



POWER ROOT BERHAD

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SUSTAINABILITY FRAMEWORK

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POWER ROOT BERHAD

SUSTAINABILITY FRAMEWORK

1. INTRODUCTION

The Board of Directors of Power Root Berhad (“Power Root” or “the Company”) and its subsidiaries (collectively with the Company, “the Group”) acknowledges that a business is judged not solely on its financial performance but increasingly on its impact and role within the community in which it operates. The Malaysian Code on Corporate Governance (“MCCG”) recommends that the Board ensures the Group’s strategies promote economic, environmental and social (“EES”) sustainability.

As such, the Board assumes final accountability for the integration of sustainability across the Group, including sustainability-related strategies and performance. The Board is committed to promoting sustainability and continuously integrates it into the working environment, business processes and strategic decision-making across the Group.

This Sustainability Framework (the “Framework”) outlines the Group’s approach to integrating sustainability into all aspects of our business operations. It encompasses key elements such as our vision, strategy, core values, sustainability pillars and material matters, all of which guide our efforts towards sustainable development and the continual improvement of the Group’s sustainability performance.

The objectives of this Framework are to:

- Establish a structured approach to embedding sustainability considerations into operational and strategic decision-making;
- Promote good governance practices by ensuring transparency, accountability and compliance with all relevant regulations and ethical standards;
- Mitigate our environmental footprint through responsible resource management, waste minimisation and continuous improvement of environmental performance; and
- Drive positive social outcomes by fostering a safe, inclusive work environment and supporting community initiatives.

2. SUSTAINABILITY STRATEGY

The Sustainability Strategy reflects the fundamental principles of our sustainability philosophy, driven by our vision and strategic priorities and aligned with the United Nations Sustainable Development Goals (“UN SDGs”). It is structured around four key pillars:

- Innovating Product Quality and Safety
- Upholding Integrity and Excellence
- Advancing Environmental Stewardship
- Empowering People and Communities

Each pillar encompasses material sustainability matters deemed significant to the Group, ensuring a focused approach that integrates sound governance practices, environmental impact reduction and community engagement.

Corporate Vision	To Create Value for our Employees, Shareholders, Consumers & Society Through Excellent Quality, Pioneering Innovations, Joyous Moments & Embracing Environmental, Social Governance							
Our Strategy	World Class Product Supply Excellence; Safety First, Quality Always, Cost Competitive Product Supply							
Core Values	Accountability – Integrity – Innovative – Diversity, Inclusion & Belonging							
Sustainability Pillars	<u>Innovating Product Quality and Safety</u>	<u>Upholding Integrity and Excellence</u>	<u>Advancing Environmental Stewardship</u>			<u>Empowering People and Communities</u>		
Material Matters	• Product Safety and Quality • Health and Nutrition • Product Affordability • Responsible Marketing Practices • Technology and Innovation	• Corporate Governance Practices • Anti-corruption • Fair Business Practices • Tax Compliance and Transparency • Data Privacy	• Energy and Water Conservation • Emission Discharges • Climate-related Transition and Physical Risks and Opportunities • Environmentally Friendly Product Packaging • Waste and Effluent Management • Product Life Cycle - Carbon Footprint • Compliance with Environmental Laws and Regulations			• Employees' Health, Safety, and Well-being • Workforce and Management Diversity • Training and Development • Human Rights • Sourcing from Local Suppliers • Product Life Cycle - Social Impact • Local Employment Opportunities • Local Community Investment		
Contribution to UN SDGs								
Key Stakeholder Groups	 Investors  Government and Regulators	 Financial Institutions  Key Account Retailers	 Distributors  Employees	 End Consumers  Suppliers and Service Providers	 Communities  Non-Governmental Organisations (“NGOs”)	 Media		

3. SUSTAINABILITY POLICY

The Sustainability Policy (the “Policy”) complements the Framework by outlining the Group’s core sustainability commitments. It defines Power Root’s approach to balancing responsible environmental practices, ensuring product quality and safety, and promoting sustainable growth while creating value for stakeholders and the communities we serve.

The objectives of this Policy are to:

- Guide the Group in embedding sustainable practices throughout our operations, including material sourcing, product manufacturing, trading and distribution, to ensure product quality;
- Uphold fair labour practices and ensure ethical standards across our value chain;
- Minimise the Group’s environmental impact through responsible practices and efficient resource management; and
- Contribute to the well-being of the communities in which the Group operates.

A. Innovating Product Quality and Safety

- To uphold the quality, safety and nutritional value of our products while ensuring compliance with ethical and legal standards; and
- To ensure that our manufacturing processes and products adhere to Malaysian and international food quality and manufacturing standards.

B. Upholding Integrity and Excellence

- To conduct business in an open, honest and ethical manner, ensuring that conflict-of-interest situations are properly addressed, and to adopt a zero-tolerance approach to all forms of bribery and corruption;
- To comply with all relevant legislation, rules, and regulations applicable in the jurisdictions where we operate, while upholding the highest standards of governance and adhering to the Group’s code of conduct;
- To integrate sustainability considerations into the Group’s business strategies and operations; and
- To maintain clear communication on sustainability initiatives with employees, suppliers and relevant stakeholders, ensuring awareness of policies and a shared commitment to economic, environmental, social, and governance principles.

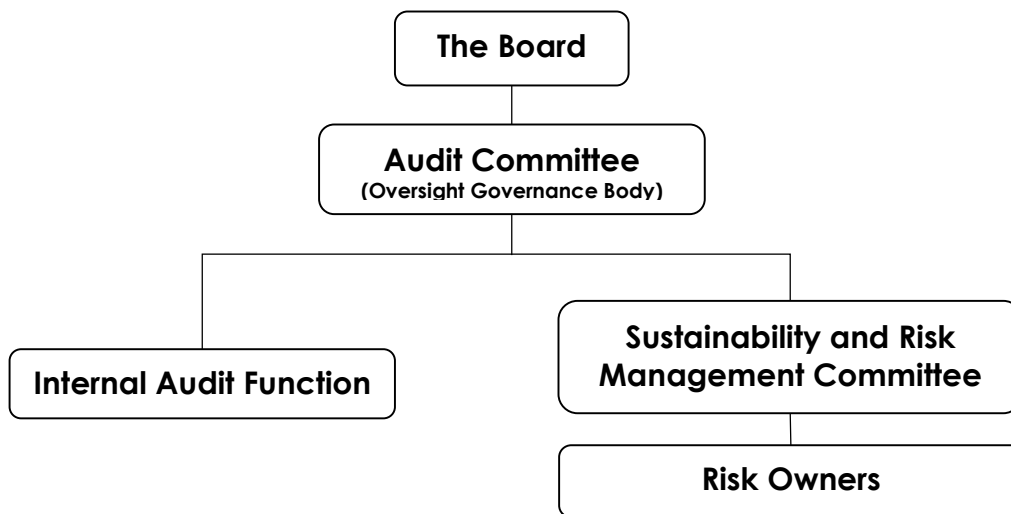
C. Advancing Environmental Stewardship

- To comply with all guidelines and regulations on environmental preservation in the jurisdictions where the Group operates;
- To prevent or mitigate pollution and enhance environmental management quality;
- To reduce our carbon footprint through energy-efficient product designs, optimised manufacturing efficiency and investments in energy-efficient production machinery
- To conserve water, electricity and other natural resources in our business operations; and
- To implement the Reduce, Reuse and Recycle (“3R”) policy across the Group and throughout the value chain.

D. Empowering People and Communities

- To ensure that all stakeholders are treated fairly and not subjected to or involved in any form of discrimination based on race, nationality, religion, disability, gender, age, or other factors;
- To provide a safe and healthy workplace for all employees, customers, suppliers, and business partners, in compliance with the Occupational Safety and Health Act and other applicable legislation; and
- To support the economic development of communities in areas where we operate, by considering local impacts when formulating and implementing business strategies.

4. GOVERNANCE STRUCTURE



The roles and responsibilities of each function in the Sustainability Management governance structure is as follows:

<u>Function</u>	<u>Roles/Responsibilities</u>
Board of Directors (“the Board”)	: The Board holds primary and ultimate responsibility for the strategic oversight of sustainability and climate-related risks and opportunities. This would include: (a) To determine and approve the sustainability management Framework (including governance structure and process) as well as to approve the management of the material sustainability matters; (b) To guide the integration of sustainability-related risks and opportunities within the Group’s strategy and risk management Framework, including climate-related risks and opportunities; (c) To approve and oversee the implementation of strategies, ensuring that sustainability and climate-related considerations are embedded in all business strategies and major operations; (d) To review and approve the processes and outcomes of the identification, assessment and management of

sustainability matters conducted by Sustainability and Risk Management Committee (“SRMC”);

- (e) To conduct periodic reviews of the Group’s material sustainability matters (at least annually) and determine the adequacy of the Group’s response and the current standing of the material sustainability matters;
- (f) To determine the need for a comprehensive sustainability review to be undertaken by the SRMC;
- (g) To approve material indicators and targets related to sustainability, including climate-related metrics and disclosures;
- (h) To decide on and approve stakeholder engagement activities; and
- (i) To conduct periodic reviews of the adequacy and effectiveness of the Group’s sustainability governance structure and processes for identifying, assessing and managing sustainability and climate-related risks and opportunities.

**Audit Committee
 (“AC”)**

: The Board delegates the oversight of sustainability and climate-related risks and opportunities to the AC. The responsibilities of the AC are as follows:

- (a) To oversee the implementation by SRMC of the Framework (Including governance structure and process) approved by the Board;
- (b) To review the process and outcomes of sustainability matters identification, assessment and management conducted by the SRMC and to report the findings and recommendations to the Board for decision-making;
- (c) To conduct periodic reviews of the material sustainability matters of the Group (at least annually) and determine the adequacy of the responses and the current status of these matters, with subsequent reporting to the Board

on the review outcomes and recommendations for decision-making;

- (d) To review the need for a comprehensive sustainability review by the SRMC and make recommendations to the Board for decision-making;
- (e) To conduct periodic reviews of the adequacy and effectiveness of the Group's sustainability governance structure and processes for identifying, assessing and managing sustainability and climate-related risks and opportunities and report the findings and recommendations to the Board for decision-making;
- (f) To oversee the identification of material indicators on sustainability matters, the establishment of relevant targets and the review of sustainability and climate-related disclosures required by law and/or statutory regulations, and make recommendations for the Board's approval; and
- (g) To oversee the Group's internal and external assurance functions in relation to sustainability management and to ensure the adequacy of the resources and competency of the assurance functions.

**Sustainability and
Risk Management
Committee
("SRMC")**

: The Board delegates the implementation of the sustainability strategy and the management of sustainability and climate-related risks and opportunities to the SRMC. The responsibilities of the SRMC are as follows:

- (a) To implement the Framework as approved by the Board;
- (b) To lead and implement the process of identifying, assessing and managing sustainability matters including formulating appropriate action plans where sustainability issues are not adequately or effectively addressed, and communicate proposed action plans to the respective Risk Owners;
- (c) To conduct periodic reviews of all sustainability matters of the Group (at least annually), assess the adequacy of

the responses and evaluate the current status of sustainability-related risks and opportunities. The review findings, including material sustainability matters and recommendations, shall be reported to the AC;

- (d) To manage stakeholder engagement for input in the assessment process and to communicate the outcomes of reviews and corresponding responses;
- (e) To implement material indicators and targets related to sustainability matters, monitor performance and prepare sustainability and climate-related disclosures in accordance with applicable laws and regulations, and report to the AC for review;
- (f) To oversee the implementation of the Framework by the designated Risk Owners; and
- (g) To update the AC on changes to material sustainability matters periodically (at least annually), or as necessary due to internal or external developments, including proposed management actions to address such changes.

Risk Owners

: Their responsibilities would be:

- (a) To manage the sustainability matters within his/her area of responsibility on a day-to-day basis and to report changes or newly identified sustainability matters to the SRMC for prompt action;
- (b) To continuously monitor sustainability and climate-related risks and opportunities and to evaluate the effectiveness of existing controls. Where controls are found to be ineffective, inadequate or absent, to notify the SRMC and assist in developing and implementing the agreed management action plans;
- (c) To assist the SRMC in implementing the process of identifying, assessing and managing sustainability matters, including the periodic review of all sustainability matters of the Group, and to determine the adequacy of

the response and the current status of sustainability-related risks and opportunities (at least on an annual basis);

- (d) To assist the SRMC in implementing the indicators, targets and monitoring mechanisms for material sustainability matters, including scheduled reporting to the SRMC and to assist in the preparation of sustainability and climate-related disclosures as required by applicable laws and regulations; and
- (e) To ensure that staff working under the supervision of Risk Owners understand the sustainability matters and issues relevant to their respective areas of responsibility and the importance of the associated controls.

**Co-Key
Sustainability & Risk
Officer (“KSRO”)**

: The KSRO’s responsibilities are:

- (a) To serve as the central point of contact and coordinator for all sustainability management issues within the Group;
- (b) To facilitate the implementation of the Framework, including the process of identifying, assessing and managing sustainability matters within the Group;
- (c) To support the implementation of indicators, targets and monitoring mechanisms for material sustainability matters;
- (d) To coordinate all sustainability management activities including the identification, assessment and management of sustainability matters, periodic reviews and stakeholder engagement;
- (e) To document all sustainability-related activities and meetings within the Group; and
- (f) To ensure effective communication between the SRMC and the respective Risk Owners.

Internal Audit Function : The Internal Audit Function is responsible for the following:

- (a) To review the Group's governance structure and sustainability management processes to assess their adequacy and effectiveness for reporting to the AC;
- (b) To evaluate the sustainability management systems implemented by the SRMC and Risk Owners and determine their adequacy and effectiveness for reporting to the AC;
- (c) To assess compliance with the controls implemented by the SRMC and Risk Owners in managing sustainability matters for reporting to the AC; and
- (d) To review the accuracy and reliability of sustainability and climate-related disclosures as required by applicable laws and statutory regulations for reporting to the AC.
- (e) To perform independent internal review of the Sustainability Statement in compliance with the provisions of the International Professional Practices Framework ("IPPF") 2017, issued by the Institute of Internal Auditors Inc. and provide the Statement of Assurance by the Internal Auditors on selected indicators of the Sustainability Statement in line with the Bursa Malaysia Securities Berhad Main Market Listing Requirements.
- (f) To maintain a degree of independence and objectivity in the internal review of the Sustainability Statement, in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

5. TERMS OF REFERENCE FOR SUSTAINABILITY & RISK MANAGEMENT COMMITTEE

6.1. Introduction

Whilst the Board retains ultimate responsibility for the Group's sustainability strategy and management, the AC and SRMC are entrusted with the oversight duty and implementation of the Framework, respectively. They are tasked with ensuring that sustainability and climate-related risks and opportunities are effectively managed or optimised to support the Group's long-term sustainability. In essence, the SRMC is responsible for the execution of the Framework approved by the Board, while the AC assumes an oversight role in relation to the Group's sustainability strategy and policy.

6.2 Duties and Responsibilities

The duties and responsibilities of the SRMC are as follows:

- To ensure that the Framework is embedded across the Group and functions effectively;
- To ensure the continued relevance of the Group's sustainability and climate-related risks and opportunities, taking into account changes in the business environment. This includes reporting on sustainability management activities and updates on sustainability matters to the AC on a periodic basis (at least annually) or in a timely manner in the event of significant changes in internal business processes, business strategies or external environment, for independent review;
- To continuously identify potential sustainability-related risks and opportunities, and manage the impacts associated with material sustainability matters. This includes formulating action plan(s) to address identified matters or changes, in line with the Board-approved sustainability strategy, using the prescribed form(s) and reporting the results of assessments and action plan(s) to the AC for review;
- To ensure the continued relevance of sustainability indicators and targets, and to monitor their achievement on an ongoing basis;
- To manage stakeholder engagement for the purpose of gathering input for assessments and communicating the results of reviews and responses;

- To provide awareness and education on sustainability management across all levels of the Group; and
- To ensure the relevance, accuracy and reliability of sustainability and climate-related disclosures as required by applicable laws and/or statutory regulations.

6.3 Powers and Authorities

As the committee entrusted by the Board with the implementation and oversight of the Framework, the SRMC is vested with the following authority:

- To have access to the necessary resources required to perform its duties;
- To have full access to any information necessary in the course of performing its duties. Where highly confidential and sensitive information is concerned, specific and prior approval from the Chief Executive Officer is required before the commencement of the work in these areas;
- To maintain direct communication channels with the AC, Chief Executive Officer and Risk Owners, as applicable, to obtain advice, opinions, information and feedback necessary for the discharge of its duties; and
- To engage external professional services, at the Group's expense, as needed in the performance of its responsibilities.

6.4 Composition

- The members of the SRMC shall comprise individuals with relevant knowledge and experience in risk and business management.
- SRMC members shall be nominated employees from various divisions within the Group, preferably Executive Directors and Heads of Departments. The SRMC shall also include the KSRO as a member; and
- The number of SRMC members shall be no fewer than five (5) and no more than 15.

Secretary

- The secretary of the SRMC shall be appointed from among its members or such other person as the SRMC may determine from time to time; and
- The Secretary shall assist the SRMC in tasks including the issuance of meeting notices, preparation of agendas, distribution of supporting documents and the recording and safekeeping of meeting minutes.

6.5 Minutes

- The proceedings of each SRMC meeting shall be recorded by the Secretary or a nominated member and circulated prior to the next meeting, together with the notice of meeting; and
- A copy of the confirmed minutes, signed by the Chairman, shall be submitted to the AC and the Board for their deliberation.

6.6 Meetings

- The SRMC shall meet at least once during each financial year. The quorum for a meeting shall comprise more than 50% of the existing members, including the Chairman and the KSRO; and
- The SRMC may invite non-members and external professionals, as it deems appropriate, to attend meetings and assist in the deliberation and resolution of matters discussed.

6.7 Confidentiality

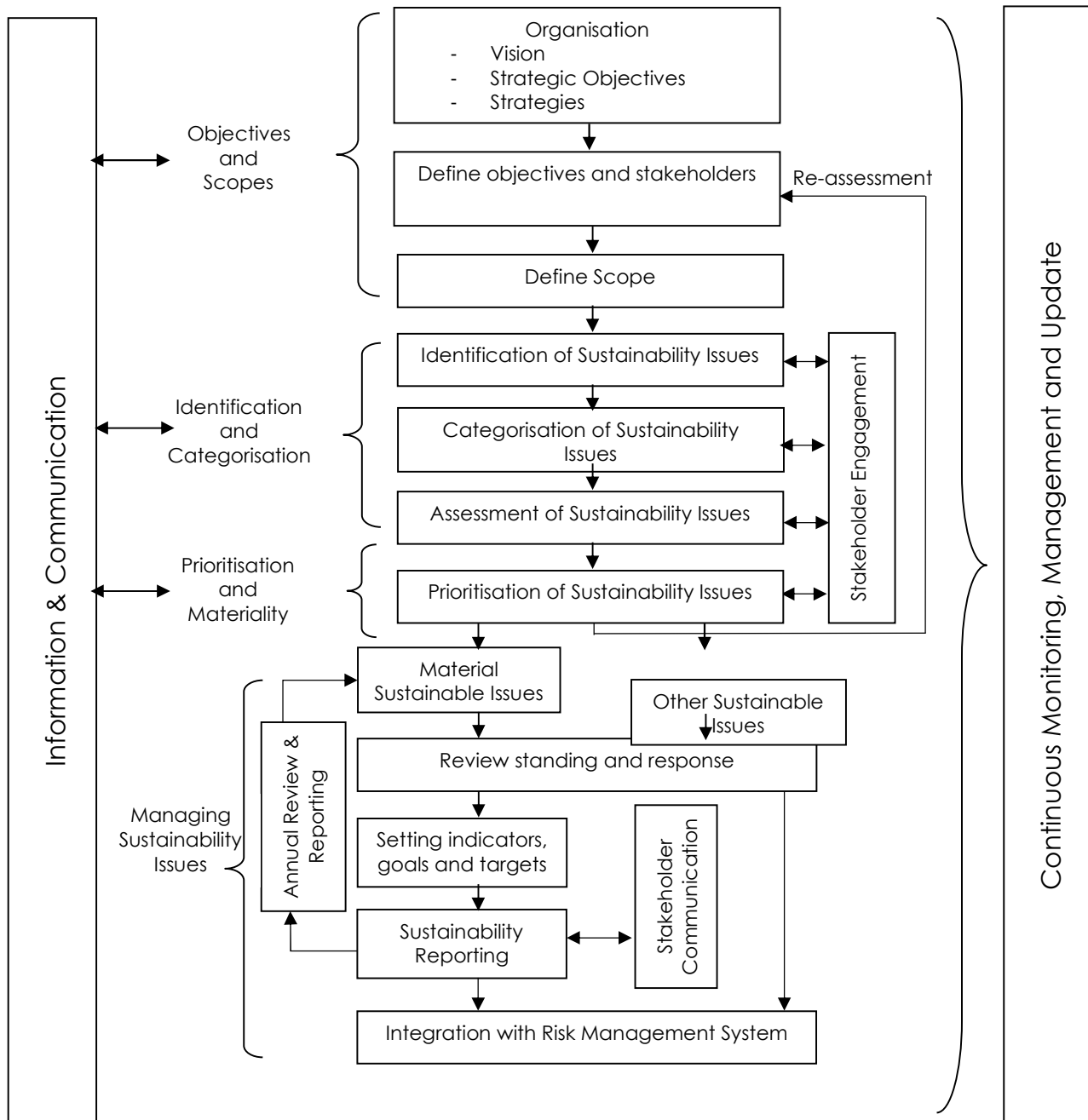
All members of the SRMC shall be obligated to treat all information discussed during meetings as strictly confidential.

6.8 Membership of SRMC

Designation	Member
Chairman	Executive Director
KSRO	Corporate Finance Manager & Head of Internal Audit
Members	Risk Owners (to be nominated by the Chairman of the SRMC)

6. SUSTAINABILITY ASSESSMENT

The sustainability assessment process is illustrated by the following diagram:



6.1. Define objectives and stakeholders

The Board is responsible for the establishment of the vision and strategic plans (including specific goals and business objectives for the Group) as well as sustainability strategies. These strategic plans and sustainability strategies serve as the basis for identifying and understanding the sustainability risks faced by the Group and the sustainability opportunities available.

In setting materiality objectives, the Group considers the intended stakeholders of the materiality assessment, specifically, who the key users of the outcome are and how the information will be utilised.

Internal stakeholders include investors, the Board, the Management and employees of the Group.

External stakeholders are the suppliers, customers, government and local authorities, local communities and non-governmental organisations.

The objectives of the sustainability assessment are as follows:

- To provide sustainability-related insights for strategic business decision-making;
- To identify material sustainability matters that need to be managed and disclosed in sustainability reporting for communication with internal and external stakeholders;
- To facilitate more effective engagement with stakeholders, particularly in addressing their concerns;
- To identify future trends that may impact the Group or its business strategies; and
- To identify areas for target-setting to enhance business and sustainability performance.

6.2. Define the Scope

The sustainability assessment shall cover the entire internal value chain of the Group's key business operations and analysed according to the geographical locations in which the Group operates.

6.3. Identification of Sustainability Issues

In identifying sustainability issues, the following sources shall serve as a guide to ensure that all material sustainable issues are identified.

- **Internal Sources**
 - Board/Board committee reports and meeting minutes
 - Business strategy, short- and medium-term goals and objectives, and policies
 - Risk management assessments and risk registers
 - Internal financial reporting
 - Internal management and operations report
 - Complaints received from employees and other internal stakeholders
 - Feedback or concerns from employees and other internal stakeholders
 - Internal audits
 - Direct engagement with internal stakeholders
- **External Sources**
 - Complaints received from suppliers, customers, local communities and other external stakeholders
 - Feedback or concerns from suppliers, customers, local communities and other stakeholders
 - Relevant regulations and laws, and international agreements or commitments which may impact the business strategy or raise stakeholder concerns
 - Industry standards
 - Media reviews and reports
 - Correspondence with the government and local authorities
 - Published research papers related to the Group's business and products
 - Surveillance audits by regulatory and professional bodies
 - Direct engagement with external stakeholders

6.4. Stakeholder Engagement

The Group does not rely solely on internal stakeholders for the identification and assessment of sustainability matters but also engages, to a certain extent, with external stakeholders, recognising the importance of addressing concerns of both groups to ensure a holistic assessment.

Internal stakeholders include investors, the Board, Management and employees. External stakeholders are suppliers, customers, government and local authorities and local communities.

Once all relevant stakeholders have been identified, the Group maps them by group and sub-group, in a manner that addresses their respective needs.

Firstly, relevant stakeholders are categorised into groups, which can be further broken down into sub-groups based on their specific information needs or areas of focus (e.g. government and regulatory authorities require compliance-based information related to the organisation's environmental and social risks). This **Stakeholder Mapping** exercise is conducted using the prescribed form.

Stakeholder engagement is guided by a **Stakeholder Prioritisation** process, allowing the Group to focus more efforts on stakeholder groups that exert higher influence over, or have greater dependence on the organisation's relevant sustainability issues. This process also contributes meaningfully to the materiality assessment process. The concerns of key stakeholders are given greater weight during prioritisation. The Stakeholder Prioritisation exercise is also conducted using the prescribed form.

6.5. Categorisation of Sustainability Issues

The list of sustainability issues identified internally and externally are further rationalised, refined and consolidated into the following categories, taking into consideration the Group's business strategies:

Economic	
Category	Definition
Procurement & Spending practices	Spending on local suppliers at significant locations of operations.
Community investment	Voluntary contributions made by an organisation to enhance socio-economic benefits and create a positive social impact.
Environment	

Emissions	Emissions refer to the discharge of environmentally hazardous substances into the atmosphere.
Waste and effluent	Waste and effluent discharged from operations into public areas.
Water	Consumption and efficiency of water usage for industrial processes and general purposes.
Energy	Efficient use and consumption of electricity as well as energy generated from renewable sources.
Supply Chain (Environmental)	All significant environmental impacts observed or assessed in the supply chain in relation to products and services produced and/or offered.
Product and Services Responsibility (Environmental)	The environmental impact of products and services in the course of their life cycle, (including product design, development, testing, etc.).
Compliance (Environmental)	Compliance identifies the adherence of an organisation's activities to relevant laws, rules, regulations and guidelines.
Social	
Social Diversity	Diversity, specifically in the workforce, Management and the Board is characterised by gender, age, etc.
Human Rights	• the right to non-discrimination; • the right to be treated with dignity; • the right to rest and leisure, including reasonable limitation of working hours and periodic paid holidays; and • the right to freedom of opinion and expression.
Occupational Safety and Health	Anticipation, recognition, evaluation and control of hazards arising in or from the workplace that could impair the health and well-being of workers and stakeholders.
Anti-competitive behaviour	Ethical business practices without affecting consumer choice, pricing and market efficiency.
Anti-corruption	Abuse of entrusted power for private gain. This theme discusses activities that promote transparency and guards against various forms of corruption.
Labour practices	Fair treatment of employees with regards to terms and conditions of employment and development of employees' skills and knowledge.
Society	The impacts organisations have on society and local communities.

Product and Services Responsibility (Social)	The impact of products and services on the well-being of society, including privacy, health and safety.
Supply Chain (Social)	Significant and potential social impacts on society in the supply chain.
Compliance (Social)	The adherence of an organisation's activities to relevant laws, rules, regulations and guidelines.

The above categories are not exhaustive. The SRMC shall, from time to time, assess whether to include additional categories or to subdivide the existing ones to enable a more effective assessment of the sustainability issues at hand.

6.6. Assessment and Prioritisation of Sustainability Issues

The objective of assessing and prioritising sustainability issues is to identify material sustainability matters, enabling the organisation to place greater emphasis and allocate appropriate resources towards managing those matters with the most significant impact.

Material sustainability matters refer to those that reflect the organisation's significant EES impacts or substantively influence stakeholder assessments and decision-making processes.

Materiality Assessment

Sustainability issues are considered material if they meet the following criteria:

- They have **significant** EES impacts on the Group from the organisation's perspective;
 - They **substantively** influence the assessments and decisions of stakeholders; and
 - They pose EES impacts that may affect the ability to meet the needs of present and future generations.
- i) The significance of a sustainability issue is assessed based on the following:
- The likelihood of the risk occurring; and
 - The potential impact to the Group should the risk occur – including financial implications, reputational impacts and consequences on safety, health and the environment.
- ii) The probability rating is defined as follows:

ID	Description	User Description
5	High Probable	This incident is already prevalent within the organisation
4	Probable	Likely to occur more than once a year
3	Possible	Probability of occurring once a year is greater than 50%
2	Unlikely	Some probability of occurring once a year (between 10% to 50%)
1	Seldom	Probability of occurring once a year is less than 10%

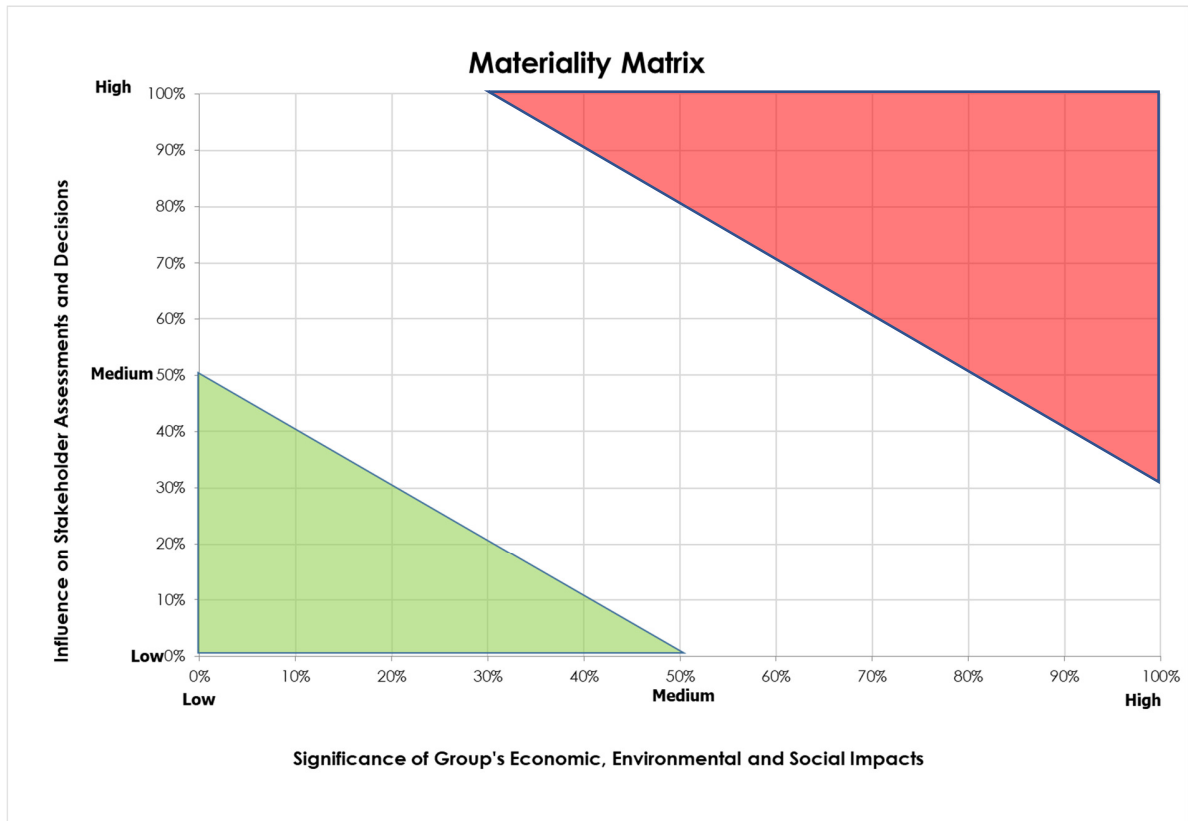
iii) The following impact rating is utilised:

ID	Consequences				
	1	2	3	4	5
Factors	Insignificant	Minor	Moderate	Major	Catastrophic
Financial Loss (RM'000)	Less than RM50, 000	RM50,000 to RM1 million	RM1 million to RM10 million	RM10 million to RM50 million	More than RM50 million
Image/reputation	No impact on image/reputation	There is potential negative impact on the Group's image/reputation	Image/reputation will be negatively affected in the short-term	Significant diminution in image/reputation with adverse publicity	Long term serious loss in image/reputation
Effects from safety, health and environment	Minor complaints by employees/customers	First warning by the authorities	Continuous warning by the authorities	Penalties/fines levied by the authorities	Closure of factory
Risk Consequence	Impact can be readily absorbed through normal activity	An adverse event which can be absorbed with some management effort	A serious event which requires additional management effort	A critical event which requires extraordinary management effort. May setback the Group's goals by more than 1 year	Catastrophic effects, long-term reputational and/or financial damage to the Group possibly leading to collapse

The materiality assessments of the above criteria are obtained from two perspectives:

1. Stakeholder assessments and decisions obtained through stakeholder engagement; and
2. The Group's assessment of EES impacts conducted by the SRMC, with assistance from Risk Owners.

The results of the above assessment, together with the results of the **Stakeholder Prioritisation** are incorporated into the **Materiality Matrix** in the prescribed format.



A sustainability issue is:

- i. Material – if it is within the **Red** zone;
- ii. Low and Medium Materiality – if it is within the White zone; and
- iii. Not material - if it is within the **Green** zone.

6.7. Review Standing and Response

i) Review Standing

Following the assessment process, existing controls should be identified along with their control owners (i.e. individuals responsible for monitoring the controls to ensure their effectiveness and compliance). For further details, please refer to the Risk Management Policy.

Controls refer to policies, standards, procedures and physical measures implemented to minimise adverse risks or to maximise opportunities. The controls related to identified sustainability issues may be categorised as follows:

Preventive : Controls designed to prevent the risk from occurring.

Detective : These comprise two aspects:

- To identify impending risks that are about to take materialise, thereby enabling risk awareness.
- To detect adverse events at the earliest possible stage to prevent further deterioration and reduce impact.

Corrective : Controls applied after a risk has occurred, aimed at minimising losses and facilitating prompt recovery.

Once all relevant controls for a particular sustainability issue have been identified, the risk shall be assessed at the **residual level** to determine the adequacy and effectiveness of existing controls. This includes evaluating the likelihood of the risk occurring and the potential impact should it materialise.

The adequacy and effectiveness of the controls can be assessed in accordance with the following criteria:

- (i) Reduce the possibility of risk occurring; and
- (ii) Reduce the impact on the Group after the risk has occurred.

Rating Category	Criteria
4	<i>Well Controlled</i> • Controls are operating effectively and in accordance with management's control objectives for the area under review. • Opportunities for further improvement exist in the form of a long-term action plan. • All key controls are in place; no key controls weaknesses were noted. • No incidents of non-compliance/control lapses were identified. • A strong compliance culture and robust control environment are evident.
3	<i>Satisfactorily Controlled</i> • A few controls require further improvement for the overall control mechanism to operate effectively. • All key controls are in place; no key controls weaknesses were noted. • Absence or limited presence of less significant controls due to cost-benefit considerations; minor control weaknesses are noted in several components, with compensating controls in place.

	• Opportunities for further improvement exist in the form of a long-term action plan. • No incidences of non-compliance or control lapses at critical control points or only a few incidences at non-critical control points. • A satisfactory compliance culture and control environment are observed.
2	<i>Unsatisfactorily Controlled</i> • Controls are not operating satisfactorily or effectively in accordance with their control objectives. • Absence or limited presence of key controls; key control weaknesses are noted in several components. • Less significant control weaknesses are present throughout the control environment. • Certain compensating controls exist where control weaknesses have been identified. • A few incidences of non-compliance or control lapses at critical control point or frequent occurrences at non-critical control points, requiring short-term attention from Senior Management. • An unsatisfactory compliance culture and weak control environment are observed.
1	<i>Poorly Controlled</i> • An effective control structure and mechanism have not been established. • Significant weaknesses in controls are present across the control environment including the absence of basic and compensating controls. • High to very high frequency of non-compliance or control lapses, requiring immediate attention from Senior Management. • A weak compliance culture and poor control environment are evident.

It is important that only existing controls are considered when determining control effectiveness. Controls that are not currently in place should not be taken into account in arriving at the residual level rating, as these represent management action plans that the Group intends to implement at a future date to manage or mitigate the risk.

The SRMC is responsible for identifying and evaluating whether residual risks are acceptable in the context of departmental, divisional and overall Group objectives. The aim is not to eliminate all residual risks but rather to ensure that they are reduced to an acceptable level in a cost-effective and efficient manner.

Where residual risks remain at an unacceptable level following the risk assessment, the management may consider the following options:

- (i) **Terminate the risk** by ceasing the process or business activity altogether. This option is typically selected when the risk could have a

catastrophic impact on the business and the cost of mitigation outweighs the potential benefits; or

- (ii) **Treat the risk** by taking steps to minimise its impact and/or likelihood of occurrence. This can be achieved through specific actions aimed either at reducing the possibility of the risk occurring or mitigating its impact on the business should it occur; or
- (iii) **Tolerate the risk** without taking further action. Management may choose to consciously accept the risk if it is considered insignificant or moderate in relation to the Group's risk appetite. However, before deciding to tolerate the risk, management should consider the following factors:
 - (a) The adequacy of the existing controls;
 - (b) The quality and availability of information regarding these controls;
 - (c) The likelihood and potential consequences of the risk occurring; and
 - (d) The cost of implementing additional controls; or
- (iv) **Transfer the risk** by shifting all or part of the risk to another party, which may include:
 - (a) Transferring the entire business process/activity to a third party such as through outsourcing;
 - (b) Sharing the business process/activity with another party via a joint venture; or
 - (c) Retaining the business process and transferring the legal or financial risk (e.g. through insurance).

The process and outcome of the materiality assessment, including the identification, assessment, sustainability standing and response, are reviewed by the SRMC and AC, and approved by the Board.

The Board, may at its discretion, request the Internal Audit Function (which reports directly to the AC) to provide independent assurance on the effectiveness and integrity of the materiality assessment process.

The Board, may at its discretion and upon the recommendation of the AC, request the SRMC to undertake a comprehensive identification and assessment exercise of sustainability matters. It is recommended that such a full exercise be conducted when there is a significant change within the organisation.

6.8. Managing Material Sustainability Issues

The management of material sustainability matters should be formulated by the SRMC, reviewed by the AC and recommended to the Board for approval.

The SRMC is to develop the position and response with respect to each material sustainability matter in the following manner:

- Developing policies and procedures;
- Implementing various initiatives, measures or action plans;
- Ensuring compliance with applicable laws and regulations;
- Setting indicators, goals and targets, along with appropriate timeframes, to ensure long-term goals are aligned with the Group's strategic objectives;
- Implementing new systems or modifying existing ones, to capture, report, analyse and manage data requirements.

The SRMC shall review the current standing and corresponding responses to material sustainability matters and report to the AC annually, for their review and subsequent recommendation to the Board for approval.

6.9. Sustainability Statement

The SRMC, with the assistance from the Risk Owners, shall compile the Sustainability Statement which shall be tabled to the AC for deliberation and review and submitted to the Board for approval for inclusion in the Annual Report, in accordance with the prevailing Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Upon the recommendation of the AC, the Board may request for an independent review by the Internal Audit Function to assess the relevance, accuracy and reliability of the sustainability disclosures, as required by applicable laws and/or statutory regulations.

6.10. Integration with Risk Management

The SRMC and the Risk Owners shall incorporate sustainability issues, along with the results of their assessment, current standing and responses, into the Risk Management Process, including the consideration of sustainability-related risks and opportunities.

7. CONTINUOUS MONITORING, MANAGEMENT AND UPDATES

7.1 Monitoring

- **Risk Owners**

Sustainability issues and the effectiveness of implemented control measures must be monitored on an ongoing basis to ensure that changing circumstances do not alter the sustainability issues under an individual's area of responsibility. Accordingly, for each risk under their purview, Risk Owners are responsible for ensuring compliance with the existing system of controls and for taking appropriate action, where necessary, to manage the sustainability issues within their scope.

In addition, Risk Owners must assess any new or emerging sustainability risks deemed material, using the prescribed forms and submit their assessments to the SRMC in a timely manner for review. It is also important that Risk Owners implement any additional mitigation plans proposed by the SRMC to address identified inadequacies.

- **Internal Audit Function**

The Internal Audit Function shall review the adequacy, effectiveness and relevance of the Group's Framework and system of controls and report its findings to the AC. These findings will also be discussed with the Risk Owners and SRMC to agree on the appropriate corrective actions to mitigate weaknesses and to recommend improvements to control procedures.

- **Sustainability & Risk Management Committee**

The SRMC shall conduct ongoing review(s) to ensure that the Group's sustainability standing and management action plans remain relevant and are implemented in a timely manner. Factors that may affect sustainability matters as well as those influencing the suitability or cost of various treatment options, are subject to change.

As such, the SRMC must update the Materiality Matrix to reflect the current state of the Group and the external environment. It is important for the Board to subject strategic business proposals to a sustainability risk and opportunity identification and assessment, to ensure that all relevant sustainability risks and opportunities associated with the proposals are identified and evaluated prior to decision-making.

- **Audit Committee**

The AC shall review and monitor the implementation of the approved Framework to ensure it is adequate and effective in managing the Group's sustainability matters.

The AC shall oversee the Internal Audit Function's activities and review its findings. Areas where sustainability matters are inadequately addressed, controls can be improved or non-compliance is observed, shall be communicated to the SRMC and Risk Owners for the formulation and implementation of action plans.

- **The Board**

The Board holds ultimate responsibility for the Group's Framework and for approving an appropriate structure to ensure its effective implementation.

7.2 Communication

Communication is a key consideration at each stage of the sustainability assessment and reporting process that involves both internal and external stakeholders, such as employees and customers. The factors to consider for effective sustainability management are:

- Communication should involve a two-way dialogue with stakeholders, with efforts focused on consultation rather than a one-way flow of information from decision-makers to stakeholders;
- Internal communication should be centrally organised by the appointed KSRO, with inputs obtained directly from the point of identification through meetings or other electronic platforms;
- Periodic reporting by the SRMC to the AC and subsequently to the Board, regarding the current sustainability standing and response; and
- Periodic reporting by the AC to the Board on the state of internal controls.

8. REVIEW

The Framework shall be reviewed by the AC and the Board as and when necessary, to ensure that it remains current, relevant and aligned with prevailing listing requirements and regulatory guidelines.