

SUSTAINABILITY STATEMENT



OUR COMMITMENT TO CREATING SUSTAINABLE VALUE

Malakoff Corporation Berhad (“Malakoff” or “the Group”) has grown progressively over the years and is today a leading regional independent power and water producer with operations in Malaysia, Saudi Arabia, Bahrain, Algeria, Oman and Australia. As we set about our daily business of helping shape economies, society and businesses through our diverse offerings, we acknowledge the need to create long-term shared value for our stakeholders and to secure the future of the Group. In line with this, we are committed to upholding responsible management and sustainable development on the Economic, Environmental and Social fronts.

Today, the businesses within Malakoff continue to work together, leveraging on common synergies and resources to integrate business sustainability into their respective organisations. By embedding sustainable progress throughout the Group, we are providing the momentum for our businesses to strengthen their operational efficiencies and deliver long-term growth.

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SCOPE AND METHODOLOGY

This inaugural Sustainability Statement underpins Malakoff's commitment to undertaking business in a responsible and sustainable manner through our good Economic, Environmental and Societal or EES performance. It covers the reporting period 1 January to 31 December 2016 and the Group's key sustainability activities in Malaysia only. We focus on the business sustainability activities of specific components of Malakoff, namely the power generation business in Malaysia. This Statement excludes the sustainability activities of our business activities outside of Malaysia, unless otherwise stated. We consider the entire supply chain for materiality assessment but only Malakoff's activities for quantitative and qualitative disclosure.

This Statement is to be read in conjunction with the rest of Malakoff's 2016 Annual Report, which highlights other financial and non-financial aspects of our business. To avoid content overlap, certain parts of this Statement may refer to existing content within other sections of this Annual Report. For further clarification or any feedback on this Statement, kindly contact Head, Investor Relations.

OUR APPROACH TO SUSTAINABILITY

Sustainability Governance

Malakoff's commitment towards sustainable growth is evident at all levels of our organisation. At the leadership level, our Board of Directors and senior management recognise the importance of pursuing a business sustainability agenda that upholds good EES practices. Our leadership has committed to investing in measures, which support the sustainable growth of the Group's businesses and which create value for our shareholders.

In 2016, Malakoff formed a Working Group on Sustainability to oversee the formalisation of sustainability processes and the preparation of this Sustainability Statement. The Working Group on Sustainability is chaired by our Chief Financial Officer. Its other members comprise the Heads of the Risk Management Department and the Corporate Affairs and Stakeholder Management Department, as well as the Heads of Group Accounts and Investor Relations. Several business units provide support, namely the Local Generation Division ("LGD"), Human Resource Department ("HR"), Group Health, Security, Safety and Environment ("GHSE") and Corporate Affairs and Stakeholder Management ("CASM") units. The Working Group on Sustainability reports directly to the Group Managing Director, who is responsible

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for providing overall direction on how sustainability matters are to be incorporated in Malakoff's business and for endorsing the Sustainability Statement for the Board's approval.

Over the course of 2016, the Working Group on Sustainability met on a regular basis, and conducted the following activities:

- reviewed Malakoff's stakeholder engagement process, including the prioritisation of key stakeholders and stakeholder engagements for the purpose of this Statement;
- conducted a materiality assessment to determine sustainability matters which are material to Malakoff;
- considered targets and indicators to evaluate and monitor the performance of material sustainability matters, in the context of Malakoff's business;
- prepared this Statement, supported by the respective business units that are responsible for the performance of the material sustainability matters.

At the ground level, the various teams within the Group carry out their everyday functions in a manner that makes a positive and sustainable impact on the EES front. With all employees within the Group doing their bit to ensure responsible and sustainable behaviour, this is successfully preserving the Group's reputation and bolstering shareholder value.

While the Working Group on Sustainability has been formed for the purpose of helping Malakoff kick-start its sustainability journey in a more structured manner, we are currently exploring and considering a formal governance structure that will enable the integration of sustainability into the Group for the longer-term.

Disclosure and External Assurance

While sustainable practices form part and parcel of the daily operations within our respective businesses, we are still at the early stages of developing a formal sustainability policy that encompasses all areas of the Group. As this is our first consolidated Sustainability Statement, it has not been subjected to external assurance. We are in the process of streamlining our sustainability data collection and monitoring activities across the Group and plan to seek external assurance in due course.



STAKEHOLDER ENGAGEMENT ACTIVITIES

As the Group's businesses and markets evolve, we find ourselves engaging with a growing number of diverse stakeholder groups. Proactive stakeholder engagement is a fundamental component of Malakoff's sustainability strategy and we are committed to undertaking continuous activities in this area. Through proactive engagement with our many stakeholders, we are able to respond to their different expectations, meet their changing needs and strengthen our ties with them.

For the purposes of understanding what is important or material to our various internal and external stakeholders, we undertook a stakeholder survey (i.e. limited to key stakeholders of Malakoff) to determine the sustainability issues most material for disclosure in this Statement. The stakeholder survey was conducted across different platforms, which included workshops, face-to-face interviews and survey forms. Participants of the survey were required to consider and prioritise sustainability matters relevant and important to them in their relationship with Malakoff.

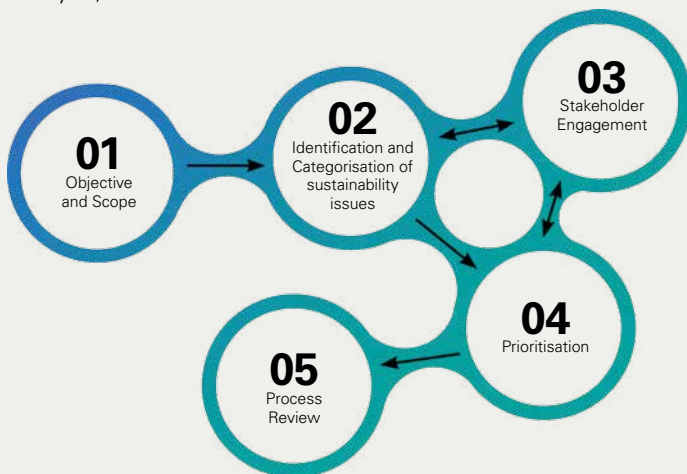
Aside from the rollout of 2016's stakeholder survey, the Group continues to undertake stakeholder engagement activities on a regular basis. The table below summarises the key stakeholder engagement activities that are currently being practised by the Group.

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Stakeholder groups	Engagement methods
Government and authorities	<ul style="list-style-type: none"> • Face-to-face discussions • Ongoing engagements
Law enforcement agencies	<ul style="list-style-type: none"> • Face-to-face discussions • Ongoing engagements
Shareholders	<ul style="list-style-type: none"> • Face-to-face discussions • Annual / Extraordinary General Meetings • Ongoing engagements
Customer	<ul style="list-style-type: none"> • Face-to-face discussions • Ongoing engagements
Employees	<ul style="list-style-type: none"> • Workshop discussions • Townhall and dialogue sessions • Ongoing engagements
Local communities	<ul style="list-style-type: none"> • Face-to-face discussions • Community events • Ongoing engagements
Rating agencies	<ul style="list-style-type: none"> • Ongoing engagements
Contractors/ suppliers	<ul style="list-style-type: none"> • Ongoing engagements
Media/ Analysts	<ul style="list-style-type: none"> • Ongoing engagements
Financial institutions	<ul style="list-style-type: none"> • Ongoing engagements

MATERIAL SUSTAINABILITY MATTERS

In 2016, with the direction of the Working Group on Sustainability, Malakoff adopted a materiality process which was guided by the Sustainability Reporting Guide and Toolkits published by Bursa Malaysia, as follows:



Source: Bursa Malaysia Reporting Guide and Toolkits

When considering the various types of sustainability-related matters, we identified a list of 28 key relevant sustainability matters, categorised into the following four themes:

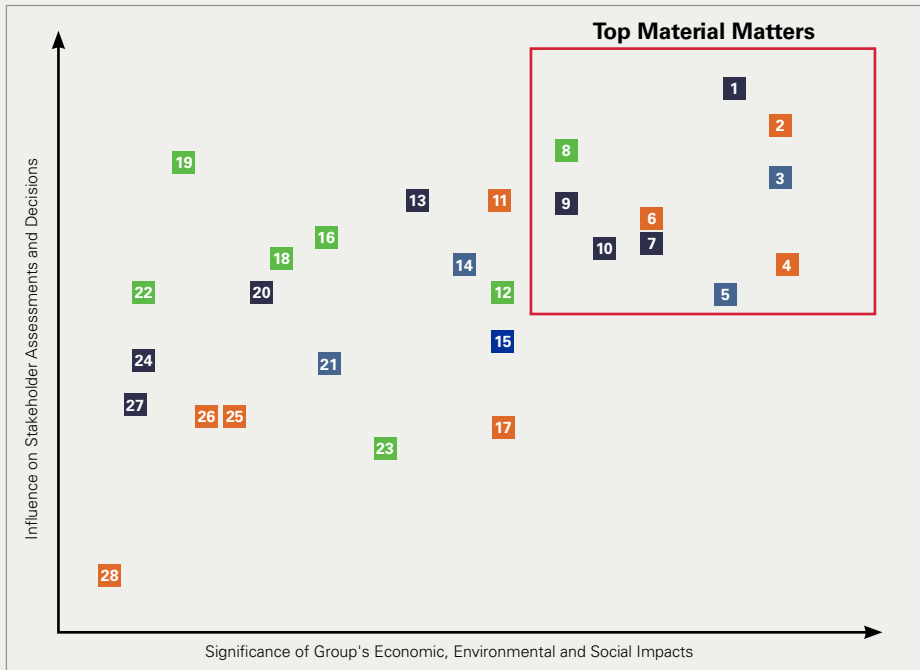


These 28 key sustainability matters were discussed during Malakoff's stakeholder survey sessions to understand how these matters impacted our stakeholders in various ways. Malakoff's management also performed an impact assessment of the risks and opportunities of each sustainability matter to understand their relative importance to each other.

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The following Materiality Matrix outlines an overall analysis of the sustainability matters, comparing the importance of each stakeholder issue relative to its impact on the Group.

MCB Materiality Matrix



Top 10 Material Sustainability Matters for 2016

- 1 Occupational safety and health
- 2 Business ethics and transparency
- 3 Operational efficiency
- 4 Regulatory compliance
- 5 Security of supply
- 6 Strategic business development
- 7 Management leadership
- 8 Emission management
- 9 Employee welfare
- 10 Talent retention and development

Other Sustainability Matters

- 11 Government policy and strategy
- 12 Waste management
- 13 Community investment and development
- 14 Technology and innovation
- 15 Plant security
- 16 Nuisance
- 17 Shareholders return
- 18 Biodiversity impact
- 19 Natural disasters
- 20 Social dialogue
- 21 Information security
- 22 Water use impact
- 23 Renewable energy
- 24 Human rights
- 25 Responsible subcontracting and procurement
- 26 Plant decommissioning
- 27 Diversity and equal opportunities
- 28 Geopolitical context

THEMES	
Governance and Strategy	People
Operation	Environment

The area at the top-right corner of the Materiality Matrix represents sustainability matters that are most material to the Group, which:

- reflect the Group's significant economic, environmental and social impacts; or
- which substantively influence the assessments and decisions of stakeholders.

Malakoff will continue to progressively engage with its stakeholders and review its materiality matrix from time to time, to identify, manage and report its sustainable material matters in the context of its business operation.

The top 10 material sustainability matters identified from the survey are discussed in detail in the following sections of this Statement, together with additional discussion on other sustainability matters.

They are grouped into the respective themes of Governance and Strategy, Operation, People and Environment.

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- GOVERNANCE AND STRATEGY -

MALAKOFF IS CONTINUOUSLY REVIEWING AND IMPROVING ITS STRATEGIC DIRECTION, INITIATIVES AND POLICIES IN ORDER TO ENSURE SUSTAINABLE GROWTH FOR OUR CORE BUSINESS SEGMENTS. THIS IS ENABLING US TO CATER TO THE FAST-EVOLVING AND CHALLENGING ECONOMIC AND BUSINESS ENVIRONMENTS AS WELL AS ADOPT STRATEGIES THAT ENSURE WE MEET THE EVER-CHANGING DEMANDS OF OUR CUSTOMERS. THE FOLLOWING ARE SOME OF THE INITIATIVES WE HAVE SET IN PLACE TO GUIDE US IN OUR DAY-TO-DAY OPERATIONS AND ENSURE WE UPHOLD GOOD MARKETPLACE BEHAVIOUR.

BUSINESS ETHICS AND TRANSPARENCY

The Group Whistleblower Policy launched in 2015 provides employees and third parties dealing with Malakoff with proper procedures to disclose cases of improper conduct such as misconduct or criminal offences or malpractices to the Company. A whistleblower is assured confidentiality of identity, to the extent reasonably practicable. This includes protecting the whistleblowers from any detrimental action that may result from the disclosure of improper conduct, if the disclosure is made in good faith.

The Whistleblower Policy also serves to ensure that fair treatment is provided to both the whistleblower and the alleged wrongdoer when a disclosure of improper conduct is made. A disclosure of improper conduct can be made orally or in writing via a letter or e-mail to whistleblowing@malakoff.com.my which is accessible only by the Chief Internal Auditor of Malakoff. The Whistleblower Policy is available on Malakoff's corporate website at <http://www.malakoff.com.my/About-Us/Whistleblower-Policy/InternalAudit>.

Starting 1 January 2016, Malakoff also implemented Code of Conduct ("COC") on all its employees that sets out the principles, practices and standards of good personal and corporate behaviour, as mentioned in the Corporate Governance Statement on pages 62 to 84.

STRATEGIC BUSINESS DEVELOPMENT**Strategic Priorities**

The Group has an attractive portfolio of international power and water production assets and remains committed to the power and water businesses. There are limited opportunities in the domestic conventional power generation industry. However, opportunities in renewables such as local solar and Waste-to-Energy ("WTE") projects continue to be pursued, particularly in anticipation of the Malaysian Government's target to achieve a cumulative solar capacity of 1,000 MW by 2020, commencing with 250 MW in 2017. As a result, there is a need to aggressively explore strategic opportunities



overseas, focusing on mergers and acquisitions ("M&As") for quick and sustainable growth.

Given the dynamic domestic landscape in Malaysia, we need to continuously challenge ourselves to deliver a competitive electricity tariff to the off-taker and ultimately to consumers. We are strategically on the lookout for new overseas ventures and acquisitions, including potential business diversification which would add value to our shareholders.

Malakoff is committed to undertaking responsible investment. Our process for new investments takes into account heightened concerns about the environmental and social impact of our target markets and the solutions and support required to ensure sustainable value creation. In delivering economic growth, our aim is to generate respectable profits for existing and new business opportunities without sacrificing long-term economic value creation. With regard to our existing assets, we are continuously working to improve operational efficiency and ensure sustainable business operations.

At the same time, in light of dynamic market trends, we are continuously exploring sustainable diversification opportunities such as operation and maintenance services ("O&M"), recycling and new technologies. For any new investment, a process is in place whereby every new investment proposal is diligently vetted by the Management Investment Committee under a strict review and approval process, before it is presented to the Board of Directors for the final mandate.

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Trends affecting the organisation and influencing sustainability policies

Industrial trends may affect Malakoff and we are continuously monitoring the power and water demand growth of our target markets as well as exploring private public partnership and group-wide collaboration opportunities. Where some of our target markets face the potential introduction of more stringent environmental policies and carbon policies, which will eventually trigger more rigorous requirements and preparation when developing new projects, we leverage on Group synergies i.e. our combined wealth of experience and expertise, a strong management team and skilled employee workforce, to strengthen our position.

Key achievements and challenges

Malakoff has delivered power and water projects that meet local and international requirements. As of December 2015, the Group's effective power generating capacities stood at 5,346 MW and 690 MW for Malaysia and our international markets respectively. The total effective capacity for water production was 358,850 m³/day. In 2016, Malakoff delivered the 1,000 MW Tanjung Bin Energy ("TBE") power plant, which began commercial operations on 21 March 2016, following its successful construction, testing and commissioning phases. TBE is Malaysia's first independent power producer ("IPP") project that was awarded by the Energy Commission ("EC") via a competitive bidding process. This has raised our effective generating capacity to 6,346 MW for Malaysia. Malakoff also secured a three-year power purchase agreement ("PPA") extension for Port Dickson Power that commenced in March 2016.

On the international front, Malakoff has added a water desalination capacity through the 45 percent owned Al-Ghubrah IWP in Oman where the project achieved its commercial operation date ("COD") on 19 February 2016. The project contributes an effective capacity of 85,950 m³/day raising the total effective capacity of the Group to 444,800 m³/day.

	Power generation (MW)		Water desalination (m ³ /day)	
	As on 31 December 2015	As on 31 December 2016	As on 31 December 2015	As on 31 December 2016
Malaysia	5,346	6,346	-	-
Outside Malaysia	690	690	358,850	444,800
Total	6,036	7,036	358,850	444,800

We continue to face headwinds in securing more domestic power generating capacity due to changing dynamics in the increasingly competitive market.

Renewable Energy

We remain selective about growth opportunities and consider the overall positive impact of our undertakings. We are focused on sustainable growth by acquisition for the near-term and have prioritised projects based on optimised resources. Moving forward, we aim to expand our work in the area of carbon reduction strategy and strengthen our foothold in the Renewable Energy ("RE") segment.

In line with Government's ambition of introducing largescale solar projects, Malakoff participated in the Large Scale Solar PV Plant bidding programme under the Energy Commission ("EC"). On 15 December 2016, the EC issued a letter of acceptance of offer ("Letter") to the Malakoff stating that it had been selected to develop the 50 MW project subject to full compliance and acceptance of the terms and conditions set out in the Letter.

Having gained significant experience in the bidding process for RE projects, Malakoff is in a better position to support its growth strategy to bid for commercially viable RE projects. The plan going forward is to develop an optimised RE portfolio for the Group.

Regulatory Compliance

Malakoff has in place its framework and processes to comply with the relevant laws and regulations. This includes Malakoff's Audit & Verification programmes, which are conducted on a quarterly basis as part of its efforts to ensure compliance with the relevant Health, Security, Safety and Environment ("HSSE") regulations. However, despite these efforts, in October 2016, two notices were received for issues relating to incomplete labelling of scheduled waste, air emissions and competent persons. The year also saw the Tanjung Bin operations issued two improvement notices relating to scheduled wastes, housekeeping, industrial effluents and clean air.

In response to these notices, Malakoff has since put in the necessary resources and initiatives to successfully address all the requirements. We continue to diligently monitor regulatory requirements to ensure our operations are within the requirements.

On another note, changes relating to Clean Air Regulations will come into effect in 2019. These changes include the inclusion of hydrogen fluoride ("HF"), hydrogen chloride polychlorinated dibenzodioxins ("HCL PCDD")/polychlorinated dibenzofurans ("PCDF") and the introduction of new lower limits for carbon monoxide ("CO") and mercury. Proactive efforts are being undertaken in order for Malakoff to comply with the changes to the Clean Air Regulations.

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- OPERATION -

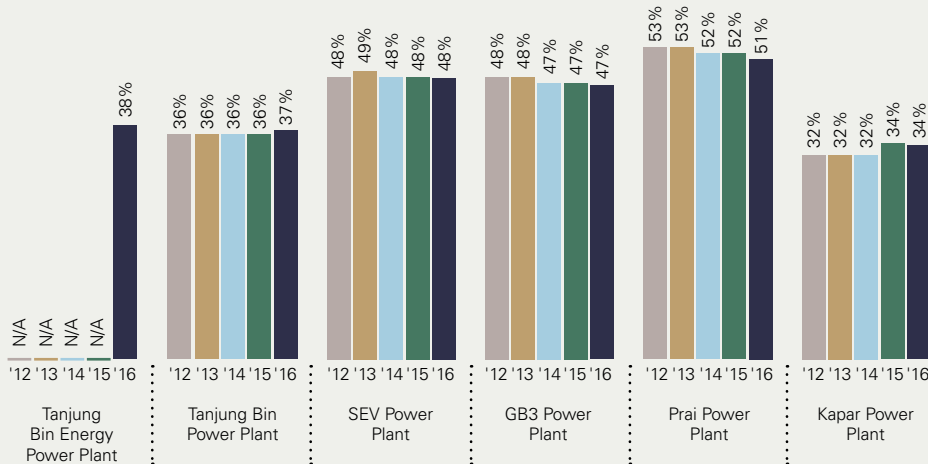
Operational Efficiency

The Group's is committed to undertaking energy production efficiency (thermal performance) and this is evident in the formation of a dedicated performance unit/department at each plant and at the headquarters ("HQ") level. We set efficiency goals at the division level and cascade these down to plants for execution and implementation with the support from HQ. Each plant runs a dedicated thermal performance monitoring programme consisting of performance gap identification, remedy plans and potential risk forecasts. They also undertake close engagement with stakeholders through periodic performance review sessions.

A previous benchmarking exercise against 423 international generators demonstrated that the efficiency of all the Group's thermal and gas units are comparable to the pacesetters of respective peer groups (some units are superior to pacesetters).

An analysis of the thermal efficiency of our plants is spelt out in the MD&A.

Thermal Efficiency



Security of Supply

We have the responsibility to ensure a safe, secure and reliable supply to the national grid. The plants are governed by the PPAs that specify a high level of plant availability and reliability as required by the grid operator.

Security of supply to the national grid is related directly to the capacity available at a given period and the reliability of plants, which are operating within the said period. The outage plan is reviewed together with the Grid System Operator on a regular basis to ensure our plants are available to support the grid system at the required time, as stipulated in the PPA, without compromising the integrity of the plants. We also perform various maintenance plans including preventative maintenance and condition-based maintenance to ensure high plant reliability.

Aside from the above, all the plants are classified as national security zones ("Sasaran Penting") by the relevant government agency, Jabatan Sasaran Penting Negara. As a result, the security of the plants continues to be regularly reviewed and inspected for adequacy and effectiveness.

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- PEOPLE -

HUMAN CAPITAL DEVELOPMENT CONTINUES TO BE A PRIORITY WITHIN THE GROUP, PARTICULARLY IN THE AREAS OF TALENT RETENTION AND DEVELOPMENT (INCLUDING MANAGEMENT LEADERSHIP SUCCESSION), OCCUPATIONAL HEALTH AND SAFETY (“OSH”), EMPLOYEE WELFARE AS WELL AS COMMUNITY INVESTMENT AND DEVELOPMENT. APART FROM PRIORITISING THESE MATTERS ACROSS OUR VARIOUS PLATFORMS, WE ARE ALSO COMMITTED TO CREATING A CONDUCIVE AND SUPPORTIVE WORKPLACE ENVIRONMENT TO HELP EMPLOYEES ACROSS THE GROUP BE MORE PRODUCTIVE AND INNOVATIVE.



Our Approach to Diversity

The Group’s policies and initiatives such as recruitment, retention, training and development, as well as Group-sponsored corporate and social activities are all implemented in a manner that does not discriminate against ethnicity, gender, age, disability, or status. Our employment practices are underpinned by the principles of fair treatment for our employees and a balance between performance, pay and participation. The Group employs, appoints, promotes, develops and rewards its employees through the principles of meritocracy and fairness. We are committed to hiring and promoting people based on company-defined criteria. All these measures ensure that Malakoff family remains a well-balanced, safe and harmonious one.

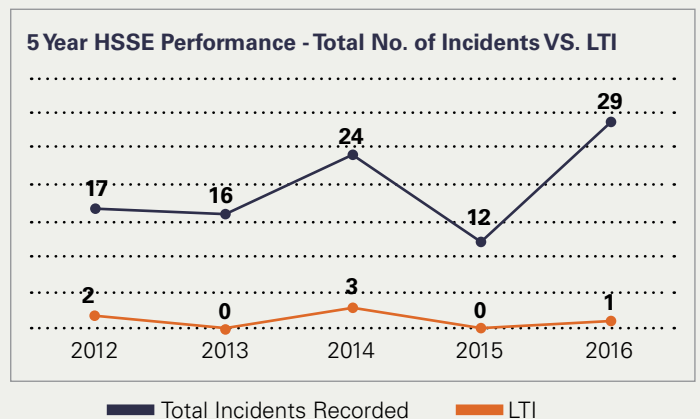
Occupational Health and Safety (“OSH”)

Malakoff to date has implemented a comprehensive HSSE Management programme in accordance with the ISO14001 and OHSAS18001 standards. These two standards are voluntary in nature and are widely regarded as the Gold Standard in HSSE. This involves detailed studies on hazards and risks assessment, operational

controls, training and competency systems, audit and verification as well as supporting programmes. In 2016, the Group planned and implemented various HSSE programmes and initiatives to promote OSH within the organisation. The Malakoff HSSE Day, Road Safety Campaign and Take 2 Programme activities were conducted to increase OSH awareness among staff.

As for indicators to monitor the OSH of our workplace, we have enhanced our calculation and reporting methodologies, which are currently done in a more holistic manner. In 2016, the number of Lost Time Incidents (“LTIs”) recorded was one compared to zero in 2015. This was due to the inclusion of projects as part of the calculation. Our LTI frequency rate also recorded an increase in 2016 as compared to 2015. The increase from zero to 0.16 was due to a single LTI case recorded during the construction of TBE Power Plant. On the other hand, the increase in the number of total incidents recorded in 2016 is due to the increase in the reporting of near-miss incidents at plants. For the period between 2014 to 2016, there was no fatality due to any work related incidents recorded.

The HSE Performance of the Malakoff Group over the past five years is outlined below:



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Talent Retention and Development

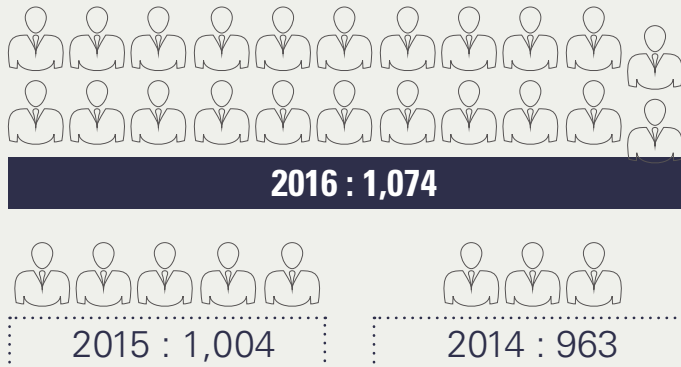
As Malakoff continues to become a premier global power and water company, we recognise the critical need to have a capable and talented workforce who are able to support our aspirations. Throughout the challenges in 2016, we have put in place various initiatives to enrich and elevate the capabilities and competencies of our human capital to drive sustainable productivity. At the same time, our Group Human Resource Division continues to build our leadership pipeline, strengthen the performance culture in Malakoff and rally the support of our people towards achieving the Group's vision and mission.

Our talent, both technical and non-technical, are key to our success. As at 31 December 2016, we had 1,074 employees as part of Malakoff Team. The Group's workforce is ensuring Malakoff is able to operate, produce and serve at the highest level of efficiency and efficacy. The details of our workforce are highlighted below:

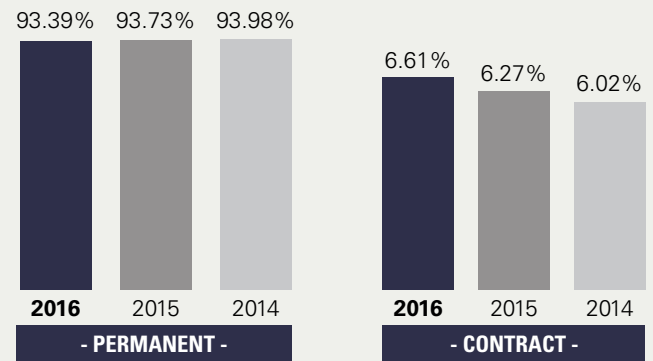
SUSTAINABILITY PERFORMANCE DATA

WORKFORCE

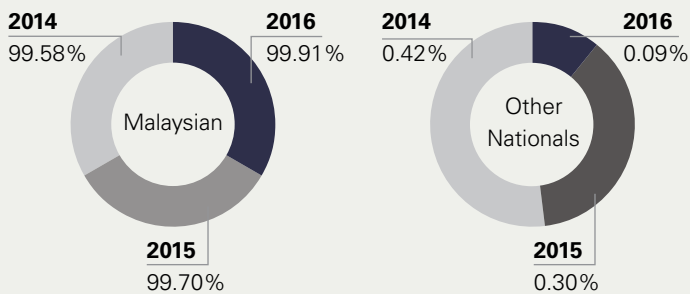
TOTAL NUMBER OF EMPLOYEES



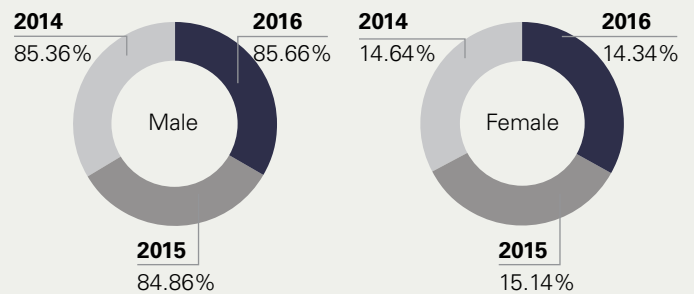
CONTRACT TYPE (%)



BREAKDOWN OF EMPLOYEES (%)



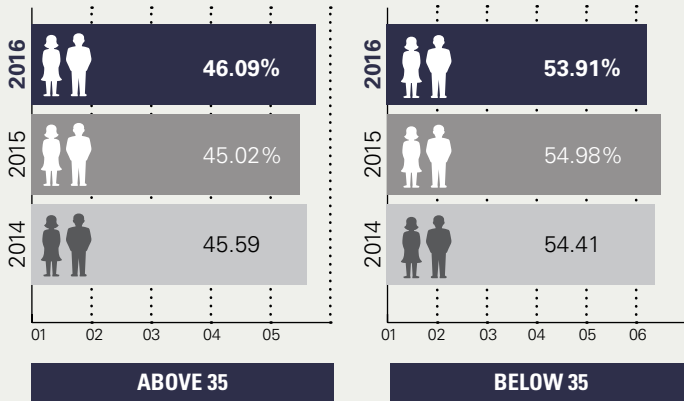
GENDER DISTRIBUTION (%)



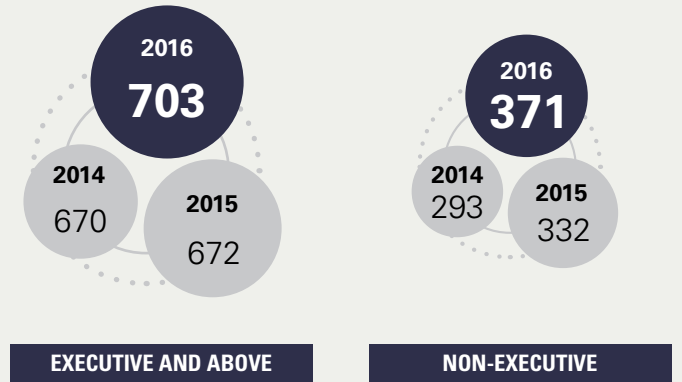
SUSTAINABILITY STATEMENT

WORKFORCE

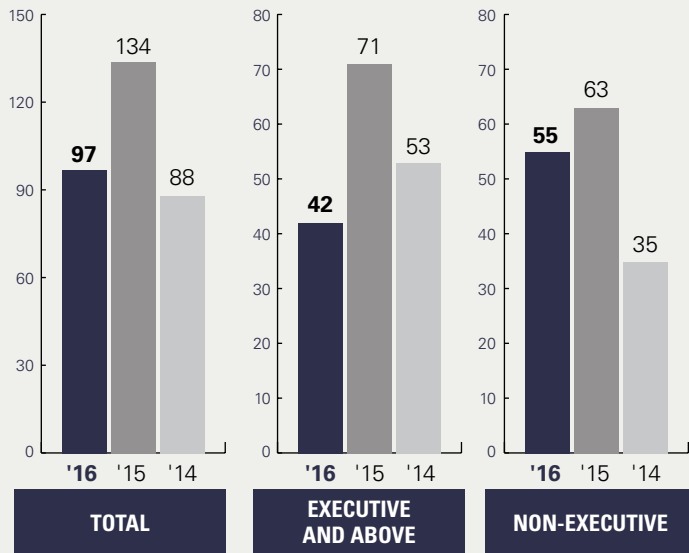
EMPLOYEES ABOVE AND BELOW AGE OF 35 (%)



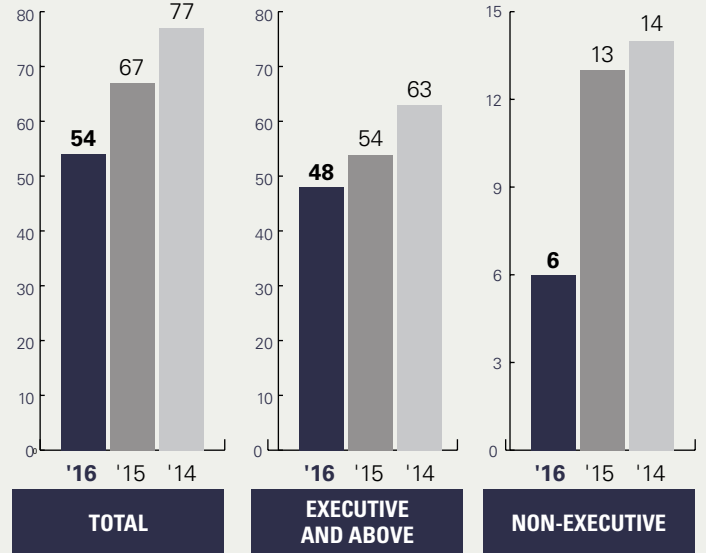
EMPLOYEE GROUP



NO. OF NEW HIRES



TOTAL ATTRITION RATE BASED ON NO. OF EMPLOYEES



Given our ageing workforce and the need to ensure that the Group has the diversity that is required to sustain our business, the Group's Talent Management Committee ("TMC") has been tasked with governing Malakoff's succession management strategies and plans. The TMC also oversees all succession management initiatives to ensure the achievement of the outlined objectives. This is helping ensure that the Group has a continuous supply of competent talent in key leadership positions and specialist roles on both the functional and technical fronts. The TMC also plays a role in ensuring the development and learning experiences of our talent in addressing the competencies required for the different levels of employment. In 2016, Malakoff achieved most of its leadership succession objectives.

Over the course of 2016, we rolled out a database to identify a pool of internal talent as well as undertook gap assessments to review the talent's preparedness to take on bigger roles and responsibilities. The database was made available to the TMC in order for them to review the need for such talent(s) across the Group.

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Training Programmes

Our nature of business requires employees to be competent in responding to the changing business environment and to have adequate technical skills and capabilities to execute with exceptional speed. For this, the Group continues to provide skills and leadership training to all employees through various methods encompassing formal and informal trainings like classroom sessions at the Group's Academy of Excellence and on-job-training ("OJT") such as short term assignments, special projects and job rotations to build their competency and exposures.

In 2016, the Group invested approximately RM1.1 million on soft skills and leadership training and another RM2.19 million on technical training of which some 1,600 man days and 5,300 man days were utilised respectively. The Group also partnered with a number of programme providers from 2012 to 2016 to run the Leadership Development Programme ("LDP"), Senior Leadership Development Programme ("SLDP") and Supervisor Development Programme ("SDP") in a way to suit to the development needs of selected talent at the middle management level. A total of 50 employees participated in these programmes.

As the demand for skilled and knowledgeable manpower increases, more specialist training initiatives are being developed to ensure business sustainability and growth. To enhance our employees' potential in delivering on their responsibilities, we have set in place plant-specific training simulators at each power plant. These together with our Competency Based Assessment ("CBA") initiatives have served as an effective platform to simulate realistic power plant scenarios for effective technical training and competency assessment.



In 2016, the Group strengthened its professional certification programme offering when we embarked on the Project Management Programme ("PMP") at the Beginner, Intermediate and Certification levels. Ten of our employees were involved in the PMP exam certified by the Project Management Institute ("PMI"). The Group also embarked on a Lean Six Sigma ("LSS") programme to ensure process excellence and enhance shareholder's value creation. About 30 Green belt and 26 Yellow belt were nominated to participate in the programme.

To build a high performance culture and empower the Group's employees, enhancements continue to be made to the current performance management system. The changes throughout the years have involved revisions to the key competencies required for employees to deliver their best performance as well as continuous revision and updates to the Key Performance Indicators ("KPIs"). Previously, our normal performance evaluation was done once a year, however, in 2013 we started to implement this twice a year to ensure that the employees are performing within expectations.

We also recognise that effective and timely performance evaluation sessions enable employees to give of their best throughout their tenure with the Group. During the performance evaluation sessions, both managers and their team members meet twice a year to review and clarify their performance results, determine the training and development gaps, and, discuss career aspirations and plans.

In 2016, we place a strong emphasis on "Performance through Engagement". This calls for Managers to engage with their subordinates constantly and to have a continuous one-on-one feedback session, to ensure that every level of employee in the organisation is aligned towards a common goal.

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Employee Welfare

All Malakoff's permanent employees are offered a competitive base salary and incentive plans. Our compensation and benefits programmes are streamlined across the Group as far as possible and are benchmarked to the general market. The Group strive to foster employee wellness, health and well-being through competitive wellness benefits.

To provide compensation that is competitive, we have in place a benefits framework that serves to attract and retain employees as well as links to performance and pay. The benefits framework includes:

1. Fixed compensation such as salary and fixed allowance;
2. Variable compensation;
3. Benefits and perquisites such as medical and, insurance coverage; and
4. Recognition programmes

The Group also organises various activities ranging from recreational to volunteering opportunities. In aligning our employees with the Group's ambition, the Group maintains regular and open communication with all employees on important corporate updates and changes. These take place through Townhall sessions, briefings from the Management, as well as emails and the Group's intranet portal. These efforts to engage with the employees aims to make them more productive and help them achieve the desired level of performance.

In 2016, the Group partnered with HayGroup to conduct the 2016 Employee Engagement Survey ("EES"). The objective of the exercise was to gauge the level of engagement of employees across the Group. The results were encouraging as we received a response rate of 81 percent, which demonstrated our employees' commitment towards making Malakoff an engaging workplace. Employees' feedback was reviewed and prioritised in line with identified engagement drivers for further actionable strategic initiatives that will help drive employee engagement.

The Group also organises various activities ranging from recreational activities to volunteering opportunities to engage with employees and other stakeholders. The Group's Kelab Sukan dan Rekreasi Malakoff ("KSRM" or "The Club") serves as an effective platform for this. Registered in January 2016, the Club organises sports and recreational activities for Malakoff staff on a regular basis. For example, for Malakoff Kuala Lumpur headquarters staff, Zumba classes are held at the office training centre after work on a weekly basis. Running and fitness training are also held at the nearby Perdana Botanical Garden after office hours on a weekly basis. These activities are meant to promote healthier living among the Malakoff family.

An initiative called the Malakoff Workplace Wellness Programme ("MWWP") has been set up with the objective of promoting a healthy lifestyle. The said wellness programme is managed by a committee comprising of representatives from HR, KSRM, Corporate Affairs and the power plants. The programmes planned include indoor, outdoor, nutritional and general health activities. A Stop Smoking campaign will be also launched and more importantly, a self-service wellness centre will be established in every business unit so that the employees can monitor their health condition, e.g. blood pressure and glucose count, amongst others.

Employees are also encouraged to participate in various corporate responsibility programmes organised by the Group, such as the Malakoff Turtle Awareness and Malakoff Coral Rehabilitation programmes as part of our engagement with our stakeholders.

Community Investment and Development

Since our inception, we have been deeply entrenched in society and are an active member of the many communities where we live and work. We remain committed to strengthening our relationships with multiple stakeholders so that we can prosper together. We remain committed to our long-term strategy of being a responsible and active participant in the society, by focusing our efforts in the areas of community, education and the environment, especially in the communities in which we operate.

In 2016, Malakoff contributed RM2.4 million towards the construction of the mosque located near the Group-owned Tanjung Bin Power Plant. The new mosque, which can accommodate 500 people at one time, provides a more comfortable and conducive environment for the local community to perform their prayers and other religious activities. The mosque was officiated on 15 January 2016.

Malakoff also gives priority to members of the local communities that apply for vacancies or industrial trainees at its plants. Approximately one-third of our employees are locals from the vicinity of the operating sites. In addition, we also provide opportunities to local contractors in supporting our operations.

Malakoff is deeply committed to undertaking various initiatives focusing on youth education and environmental awareness. To date, Malakoff has adopted 11 schools in Segari (Perak), Prai (Penang), and Tanjung Bin (Johor). Malakoff supports these schools via Malakoff Edufund that aims to equip the schools with better infrastructure and learning tools.

Malakoff is doing its part for the environment by collaborating with the Ministry of Natural Resources and Environment ("NRE") and Department of Marine Parks Malaysia ("JTLM") in its efforts to care for the

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marine ecosystem. The Malakoff-NRE Coral Rehabilitation Project 2016 held from 26 to 28 September 2016, at Pulau Besar, Mersing, Johor, aimed to highlight the importance of coral in the marine ecosystem and to raise awareness and support from the local community on the threats that they are facing. To date, divers from JTLM and Malakoff have planted 4,000 nubbins around the island and undertaken a coral clean-up. In addition, 10 mooring buoys have been installed at the islands within Johor Marine Park and 300 meters of marker buoys have been placed at the water recreational area at the waters off Pulau Besar.

Malakoff continues its collaboration with the Fisheries Department to implement the annual "Kenali Penyu, Sayangi Penyu" Turtle Awareness and Educational Programme at Segari Turtle Management Centre. This fifth edition of the programme, which aimed to promote public awareness about the threat to turtles, saw 200 volunteers from Malakoff and the Fisheries Department as well as 20 students from Institute of Marine Engineering Technology, Lumut campus of Universiti Kuala Lumpur actively participating in the programme.



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- ENVIRONMENT -

WE ARE MINDFUL ABOUT SUSTAINABILITY FROM AN ENVIRONMENTAL PERSPECTIVE. IN OPERATING OUR BUSINESSES, WE ARE AT ALL TIMES COMMITTED TO PROTECTING THE ENVIRONMENT AND COMPLYING WITH ALL APPLICABLE ENVIRONMENTAL LAWS AND REGULATIONS. AS PART OF OUR EFFORTS TO PROTECT THE ENVIRONMENT, WE PROMOTE EFFECTIVE MANAGEMENT OF EMISSIONS, WASTE, BIODIVERSITY AND WATER. THE FOLLOWING MEASURES THAT ARE IN PLACE HIGHLIGHT OUR APPROACH TO ENVIRONMENTAL PROTECTION.

Emissions Management

Our facilities report real-time emissions data from the plant to the respective Department of Environment (“DOE”) database for online monitoring by the regulator. To ensure compliance with emission limits, our plants employ a stringent emissions control equipment maintenance schedule and ensure optimal operational efficiencies.

All greenhouse gas (“GHG”) and non-GHG emissions produced by Malakoff’s local generating facilities are directly related to fuel property and combustion process. Emission produced by Malakoff’s local generating facilities are as follow:

Type of power station	Non-GHG	GHG
Coal Fired	NOx, SOx, Particulate Matter	CO ₂
Gas Turbines (Combined and Open Cycle)	NOx	CO ₂

GHG production is reduced by optimizing the units’ generating efficiency.



To reduce the impact of non-GHG emissions from our plants, Malakoff’s facilities are equipped with the following:

- Filtration equipment to reduce PM emissions – an electrostatic precipitator and fabric filter are installed at TBP Plant and TBE Power Plant respectively;
- Flue Gas Desulphurisation (“FGD”) to reduce Sulfur Oxide (“SOx”) emissions; and
- Stage combustion to reduce Nitrous Oxide (“NOx”) emissions; and
- Dry low NOx combustion systems for our gas turbines plants.

GHG production is minimised though efforts to optimise the units’ generating efficiency.

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Waste Management

Coal ash is the by-product of coal combustion at coal-fired power plants, and the disposal of coal ash is always key to coal fired power plant operations. There are two types of coal ash generated, namely Fly Ash and Bottom Ash. Fly Ash is a light and fine particle that is driven out from the boiler by flue gas, while Bottom Ash is a clinker-like non-combustible residue of the coal combustion that is usually collected from the bottom of the boiler. The coal ash is either stored in the Ash Pond or sold to cement or concrete producers.

In 2016, the 3,100 MW coal-fired power plants at Tanjung Bin generated about 50,000 metric tonnes of Fly Ash and 10,000 metric tonnes of Bottom Ash every month. As part of Malakoff's effort to manage waste, all of the Fly Ash generated was sold to cement producers to produce pulverised fuel cement. The Bottom Ash, however, was stored in the Ash Pond located inside the plant complex.

Biodiversity Management

Environmental Monitoring Procedures ("EMP") have been implemented at all sites under a monitoring programme on the environmental impact of plant operations. In 2016, sampling and analysis of the environmental related parameters were conducted by an external laboratory with DOE accreditation. The monitoring parameters included emissions, effluent, marine water, ground water, river water, and biological parameters (for example mangroves, fishes, birds, and turtles).

Water Management

Malakoff's plants use sea water for process cooling purposes and raw water for general administrative and process requirements. Water used for processes is mainly to replenish water and steam loss to the environment. We obtain our raw water supplies from respective state water supply companies i.e. Perbadanan Pembekalan Air Pulau Pinang ("PBAPP"), Syarikat Air Johor ("SAJ") and Lembaga Air Perak ("LAP").

Malakoff is committed to minimising any disruption to the environment from its usage of natural sources of water (e.g. seawater) in its production process. It does this through a diligent monitoring regime and by employing engineering solutions for continuous process improvement.

At our Tanjung Bin site, the Management of ash pond water has reduced raw water consumption by 20 percent contributing towards a savings of RM1.18 million in raw water costs per annum, while ensuring environmental compliance (e.g. ash pond water level). In addition, the Tanjung Bin site also has in place rainwater harvesting system, which is used for cleaning purpose around the plant area.

TOWARDS A SUSTAINABLE FUTURE

As a conscientious corporate citizen, Malakoff remains deeply committed to balancing out its good economic performance with responsible environmental and social considerations. Even as we set our sights on delivering a sustainable performance on the EES fronts, we will endeavour to ensure that the notion of sustainability becomes embedded within our working culture in a more prominent manner.

To this end, the Group is committed to integrating the sustainability agenda into our overall strategy and operations in a more distinct manner for the long-term as we acknowledge this is key to the success of our business. Going forward, we will focus our efforts on delivering a more comprehensive Sustainability Statement come the next reporting cycle.

In all that we undertake, we will work hard to deliver true and sustainable value as well as establish enduring ties with our diverse stakeholders so that Malakoff strengthens its reputation as a model for responsible corporate behaviour.