ESG RISK MANAGEMENT

Protasco Berhad is actively incorporating its ESG Risk-Opportunity Register into its existing framework, aligning with a commitment to sustainability and addressing climate change. Oversight of the ESG Risk-Opportunity is centralised within the Corporate Office, facilitated by the SSO. Progress in managing ESG risks and opportunities is reviewed and discussed by both the BRMC and the SWC. Moving forward, Protasco Berhad aims to enhance its governance and refine its processes to further strengthen its integrated risk register.

Materiality	Risk	Opportunity
Economic Performance *Page 49*	Leading into reduced profitability, market competitiveness, and investor confidence, impacting long-term sustainability and growth prospects.	Improve financial stability, optimise profitability, and uphold investor confidence to cultivate long-term growth, and sustainability by enhancing operational efficiency and making strategic decisions.
Anti-Corruption *Pages 50 to 52*	Financial loss through penalty and damage of organisation's reputation due to non-compliance of the employer and employee to Section 17A, Malaysian Anti-Corruption Commission (Amendment) Act 2018 (MACC Act 2018).	Managing anti-corruption measures and its related risk allows our businesses to foster trust with stakeholders, enhance reputation, and mitigate legal and financial risks, ensure ethical business conduct and long-term sustainability.
Compliance *Pages 52 to 53*	Can lead to a legal suit or revoke of license to operate, thus disrupting business operation and financial of the company.	Proactively addressing non-compliance with regulations imposed by authorities, enable our business to mitigate legal risks, enhance reputation, and demonstrate commitment to ethical and responsible practices, fostering trust with stakeholders and ensuring long-term sustainability.
Procurement Practices *Pages 54 to 56*	ROI affected due to the quality and price of product material or service provided by suppliers/contractors.	Local sourcing benefits our business by boosting revenue, supporting neighbouring suppliers and manufacturers, and fostering a healthier local economy. Additionally, encouraging adherence to ESG principles among our suppliers and contractors aids our business in proactively identifying and mitigating potential risks.
Community Development *Pages 56 to 57*	Obstruct or threaten company operations to express frustration regarding their socioeconomic, cultural, and political rights, even when the cause is not directly related to the company.	Enhance reputation and stronger customer loyalty through active involvement in initiatives.
Diversity *Pages 58 to 60*	Unable to attract diversified talents that meets the requirement and need of the project/company.	Improve reputation and brand image through a commitment to inclusivity, attracting top talent and fostering a positive perception among stakeholders.
Occupational Safety & Health *Pages 61 to 62*	Possible imposition of high penalty, stop work, revoking of licence, and legal suits.	Enhance not only our employee well-being and productivity but also lead to cost savings by reducing injuries and legal liabilities.

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Materiality	Risk	Opportunity
Product & Service Responsibility – Customer Satisfaction 📖 *Pages 63 to 64*	Loss of customer confidence on the brand/image, and reputation.	Compliance with standards mandated by authorities and the market enhances trust, expands market access, reduces legal risks, fosters innovation, and enhances brand reputation, driving business success.
	Sales and revenue affected, which will affect the short-term business plans.	Enhance our customer trust, improve product and service quality, strengthen reputation, and foster innovation, driving long-term success and sustainability.
Data Privacy & Cybersecurity 📖 *Page 65*	Loss of data, disruption to business, damage to reputation and costs – getting the affected systems up and running.	Strengthen IT security, reputation, and competitive advantage through the implementation of robust measures to safeguard sensitive information. This effort attracts security-conscious customers and ensures compliance with regulations.
Labour Practices (Employment) 📖 *Pages 66 to 70*	Affects employees productivity, morale, and business operation. Costing more to recruit and train new employees.	Our business can be a more attractive and stable organisation, with benefits ranging from improved employee retention and productivity to a stronger reputation and talent attraction.
Labour Practices (Training & Development) 📖 *Pages 71 to 72*	Not able to provide up-to-date and improved product and/or services to customers/clients.	Aligning employees' skills with industry needs and our business vision, enhancing efficiency and productivity while reducing training costs, fostering innovation, and boosting morale, ultimately strengthening our competitive position and driving business success.
Water Management 📖 *Page 73*	Water shortage may lead to disruption on some businesses and operations and affects employee's health due to unhygienic condition.	Proactive water management helps us to minimise risks, guaranteeing sustainable practices and regulatory adherence in the long term.
Waste & Effluent 📖 *Pages 74 to 75*	Contaminated water used for consumption and irrigation causes health hazards to humans. Toxic effluents accumulate in aquatic organisms as well as in crops leading to biomagnification and entering the food chain and ultimately reaching humans.	Present our business with opportunities for cost savings through efficient resource utilisation and environmental responsibility, enhancing reputation and ensuring compliance with regulations.
Materials 📖 *Page 76*	Harmful material affects customers, society, and our planet directly or indirectly, thus leading to legal and reputational issue.	By managing and mitigating risks associated with harmful and non-environmental friendly material, the Group can enhance their reputation, attract environmentally-conscious customers, and contribute to a healthier planet and society, fostering long-term sustainability and success.
Energy Management 📖 *Page 77*	Increase in operational cost due to the overuse of electricity and increase in CO_2 emission which may lead to a high carbon tax.	Lead to cost savings, improved environmental sustainability, and enhanced reputation, attracting environmentally-conscious stakeholders and ensuring regulatory compliance.

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ESG PERFORMANCE SCORECARD

Nos	Materiality Matters	Key Performance Indicators (KPI)	
		Target	**Actual**
1	**Procurement Practices**	To have at least 70% allocation spent on local suppliers	99% allocation has been spent on local suppliers.
2	**Community Development**	To have a minimum of 10 yearly community development programmes with a minimum allocation of RM200,000 for the year	102 philanthropic activities reported with an amount of RM811,896 with RM425,056 on community investment for 44 beneficiaries.
3	**Diversity**	To have 6% women leadership in the managerial position within the Group	5% woman leadership in the managerial position.
4	**Occupational Safety & Health**	To have at least 5 safety trainings and awareness programmes	A total of 172 safety trainings conducted by 7 BUs with 48 awareness programmes undertaken.
5	**Labour Practices (Training & Development)**	To ensure 70% of the Group's employees upgrade in their skills	About 83% of employees within the Group have obtained at least one training to upgrade their skills.
6	**Labour Practices (Employment)**	To maintain 10% Group employee turnover annually	Group turnover is 1.7% as of FY2023.
7	**Product & Service Responsibility – Customer satisfaction**	To maintain 70% customer satisfaction	The customer satisfaction score as of FY2023 on average is 86.16%.
8	**Data Privacy & Cybersecurity**	To have a minimum of 1 awareness programme on cybersecurity annually	3 awareness programmes on cybersecurity have been conducted.

Sustainability Report

Nos	Materiality Matters	Key Performance Indicators (KPI)	
		Target	**Actual**
9	**Waste & Effluent**	To ensure 10% of waste recycled/treated/diverted by projects under Protasco Berhad	⚪⚪🟢 29% waste was recycled and reused as of FY2023.
10	**Water Management**	To reduce water usage by 3% from the previous year	⚪🟠⚪ An increase of 13% from previous year.
11	**Energy Management**	To reduce energy usage by 3% from the previous year	⚪🟠⚪ An increase of 3% in energy usage from previous year.
12	**Materials**	To ensure a minimum of 3 materials used are from environmental-friendly or from sustainable sources	⚪⚪🟢 A total of 3 environmental-friendly or recycled materials used as of FY2023.
13	**Anti-Corruption**	To conduct a minimum of 1 anti-corruption activity for any 2 levels of employees	⚪⚪🟢 1 awareness programme and 1 workshop on anti-corruption were conducted and attended by 4 levels of employees.
		To ensure zero reports/cases of anti-corruption within Protasco Berhad	⚪⚪🟢 No reports/cases have been recorded as of FY2023.
14	**Compliance**	To ensure zero non-compliance/business ethics cases/penalties by authorities within Protasco Berhad	⚪⚪🟢 No reports/cases have been recorded on non-compliance/business ethics cases/penalties by authorities within Protasco Berhad as of FY2023.

Legend: progress tracking

⚪⚪🟢   On track to meeting set targets.

⚪🟠⚪   Falling short on meeting target for 1 year, review current practices.

🔴⚪⚪   Falling short on meeting target for more than 2 years, review and revise targets (if necessary).

• Each materiality matter has its own set of KPIs that have to be met by the Senior Management team. These, along with the KPI scores from business and operational activities, are tracked and evaluated through Protasco's Performance Management System to determine the remunerations for the Senior Management team.