainforest Card Games Competition. The competition was a card game to disseminate information about the Malaysian flora and fauna to primary and secondary school students. We agreed to contribute financially to this meaningful event as the competition would create awareness of how to protect Mother Earth.

4.0 Maintaining Sound Governance

We consider governance to be an essential aspect of our business, providing stakeholders with confidence while enabling us to drive long-term value creation. The Malaysian Code of Corporate Governance (MCCG) and the Main Market Listing Requirements (MMLR) serve as pillars for the Group in adhering to good corporate governance principles and fulfilling fiduciary duties.

The Group upholds high standards of professionalism and focuses on business integrity, code of conduct, data privacy, cybersecurity, diversity, and workplace safety. This demonstrates our commitment to good corporate citizenship across our strategy, operations, and culture.

"The Group has also made the relevant policies stated below accessible on the Group's website to highlight our commitment in protecting the interest of all our stakeholders."

4.1 Board of Directors

The Board of the Group provides oversight to ensure that the Group conducts business with the highest standards of ethics. Each member of the Board contributes their professional expertise to act in the best interests of all our stakeholders. The Board Charter outlines the principal functions, authority, composition, and responsibilities of the Board of Directors of the Group, ensuring that all Board members are aware of their duties and responsibilities.

In accordance with the practices and guidance of the Malaysian Code on Corporate Governance, the Board is tasked with reviewing and evaluating business performance, risk management, internal control systems, and the integrity of financial reporting. Additionally, the Board is responsible for promoting a culture of good corporate governance within the Group, facilitating effective communication with stakeholders.

The Board endeavors to stay abreast of sustainability issues and considerations relevant to the Group and its business, aiming to build confidence among stakeholders in achieving the Group's long-term goals.

4.2 Legal Compliance

4.2.1 Business Integrity Policy (BI Policy)

As a responsible and prudent company, the Group focuses in strengthening high integrity and morals among our members. The Group strives to improve our governance practices besides pursuing the growth of the businesses that we are in. This BI Policy applies to all the employees including directors, senior management of the Group and its subsidiaries. This BI Policy is a guideline for all employees in their respective roles within the Group, including when dealing with external parties. The Group also demands high integrity practices from our business associates which include suppliers, contractors, customers, professional service providers, etc. The Group will not compromise on malpractices, bribery and corruption that would violate the principles of the Group. This BI Policy is reviewed by the Board periodically to ensure that the BI Policy is always up-to-date. Any update to the BI Policy must be approved by the Board.

4.2.2 Anti-bribery, Corruption and Whistleblowing Policy (ABC Policy)

The Board oversees the Group's compliance with the Anti-bribery and Corruption policy as these two issues present significant risk to its business entity. For the Group, zero tolerance applies to all forms of bribery and corruption, regardless of whether public or private sectors are involved. The Group strives to be in full compliance with the laws and regulations. The Group communicates the ABC Policy with all of our business subsidiaries and associates including suppliers, contactors and any other third parties. The Group strictly prohibits its employees from participating in any kind of corrupt activity. Our employees are always updated and briefed regarding the ABC Policy. The Group monitors the ABC Policy regularly for its adequacy and relevance to take the necessary improvement measures.

The Group rates integrity highly when doing business and strives to protect the interest of our stakeholders. The Group has put in place a standard operating procedure for whistleblowing to facilitate any stakeholder who wants to inform of suspected corruption, fraudulent or dishonest use or misuse of the company's resources. The Board encourages employees to report in good faith on any bribery and corruption via the Whistleblowing channel.

The ABC Policy is monitored and reviewed periodically to ensure efficiency and effectiveness. Results of the audit and improvement plans which relate to the Group's anti-bribery and corruption program will be reported to the Group's Audit Committee and the Board accordingly.

4.2.3 Fit and Proper Policy (FP Policy)

To maintain the Board's quality and integrity, the Group instituted a Fit and Proper Policy for the appointment and re-election of the directors of the company and its subsidiaries. The Group ensures that the fit and proper criteria in the appointment and re-election of the directors of the Group have been set out in the FP Policy and are adhered to on a continuing basis. Other than maintaining the integrity of the Board, the FP Policy is also a guideline for the Group in ensuring that each of the appointed directors has the character, experience, competence, time and commitment to effectively discharge their role as a director in the best interests of the Group and all stakeholders.

The Board and Nominating Committee play a significant role in conducting the fit and proper assessment to the appointment of any candidate as a director, or making any recommendation for the re-election of an existing director of the Group.

4.2.4 Diversity Policy

The Group acknowledges the importance of diversity in strengthening the effectiveness of the Board's and the senior management's function. The Group sees diversity, regardless of gender and cultural backgrounds, together with equitable representation at board and senior management level as an essential element of maintaining good governance and a well-functioning hierarchy of a company. The Group understands a diverse board and senior management team could enhance decision making as there will be contribution from different perspectives and insights which will bring about a right chemistry reaction in managing the company.

The Group ensures that at least 2 female directors serve on the Board at any one time. When a situation arises where there are less than two female directors sitting on the Board, reasonable time will be given to allow the necessary actions to be taken to correct the situation. The Group is responsible for overseeing the Diversity Policy and for delegating the selection of qualified directors to the Nominating Committee in accordance to the FP policy. It is important that the Nominating Committee adopts a diversity approach in the recruitment and succession planning processes at the board level. The Group promotes diversity at the senior management level as the candidates for the senior management positions would be evaluated on their competencies, knowledge and skills, and their capability in discharging their duties, regardless of their gender and cultural background.

With the assistance from the Nominating Committee, the Board will continuously monitor and review the effectiveness of the Diversity Policy. The execution of the Diversity Policy including the clause on female representation at the Board level will be made known in the Annual Report of the Group

4.2.5 Risk Management

The Group constantly monitors emerging risks in a systematic manner so that it can always mitigate any possible issue compromising the stakeholders' interest. The Group is committed to maintaining both a sound risk management and an internal control system in order to protect the Group's assets as well as to manage the Group's risk appetite.

To ensure a sound risk management and internal control system is maintained, the Board is responsible for the Group's risk management framework and internal control systems, and also for reviewing its adequacy, effectiveness and integrity. Working closely with the Audit Committee, the Board oversees and improves the risk management and internal control policies and procedures as well as addresses any potential risk of the Group from time to time. The Board and Audit Committee meet and discuss on relevant issues on quarterly basis.

4.2.6 Code of Conduct and Ethics

The Group operates at the highest level of integrity and ethics. The Code of Conduct and Ethics drafted by the Group applies to everyone, including the directors, senior management and employees. The Code of Conduct and Ethics outlines the principles which guide the behavior and the correct way of business conduct for each member of the Group. The Group integrates the Code of Conduct and Ethics into the Group's management practices. This Code of Conduct and Ethics will be continuously monitored by the Board and the Group Managing Director to ensure the corporate governance practices are implemented effectively within the Group.

4.3 Data Privacy and Cybersecurity

We understand that data privacy and cybersecurity are closely linked to the sound governance of a company. The Group strengthens and invests in our data privacy and cybersecurity system to safeguard all users of our platform by protecting them from potential risks and consequences associated with unauthorized access, misuse, or compromise of sensitive information.

4.3.1 Cybersecurity

We protect the Group's systems, network, and information from potential cybersecurity threats. Our cybersecurity team has established a comprehensive information security risk management system by implementing several procedures and policies to effectively manage security. Our cybersecurity team will periodically review the Group's antivirus system to ensure its effectiveness. Our cybersecurity team will continuously study the changing landscape of potential cyber threats and send periodic reminder emails to our employees to be vigilant against such threats. In addition, in accordance with our Internet Management Policy, certain networks that may carry potential security risks are restricted from access within our company's network. The USB Port Activation Management Policy has been implemented to restrict personal usage of USB ports. Any unauthorized USB will be locked and can only be activated after verification from our cybersecurity team.

4.3.2 Data Privacy

In accordance with the establishment of the Personal Data Protection Act (PDPA) by the Malaysian Government, the Group has implemented a Personal Data Protection Operation Procedure (PDPOP) to safeguard the personal information of our employees. The PDPOP lists a series of purposes for which the information may be used. Only authorized employees can access the personal data. Employees must attend a briefing to ensure they are aware of the data privacy policy. We will obtain consent from our employees when collecting their personal data, and they will be informed of the scope of the usage of their personal information by the Group. To ensure the effectiveness of this measure, our Human Resources team will review the regulatory landscape and update the relevant operation procedures and policies periodically.