SUSTAINABILITY STATEMENT

Care for Environment

> **We Engineer Solutions to reduce environmental impact**

IR. RAYMOND GAN
Chief Executive Officer

We Care for Environment

At Kelington, we empower our customers to achieve their decarbonisation goals by implementing low-carbon technologies that reduce emissions and enhance resource efficiency. Through tailored engineering solutions, we collaborate closely to identify opportunities for carbon reduction, optimise processes, and integrate sustainable practices across operations. Our approach not only minimises environmental impact but also drives long-term value, enabling customers to transition toward a low-carbon future.

13 CLIMATE ACTION

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Alignment of Decarbonisation Strategy with Climate Change Strategy

KELINGTON'S BOLD STEPS TOWARDS A SUSTAINABLE FUTURE: ADDRESSING CLIMATE CHANGE

Kelington recognises the urgent need to address climate change and is committed to reducing carbon emissions through a structured decarbonisation strategy. Our approach integrates sustainable engineering solutions, enhances operational efficiency, and fosters stakeholder collaboration to minimise environmental impact while driving business value.

This decarbonisation strategy aligns with our broader climate action efforts, ensuring that every aspects of our operations contribute to a low-carbon future. Below is a breakdown of how both strategies align:

1 IMPLEMENT VALUE ENGINEERING FOR SUSTAINABILITY

Climate Change Link	Decarbonisation Impact
Integrate sustainability principles into the value engineering process to optimise resource efficiency and minimise environmental impact.	Applying value engineering in design to optimise systems and processes, reducing carbon footprints while maintaining cost efficiency and performance.

2 DEVELOP ENGINEERING SOLUTIONS TO MINIMISE ENVIRONMENTAL IMPACT

Climate Change Link	Decarbonisation Impact
Designs solutions to mitigate adverse environmental effects.	Implements low-carbon technologies to reduce emissions and enhance resource efficiency.

3 MEASURE AND ANALYSE GREENHOUSE GAS ("GHG") EMISSIONS

Climate Change Link	Decarbonisation Impact
Establishes a data-driven approach for emission reduction targets.	Tracks and reports GHG emissions, identifying reduction opportunities and implementing mitigation strategies.

4 ENHANCE ENERGY EFFICIENCY

Climate Change Link	Decarbonisation Impact
Supports global efforts to reduce reliance on fossil fuels.	Invest in renewable energy technologies and energy-efficient operational practices to optimise energy use, reduce emissions, and lower carbon footprint.

5 MINIMISE WASTE GENERATION

Climate Change Link	Decarbonisation Impact
Supports a circular economy to reduce environmental degradation.	Implements waste management strategies, including recycling, reuse, and sustainable disposal, to minimise landfill emissions.

6 RAISE AWARENESS OF THE URGENT NEED TO ADDRESS CLIMATE CHANGE

Climate Change Link	Decarbonisation Impact
Ensures that all stakeholders understand their role in climate mitigation.	Engages employees and partners in sustainability initiatives, fostering a culture of environmental responsibility.

S1 PREVENTING CLIMATE CHANGE

Tackling Climate Change

At Kelington, we want to be part of the solution to help address the climate change. Our aim is to ensure our business, and those in our supply chain, continue to deliver economic and social benefits as we assist in the transition to a low-carbon future.

Our role in a low-carbon future

Climate change is a critical global challenge, and addressing it is of strategic importance to Kelington. We recognise that without decisive action from governments, businesses, and society, the long-term risks and uncertainties will continue to escalate. At the same time, climate action presents opportunities for innovation and sustainable growth.

Kelington is committed to being part of the solution by integrating decarbonisation into our core operations and engineering expertise. Through value engineering for sustainability, the development of low-carbon engineering solutions, and the adoption of energy-efficient technologies, we strive to reduce emissions and minimise environmental impact. Our role extends beyond ensuring the safe handling and distribution of specialty gases and chemicals—we are actively enabling new technologies to tackle environmental challenges. By measuring and analysing our greenhouse gas ("GHG") emissions, enhancing resource efficiency, and fostering climate awareness, we are taking decisive steps to contribute to a more sustainable future.

How does exhaust affect the environment?

Exhaust streams in semiconductor fabrication plants (fabs) often contain highly corrosive and/or toxic gases that, if released untreated, can have severe environmental impacts. These gases can contribute to air pollution, acid rain, and harm to ecosystems and human health. To mitigate these effects, the process exhaust is directed to a centralised exhaust treatment facility where chemical scrubbing removes harmful substances before the exhaust is released into the atmosphere. These facilities, known as exhaust "scrubbers," play a critical role in reducing the environmental footprint of semiconductor manufacturing.

How can Kelington be a part of the solution?

Kelington delivers complete solutions for Wet Scrubber System; Greenhouse Gas Reduction System; VOCs Removal System; Odor Control System; and acid / general / exhaust / solvent ductwork system which capable to remove harmful gases from the semiconductor fabrication process.

Harmful gases include hydrogen fluoride, hydrogen chloride, chlorine, fluorine, silicon tetrafluoride, carbon dioxide, methane, nitrous oxide, fluorinated gases (HFCs, PFCs, SF6, NF3), nitric and sulphuric acids, as well as with other acidic and caustic compounds.

Kelington supply and install wet scrubbers system which is a type of air pollution control device that is used to remove harmful gases and particles from industrial exhaust streams and we can customise to meet specific emission control requirements.

Exhaust systems are generally associated with emissions of pollutants and GHG that contribute to air pollution and climate change. However, we engineer solutions to design exhaust systems with emission reduction technology and used to reduce the environmental impact.

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How does industrial water / wastewater affect the environment?

The manufacturing of semiconductors generates wastewater that often contains heavy metals, toxic solvents, and other harmful chemicals. If left untreated, this wastewater can contaminate groundwater, posing significant risks to both the environment and public health. The contamination of water sources with hazardous substances is one of the primary contributors to water pollution, impacting ecosystems, drinking water supplies, and overall water quality.

How can Kelington be a part of the solution?

Wastewater Treatment System is used to convert spent streams into an effluent that can either be reused or safely discharged to the environment or municipal treatment facility.

We provide solutions for wastewater treatment system used to remove contaminants from prior to returning the treated water back to the water cycle / sewage.

Kelington's well-designed wastewater treatment system helps the facility avoid harming the environment, human health, and a facility's equipment, process or products (especially if the wastewater is being reused).

Valuable materials used in manufacturing process can be expensive to dispose of as waste.

The photolithography process is widely employed in the semiconductor industry to create microcircuits and microelectronic devices, such as computer processors, memory chips, and integrated circuits. It is also essential in the production of flat-panel displays, including LCD, OLED, and plasma displays. As a critical manufacturing step for many high-tech industries, photolithography enables the creation of circuitry and components on semiconductor wafers.

Once the circuitry is completed, a chemical solution is applied to strip away unwanted layers, leaving only the desired components on the wafer. These chemical solutions often contain valuable metals or other materials, which, if not properly managed, can be expensive to dispose of as waste. The high cost of disposal for these valuable materials, combined with environmental concerns, underscores the importance of finding sustainable waste management practices in the semiconductor manufacturing process.

How can Kelington be a part of the solution?

As part of the solution to reduce waste and disposal costs, Kelington has designed and built the Stripper Reclaim System ("SRS"), which enables semiconductor manufacturers to recover and recycle valuable materials used in the photolithography process. By reclaiming these materials, the SRS not only reduces waste but also helps manufacturers save on material costs and minimise their environmental impact. The system employs advanced filters and chemical treatment processes to recover, purify, and reuse these materials, ensuring a more sustainable and cost-effective manufacturing process.

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Emissions

Emissions from the combustion of fossil fuels, cement production, and other human activities contribute to the buildup of greenhouse gases in the atmosphere. This accumulation warms the climate, leading to widespread environmental changes, including shifts in weather patterns, rising sea levels, and disruptions to ecosystems on land and in the oceans. These changes are a significant environmental issue, posing risks to biodiversity, human health, and the global economy.

How can Kelington be a part of the solution?

One solution to reduce CO_2 emissions is through the process of Separation and Utilisation. Kelington captures waste gas emitted by petrochemical complexes and reuses it as a key raw material to produce Liquid Carbon Dioxide via CO_2 separation technologies. The liquid CO_2 produced is then used in various industries, including food production for freezing and chilling, and in beverages for carbonation. This approach not only reduces CO_2 emissions but also provides a sustainable way to repurpose waste gas, contributing to both environmental protection and industrial efficiency.

In addition to this, the company is also exploring carbon capture and storage ("CCS") technologies as part of its commitment to supporting carbon reduction efforts.

Climate related Disclosures

Kelington Group reaffirms its commitment to transparency and sustainability by aligning our climate-related disclosures with the ISSB IFRS S2 standards and TCFD recommendations. While we have made progress integrating these frameworks into our management processes, we recognise the ongoing need for continuous improvement, particularly in refining our strategy and improving the disclosure of metrics and targets related to climate change.

In FY2025, we will conduct financial materiality assessment to evaluate the financial implications of climate-related risks and opportunities. Additionally, we are undertaking a scenario analysis to better understand potential climate-related outcomes and strengthen our strategic response.

To further enhance transparency and credibility, we are preparing for third-party assurance. This process is supported by a cloud-based carbon accounting system that ensures all climate-related data is securely collected, managed, and readily accessible.

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A. Governance - Managing Climate Risks and Opportunities

Kelington's Board of Directors provides oversight to ensure that climate-related risks and opportunities are effectively integrated into the company's overall business strategy. The Board receives biannual updates on the company's sustainability strategy and initiatives, including progress on climate-related commitments. The Board also approves the Sustainability Statement, which comprehensively discloses Kelington's environmental and climate change agenda.

Board Oversight

The Board is responsible for providing oversight on the development of strategies that promote and strengthen the ESG culture across the Group, ensuring alignment with long-term sustainability and climate-related goals. As the ultimate authority overseeing ESG risk management, the Board ensures that Kelington's sustainability principles remain aligned with the Group's broader business objectives and evolving regulatory expectations.

The Board reviews and approves the ESG goals and climate-related targets set by management, ensuring they align with Kelington's long-term business objectives and regulatory expectations. ESG and climate-related considerations are embedded into the Board's agenda, guiding discussions on strategic planning, risk management, and investment decisions. These targets are periodically reviewed to ensure alignment with industry benchmarks and international sustainability frameworks.

The Risk Management Committee ("RMC") plays a central role in overseeing the identification, assessment, and management of sustainability risks and opportunities, including climate-related physical and transition factors. The RMC also monitors performance against Kelington's climate-related targets and met twice during FY2024 to review these risks, opportunities, and corresponding mitigation strategies.

Additionally, the Audit Committee, with support from the RMC, oversees the Group's risk management and internal control framework. The Board seeks assurance from the CEO and CFO on the adequacy and effectiveness of the company's risk management and internal control systems, including addressing climate-related risks and opportunities.

Management Role

Climate-related transition risks and scenarios are integral to Kelington's strategic discussions, with regular engagement by both the Executive Management Committee ("EMC") and the Board. In response to the evolving operational landscape, the Board, supported by management, adapts business strategies that view sustainability as a key driver of long-term value creation and innovation.

Executive Directors are responsible for incorporating climate-related risks and opportunities ("CRO") into the company's long-term business strategy. They oversee the implementation of key initiatives and report to the Board on progress toward ESG objectives, addressing a range of sustainability challenges.

The Group CSO leads the development and execution of the Group's climate change strategy, under the oversight of the RMC. The EMC is proactive in addressing the impacts of climate change, managing the challenges of rising energy costs, and leveraging operational efficiencies for cost savings. Additionally, the EMC emphasises continuous monitoring of CRO, while implementing resilience measures to mitigate the potential impact of natural disasters on operations.

Execution

The Sustainability Working Group ("SWG") plays a critical role in tracking, assessing, and managing climate-related and other environmental metrics to ensure alignment with Kelington's sustainability and decarbonisation strategies. The SWG is responsible for monitoring performance against climate and sustainability targets, conducting climate risk assessments, and developing policies and mitigation strategies to address both physical and transition risks.

The SWG reports directly to the Group CSO on a regular basis, ensuring that CRO are incorporated into business decisions. It also supports the preparation of the Sustainability Statement, which provides a transparent disclosure of Kelington's climate-related performance, targets, and governance framework in alignment with regulatory requirements.

B. Strategy

Since its inception, Kelington has prioritised safety and sustainability by addressing environmental and social risks in its operations. Given the complexities of handling flammable, explosive, or toxic materials, we integrate robust safety measures to protect people, property, and the environment while enhancing operational efficiency.

Today, as climate action becomes increasingly urgent, we empower customers to achieve their decarbonisation goals through tailored engineering solutions that reduce emissions, optimise processes, and integrate sustainable practices. Our approach not only lessens environmental impact but also drives long-term value, enabling a transition toward a low-carbon future.

Our climate action strategy aligns with our commitment to delivering world-class, high-quality services that meet customer requirements—safely, efficiently, and with minimal environmental impact.

EXPECTED OUTCOME:

- Reduce Kelington's carbon footprint, enhance operational sustainability, and support the transition to a low-carbon future.
- Empower customers to adopt sustainable manufacturing processes and contribute to climate change mitigation.

Kelington's Approach:

Carbon Reduction:	Sustainable Engineering:	Environmental Solutions:	Advocacy & Awareness:	Innovation & Collaboration:
Setting a new emissions baseline and establishing targets to achieve Scope 1 and 2 net-zero emissions by FY2050. Given the energy-intensive nature of our Industrial Gases manufacturing, we prioritise innovative technologies and processes to optimise efficiency while lowering emissions.	Embedding sustainability principles in design, construction, and operations to minimise environmental impact and address climate risks.	Promoting the adoption of advanced engineering solutions, such as central abatement systems for GHG reduction and stripper reclaim systems for material recovery, to enhance sustainability, resource efficiency, and environmental stewardship.	Engaging employees and stakeholders to drive climate action and promote a culture of sustainability.	Partnering with global experts to explore emerging technologies, including energy storage and carbon capture, to support climate resilience.

Kelington remains steadfast in developing and implementing sustainable solutions that ensure both environmental and business resilience.

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<div style="background-color:green; color:white; text-align:center;">**Managing Climate Risks and Opportunities:**</div>

Given that greenhouse gas ("GHG") emissions are a significant contributor to climate change, transitioning to a low-carbon economy will profoundly impact Kelington's long-term strategy and operations.

At Kelington, we proactively manage climate-related risks through a comprehensive risk management framework that addresses financial, operational, and compliance uncertainties. These risks can affect our business performance, reputation, and overall ability to operate successfully. Our risk management framework establishes clear oversight responsibilities across different levels of governance.

Risk Identification and Evaluation

Kelington identifies and assesses climate-related risks through a systematic process, which includes internal and external reviews, stakeholder consultations, and scenario analysis. Risks are categorised into physical (acute and chronic) and transition (regulatory, technological, market, reputational) risks.

Climate Risks	Identification	Evaluation
Physical Risks Chronic Hazards - Sea Level Rise - Temperature Patterns - Air Pollution Acute Hazards - Flooding - Tropical Cyclones - Landslides	• Conducting on-site vulnerability assessments of facilities, supply chains, and infrastructure to identify exposure to physical risks like flooding, drought, and extreme heat. • Analyses historical weather patterns, climate models, and scientific reports to assess the potential impact of physical risks such as extreme weather events, rising temperatures, floods, and sea-level rise on our operations and supply chain.	• Evaluating the potential financial, operational, and supply chain impacts of identified physical risks to understand which risks pose the greatest threat to business continuity and growth.
Transition Risks - Policy & Legal risks - Market risks - Technology risks	• Monitoring policy developments, such as carbon pricing, emission reduction targets, and environmental regulations, to identify new legal obligations and compliance requirements. • Tracking shifts in consumer preferences, technological advancements, and competition in the transition to a low-carbon economy, which could create risks or opportunities.	• Assessing the potential costs of complying with new environmental regulations, including the investment needed to meet emissions standards or achieve sustainability goals. • Evaluating the risk of technological obsolescence or the need for new investments in clean technologies, renewable energy, or sustainable products.
Transition Risks - Reputational risks	• Monitor public perception and media coverage related to our climate actions and sustainability performance. • Regularly gathering feedback from customers, employees, investors, and other stakeholders to understand concerns related to the company's sustainability performance and climate-related actions.	• Analysing the potential reputational damage from negative media coverage, public scrutiny, or stakeholder backlash, and quantifying the potential impact on customer loyalty and investor relations. • Evaluate the company's readiness to respond to climate-related scandals or public criticisms, ensuring effective mitigation strategies are in place.

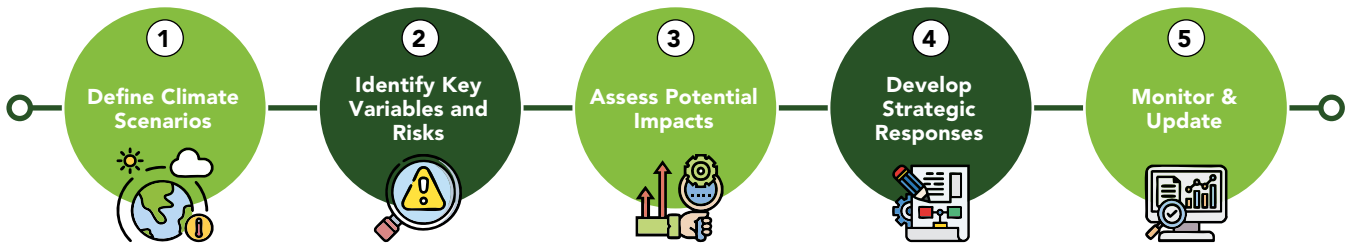**Resilience of Strategy in the face of climate risks**

Climate change is not just a concern but a strategic imperative for our business, requiring a holistic approach across all facets of our operations. To ensure continual improvement, Kelington pledges to conduct an annual review of our climate change approach as an integral part of our ongoing strategy refinement process.

Category	Future Inquiry	Key Risks Considered	Resilience Measures
Short-Term Horizon (1–3 years)	**How can we adapt to immediate sustainability shifts?**	**Regulatory changes** Implementation of carbon pricing, emissions reporting requirements, and potential environmental tax or compliance expenses.	Strengthened compliance framework in alignment with Bursa Malaysia's sustainability disclosure requirements and IFRS S1 & S2.
		Customer expectations Major semiconductor and electronics manufacturers increasingly require suppliers to meet strict ESG criteria.	Ensure that our ESG strategy effectively addresses environmental impact, social responsibility, and governance practices. Introduction of sustainable engineering solutions.
		Supply Chain Sustainability Need for management of supply chain risks to align with client sustainability goals.	Enhanced engagement with suppliers to ensure ESG compliance across the supply chain.
Medium-Term Horizon (3–10 years)	**How can we strengthen our market position through sustainability innovation?**	**Financial & Investment** Investments in sustainability project (e.g., CCS, hydrogen) require significant upfront capital with uncertain ROI. Prices for RECs and carbon offsets may fluctuate, affecting financial planning.	Use scenario planning to model different financial outcomes and adjust investment strategies accordingly.
		Technological & Innovation Risks Clients may be slow to adopt sustainability-driven solutions due to cost concerns.	Avoid over-reliance on one sustainability solution; invest in multiple green tech pathways.
Long-Term Horizon (10–30 years)	**What are our strategies for sustainable growth?**	**Global net-zero commitments** Countries and industries implementing strict emissions reductions.	Commitment to achieving net-zero Scope 1 and 2 emissions by 2050, aligning with global climate goals.
		Physical climate risks Potential impact of extreme weather events on operational sites and supply chains.	Secure parametric insurance for extreme weather risks to ensure rapid financial recovery after disruptions. Integrating climate-resilient into the design and construction of new facilities.
		Policy-driven transformations Shift towards a carbon-neutral industrial economy affecting project viability.	Shift the business portfolio towards low-carbon and energy-efficient solutions that align with carbon-neutral regulations.

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Scenario Analysis

As part of our commitment to sustainability and risk management, the Executive Management Committee is conducting an ongoing climate scenario analysis, which includes the following steps:-

| 1 Define Climate Scenarios | 2 Identify Key Variables and Risks | 3 Assess Potential Impacts | 4 Develop Strategic Responses | 5 Monitor & Update |

Kelington's Path to Net Zero & Strategic Positioning

As industries transition toward a low-carbon future, Kelington recognises the need to navigate evolving technological, regulatory, market, and environmental dynamics. We are currently reviewing our scenario analysis to assess potential future landscapes and will determine the appropriate timing for disclosure based on our readiness.

The analysis explores three potential scenarios:

- Scenario 1: Accelerated Green Transition (High Regulation, High Adoption)
- Scenario 2: Delayed Decarbonisation (Moderate Regulation, Slow Adoption)
- Scenario 3: Business-As-Usual (Weak Regulation, Low Adoption)

These scenarios help evaluate interconnected risks and opportunities related to advancements in green hydrogen and carbon capture, policy shifts such as carbon taxes and mandatory ESG disclosures, evolving client ESG expectations, and potential disruptions from extreme weather events. As this review is ongoing, the scenarios are subject to change.

This ongoing analysis will support Kelington in anticipating challenges, seize emerging opportunities, and aligning its business model with a rapidly evolving sustainability landscape. The findings will guide our strategic decisions as we continue on the path toward net-zero emissions.

C. Climate-related Risks and Opportunities

Kelington's climate-related risks and opportunities ("*CRO*") are seamlessly integrated into our comprehensive risk management framework. Climate risks are evaluated alongside other business risks, ensuring a holistic and coordinated approach to risk management. Each identified risk is assigned to the appropriate risk owner, such as senior management or specific departments, to ensure accountability for its mitigation and management.

The Board, RMC, and EMC regularly review *CRO* as part of their ongoing risk assessments, with the support of the SWG. This collaborative approach enables Kelington to proactively identify and capitalise on climate-related opportunities, such as advancing renewable energy projects, enhancing operational efficiencies, developing sustainable products and services, and exploring carbon capture solutions, thereby driving growth and innovation while mitigating risks.

Potential Impacts of CRO

Under Kelington's risk management framework, emerging risks are identified, assessed, and appropriately managed. Kelington utilises the major risk categories outlined in IFRS S2, which incorporate and build upon the former TCFD recommendations, as the basis for its climate risk assessment:

| i. **Physical risks** – Risks arising from the physical impacts of climate change, including acute and chronic climate-related events. | ii. **Transition risks** – Risks associated with the shift to a lower-carbon economy, including regulatory changes, market shifts, technological advancements, and reputational risks. |

By aligning our risk management practices with IFRS S2, we ensure comprehensive and transparent climate-related disclosures, enhancing our ability to manage risks effectively and capitalise on climate-related opportunities.

Potential Financial Impact Level:

| 🟩 Low | 🟨 Medium | 🟥 High | 🔺 Risk | 🔵 Opportunity |

Climate Risks	Potential Impacts of CRO on our business	Our Strategic Responses	Short (Less than 3 Years)	Medium (3-10 Years)	Long (More than 10 Years)
Physical Risks					
Acute physical risks	🔺 **- Profit** Changes to the intensity and frequency of extreme events, such as severe floods, have the potential to damage infrastructure and interrupt business operations. This could result in increased operational costs and loss of revenue from reduced LCO2 production or suspension of works.	Enhance financial resilience through climate-specific insurance policies that cover damages from extreme weather events. Conduct comprehensive risk assessments to identify vulnerable infrastructure and operations.	🟩	🟨	🟥
	🔺 **- Profit** 🔺 **+ Legal & Compliance Cost** Changing nature of extreme weather events impacting design criteria (flood defences, resilient building materials) for new projects. Tightened regulations and more complex design processes may slow down the execution of projects.	We consider climate risks from the way we design and construct new projects to closure and beyond. We have seen the impacts of climate change in recent years and we are using scenarios to assess further medium to long-term risks.	🟩	🟩	🟨
Chronic physical risks	🔺 **+ Operational Cost** Long-term trends associated with chronic physical risks can be more challenging to identify and address. Chronic physical risks, such as prolonged shifts in climate patterns (e.g., droughts, heatwaves, or changing precipitation patterns), can disrupt supply chains. These disruptions can result from shortages of raw materials, transportation challenges due to infrastructure damage, or delays in production due to changes in environmental conditions.	Diversify the supply chain by sourcing raw materials from multiple regions. Regularly monitor climate trends and supply chain performance to identify early warning signs of potential disruptions.	🟩	🟩	🟨
	🔺 **+ Healthcare Cost** Extreme temperature changes and increasing frequency of heatwaves could adversely affect employee health and safety, particularly for those working outdoors or in high-temperature environments. This could lead to higher healthcare costs and absenteeism.	Regular monitoring of environmental conditions and the adoption of cooling systems or shaded areas for employees working outdoors or in high-temperature environments. Provide training to employees on recognising the symptoms of heat-related illnesses, safe work practices in extreme temperatures, and how to use cooling equipment effectively. Foster a culture of safety and encourage peer support to monitor each other's well-being.	🟩	🟩	🟨

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Climate Risks	Potential Impacts of CRO on our business	Our Strategic Responses	Short (Less than 3 Years)	Medium (3-10 Years)	Long (More than 10 Years)
Transition Risks					
Policy and regulations risks	▲ **+ Carbon tax** ▲ **+ Compliance cost** Current and emerging regulation has the potential to impact business costs associated with meeting regulatory requirements. This includes the introduction of a carbon tax and the associated financial implications for emissions-intensive activities.	Establish a regulatory compliance team to stay ahead of current and emerging regulations related to carbon pricing, emissions reporting, and other environmental obligations. Regularly monitor changes in local, national, and global regulatory landscapes to ensure the company is prepared for any new requirements. Accelerate internal initiatives aimed at reducing emissions through process optimisation, energy-efficient technologies, and low-carbon alternatives.	🟩	🟨	🟨
	🔵 **+ Green Revenue** Manufacturers will require advanced engineering solutions to reduce their environmental impact.	Provide engineering solutions that enable manufacturers to capture and reduce emissions, such as carbon capture and storage ("CCS") technologies and low-emissions production processes.	🟨	🟨	🟨
Market risks	Chip manufacturing contributes to the climate crisis. As the semiconductor industry grows, and so with its carbon footprint. The chip industry used different gases during the production process, many of which have significant climate impact. 🔵 **+ Green Revenue** Kelington's products and services have an important role in a low-carbon economy.	Develop innovative solutions that address environmental challenges while enhancing Kelington's competitiveness and attracting environmentally conscious clients. Explore tender opportunities for systems that contribute to environmental sustainability, including: • Wet Scrubber Systems • Greenhouse Gas Reduction Systems • VOCs Removal Systems • Odor Control Systems • Acid/General/Exhaust/Solvent Ductwork Systems designed to remove harmful gases from semiconductor fabrication processes. Promote our capability to design and build Stripper Reclaim Systems ("SRS") that enable manufacturers to recover and recycle valuable materials, reducing waste, lowering material costs, and minimising environmental impact.	🟨	🟨	🟨

Climate Risks	Potential Impacts of CRO on our business	Our Strategic Responses	Short (Less than 3 Years)	Medium (3-10 Years)	Long (More than 10 Years)
Transition Risks					
Technology risks	🔺 **+ Energy cost** In the electricity sector, the transition to low-carbon technologies has the potential to impact the future price of purchased electricity.	Negotiate long-term supply contracts with energy providers or renewable energy developers to secure stable and predictable electricity prices.	🟩	🟨	🟨
	🔵 **+ Green Revenue** Promote low-emissions technology and engineering solutions that offer customers opportunities for cost savings, improved efficiency, and long-term alignment with regulatory requirements.	Collaborate with international partners to develop innovative technologies that contribute to both climate change mitigation and adaptation. This will enhance corporate value and drive revenue growth through expanded collaborations. We aim to identify the most relevant and impactful technologies for our business and, where beneficial, form strategic partnerships to leverage these innovations.	🟩	🟨	🟨
Legal risks	🔺 **+ Legal Liabilities** Climate change has the potential to lead to legal compliance issues and litigation. There is growing emphasis on the duty of directors to consider and disclose climate change risks.	Regularly review sustainability management framework includes policies, governance structure, ESG integration process, communications and continuous improvements.	🟩	🟨	🟨
Reputational risks	🔺 **- Revenue** **- Brand Value** **- Market Share** Failing to meet sustainability targets, inadequate response to climate change, or involvement in environmental scandals could lead to public backlash. This may result in negative media coverage, loss of public trust, and damage to the company's reputation. 🔵 **+ Revenue** **+ Brand Value** **+ Market Share** By proactively implementing sustainable practices, transparently communicating efforts, and meeting or exceeding environmental expectations, the company can build a strong reputation as a leader in sustainability.	Reinforce and publicly commit to clear, measurable sustainability targets, such as carbon neutrality or waste reduction. Regularly update stakeholders on progress through transparent reporting, demonstrating the company's commitment to environmental goals and building trust. Foster a company-wide culture of sustainability by providing employees and key external providers with training on environmental responsibility and best practices. Develop and implement a comprehensive crisis management and communication strategy to quickly address any potential environmental and social issues.	🟩	🟨	🟨

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D.   Metrics and Targets

Green House Gas ("GHG") Emission Management

One of the significant contributors to climate change is the emission of greenhouse gases ("GHG"). In line with global efforts to reduce GHG releases, Kelington is committed to respond and act accordingly whilst improving our operational efficiency. In return, Kelington enjoys cost savings by spending less on raw materials, energy, water and resource recovery.

We strive to protect our environment and planet via mitigation of carbon dioxide emissions, waste reduction and the preservation of natural resources. In FY2024, we identified and managed our environmental risks in accordance with the ISO14001:2015 Environmental Management System.

Our Carbon footprint

In FY2024, Kelington engaged Pantas Software Sdn. Bhd. ("Pantas") to provide climate solutions services and conduct a thorough and comprehensive accounting of Greenhouse Gas ("GHG") emissions across Scopes 1, 2, and 3. Pantas utilises the GHG Protocol methodology to identify the reporting boundaries applicable to Kelington Group for calculating and reporting GHG emissions. Additionally, Pantas' methodology and calculations align with ISO 14064-1, ensuring they meet global standards in sustainability reporting.

SCOPE 2 Indirect Emissions	SCOPE 1[a] Direct Emissions	SCOPE 3[b] Other Emissions
	Process emissions Direct gas emissions from carbon dioxide production site	**Purchase of Goods and Services**
	Owned Transport Fuel used	**Capital Goods**
	Fuel Combustion Natural Gas used	**Upstream Transportation and Distribution**
Consumption of purchased electricity, heat & steam Electricity	**Fugitive Emission** Refrigerants	**Waste Generated in Operations**
		Business Travel
		Employee Commuting

Notes:

(a)   *Except for Carbon Dioxide (CO_2, Kelington's current operations do not emit other Scope 1 GHG emissions -- such as Methane (CH_4); Nitrous Oxide (N_2O); Chlorofluorocarbons (CFCs); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulfur hexafluoride (SF_6); or Nitrogen Trifluoride (NF_3) -- in FY 2024. Furthermore, Kelington Group's operations, including manufacturing and construction processes are not likely to cause emissions of Nitrogen Oxide (NO_x), Sulphur Oxides (SO_x), Particular Matter (PM) and Volatile Organic Compounds (VOCs), or other forms of air pollution.*

(b)   *Scope 3 emissions are indirect emissions resulting from Kelington's operations but originate from sources not owned or controlled by Kelington. To enhance our environmental sustainability efforts, we are currently working with a carbon accounting provider and actively collecting data on six categories of Scope 3 upstream emissions.*

Kelington's Net Zero Transition Strategy

At Kelington, we are committed to achieving net-zero emissions by 2050, in alignment with Malaysia's national carbon neutrality target. This commitment is a key part of our long-term sustainability strategy and reflects our role in supporting the country's transition to a low-carbon economy.

Our focus is on reducing our carbon footprint across our operations and supply chain, while driving innovation and environmental stewardship. We specifically aim to achieve net-zero Scope 1 and Scope 2 emissions across all business operations by 2050, with defined milestones to track our progress. Our strategy will be reviewed periodically to adapt to emerging technologies, regulatory changes, and market developments, ensuring we remain aligned with global best practices.

Transition towards low carbon future

| **KGB Group:** Reduce Scope 1 & 2 emissions by **10%** by 2030. | **Industrial Gas Division:** Reduce Emission Intensity by **5%** by 2030. | **KGB Group:** Reduce net Scope 3 emissions by **10%** by 2035. | **Operations in Malaysia:** **100%** renewable electricity by 2045 | **KGB Group:** Net zero Scope 1 and 2 emissions by 2050 |

Short-Term (2025-2030): Laying the Foundation	**Medium-Term (2031-2040): Scaling Up Decarbonisation**	**Long-Term (2041-2050): Achieving Net-Zero**
Key Actions	**Key Actions**	**Key Actions**
• Monitor energy efficiency across major facilities to reduce operational emissions. • Commit to increasing renewable energy adoption through on-site generation or procurement strategies. • Collaborate with suppliers, customers, and partners to drive industry-wide decarbonisation. • Design and implement innovative low-carbon engineering solutions to help clients reduce emissions.	• Identify high-emission industrial hubs and partner with key players for large-scale CCS projects. • Develop CO_2 transport and storage infrastructure near major industrial zones. • Establish an internal carbon offset strategy to balance unavoidable emissions with verified removals. • Require suppliers to disclose and set reduction targets for their emissions.	• Implement on-site solar, wind, or PPAs to transition to fully renewable energy by 2045. • Mandate low-carbon sourcing and require suppliers to commit to Net Zero target. • Lead cross-sector partnerships to advance carbon-neutral technologies.

SUSTAINABILITY STATEMENT

Balancing Sustainability and Financial Performance in the Journey to Net Zero

Kelington's commitment to Net Zero reflects a forward-thinking approach to sustainability, while also highlighting the challenges businesses face in balancing environmental goals with profitability and return on investment ("ROI"). Transitioning to energy-efficient technologies and renewable energy sources is essential but requires significant upfront capital, which may affect short-term financial performance.

The integration of renewable energy, particularly through large-scale installations and power purchase agreements, demands significant financial resources and careful planning to ensure cost-effectiveness and operational efficiency.

Similarly, investments in carbon capture and storage ("CCS") and high-quality carbon offset projects, although critical for addressing hard-to-abate emissions, pose challenges in terms of technological feasibility and financial viability.

Businesses must navigate these complexities while maintaining competitive pricing and delivering value to shareholders. This balance necessitates a strategic approach, leveraging innovation, stakeholder engagement, and strong partnerships across the value chain.

By embedding sustainability into core business operations and viewing it as an integral component of long-term success, Kelington can transform challenges into opportunities, ultimately driving sustainable growth and enhancing resilience in a carbon-conscious market.
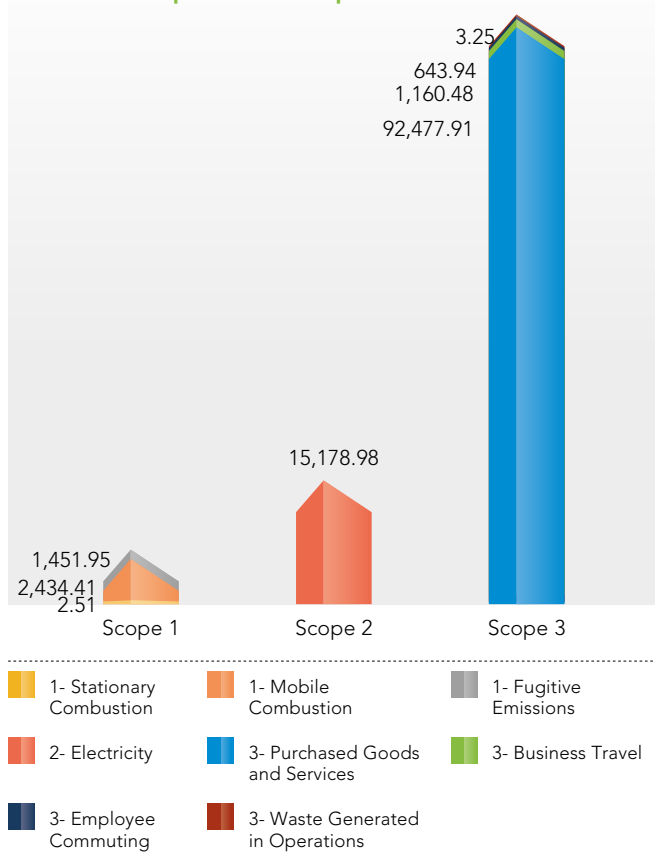
Transition towards low carbon future

Target	FY2022 (Manual Data)	FY2023 (Manual Data)	FY2024 (New Baseline)	Short to Medium Term Target	Long Term Target
Reduce Scope 1 & 2 absolute emissions	14,177 tCO_2e	16,302 tCO_2e	19,068 tCO_2e	10% Reduction by 2030	Net Zero by 2050
Reduce Scope 3 net emissions	33,605 tCO_2e	24,137 tCO_2e	94,286 tCO_2e	5% Reduction by 2030	10% Reduction by 2035
100% renewable energy	0%	0%	0%	30% by 2035	100% by 2045

Notes:
1) FY2022 and FY2023 data were manually collected as part of Kelington's initial efforts to measure emissions and identify reduction opportunities.
2) In FY2024, Kelington adopted a new cloud-based carbon management tool to enhance the accuracy and comprehensiveness of our emissions tracking. FY2024 marks the establishment of a new baseline with improved data accuracy, serving as the foundation for tracking progress toward Kelington's net-zero ambitions.
3) The increase in reported emissions for FY2024, compared to the previous year, reflects our expanded emissions inventory and improved calculation accuracy following the implementation of an end-to-end carbon management system at the start of FY2024. This transition from manual calculations to an automated, data-driven approach marks a significant advancement in our emissions reporting, particularly within Scope 3 categories such as purchased goods and services. The uplift in reported figures stems from improved data capture and greater precision, rather than a material rise in actual emissions. This enhanced methodology aligns with global best practices, reinforces our leadership in transparent, data-driven sustainability, and strengthens our commitment to effective carbon management in line with industry standards.

GHG ("CO$_2$") Emission FY2024 - breakdown by Scope from the operations of KGB

Scope 1 values: 1,451.95 / 2,434.41 / 2.51
Scope 2 value: 15,178.98
Scope 3 values: 3.25 / 643.94 / 1,160.48 / 92,477.91

Legend:
- 1- Stationary Combustion
- 1- Mobile Combustion
- 1- Fugitive Emissions
- 2- Electricity
- 3- Purchased Goods and Services
- 3- Business Travel
- 3- Employee Commuting
- 3- Waste Generated in Operations

Scope 1 - Direct Emissions

The primary driver of Scope 1 emissions is diesel fuel consumption, categorised under Mobile Combustion. Diesel usage is the largest individual contributor to KGB's Scope 1 emissions, primarily as an energy source for operating its vehicles (e.g., gas delivery fleet), accounting for 2,366.18 tCO$_2$e.

For Scope 1 - Stationary Combustion, the main contributor is diesel fuel consumption by generators, which accounts for 2.51 tCO$_2$e of KGB's Scope 1 emissions.

For Scope 1 - Fugitive Emissions, the primary source is the use of refrigerants. In FY2024, KGB's two main sources of fugitive emissions are R-507 and R-22. R-22 is used as a refrigerant in AC units, while R-507 is mainly used for industrial cooling. The largest individual contributor to KGB's Scope 1 - Fugitive Emissions is the usage/refill of R-507 refrigerant gas, accounting for 1,440.98 tCO$_2$e.

It is noted that although R-32, R-410A, and carbon dioxide (used in fire extinguishers) are inventoried, they did not undergo any refills in FY2024, indicating no emissions from this activity.

Scope 2 - Indirect Emissions (Electricity Consumption)

In FY2024, KGB's operations consumed a total of 19,681,811.45 kWh of electricity, resulting in 15,178.9 tCO$_2$e of Scope 2 emissions. The increase is primarily due to the adoption of region-specific Grid Emission Factors ("GEFs"), replacing the previously applied uniform average of 0.225 tCO$_2$e/MWh. For Peninsular Malaysia, a GEF of 0.774 tCO$_2$e/MWh—sourced from the Malaysia Energy Information Hub ("MEIH") – was applied, reflecting the higher carbon intensity of local electricity generation.

Scope 2 - Emissions by Geographical Region

Region	Electricity Consumption (kWh)	Emissions (tCO$_2$e)	Renewable Energy Usage (%)
Malaysia	19,123,234.00	14,788.31	0%
Singapore	112,196.23	45.52	0%
China	436,883.22	340.45	0%
Taiwan	9,498.00	4.70	0%
	19,681,811.45	**15,178.98**	

SUSTAINABILITY STATEMENT

Scope 3 - Indirect Emissions

Total Scope 3 Emissions (tCO$_2$e)

Employee Commuting
0.68%

Waste Generated in Operations
0.01%

Business Travel
1.23%

Purchased Goods and Services
98.08%
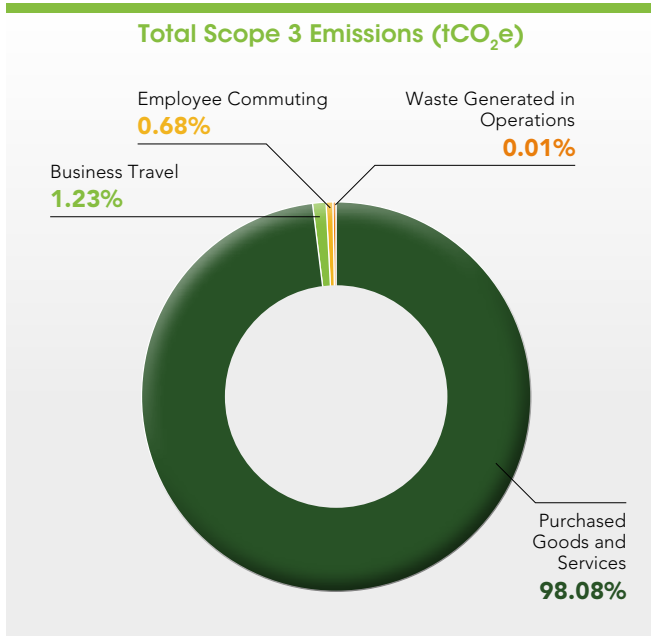
The current scope of KGB's Scope 3 emissions includes Purchased Goods and Services, Waste Generated in Operations, Business Travel, and Employee Commuting. Capital Goods and Upstream Transportation and Distribution are currently included under Purchased Goods and Services. Moving forward, the company will improve data tagging for proper categorisation and reporting purpose.

Purchased Goods and Services

Emissions from Purchased Goods and Services for KGB amounted to 92,477.91 tCO$_2$e. The largest contributor was business services, which include general contracting, consultancy, and installation activities. These accounted for 56.90% of the total emissions (52,620.22 tCO$_2$e). The next most significant sources were fabricated metal products and machinery and equipment purchases, collectively contributing 31,197.90 tCO$_2$e (33.37%).

Business Travel

KGB's Business Travel emissions amounted to 1,160.48 tCO$_2$e, with car travel (mileage claims) being the main contributor at 1,080.87 tCO$_2$e (93.14%). Other transit and ground transportation accounted for 56.00 tCO$_2$e (4.83%).

Employee Commuting

A survey covering 77.17% of KGB employees was conducted to estimate commuting emissions, which totalled 643.95 tCO$_2$e. Personal vehicle use (small passenger cars) was the largest contributor at 344.47 tCO$_2$e (53.49%).

Waste Generated in Operations

KGB's emissions from waste generation are minimal compared to other Scope 3 categories, totalling 3.25 tCO$_2$e. Most emissions come from recycled metals (2.77 tCO$_2$e, 85.03%), followed by recycled plastics (0.39 tCO$_2$e, 11.97%) and recycled paper (0.10 tCO$_2$e, 3.00%).

The emissions from waste generated are minor and may not align with the total waste generated, as stated in S2 Pollution & Waste Management. This is because KGB does not have specific waste data or information on the treatment methods (e.g., incineration or landfill) for carbon accounting purposes.

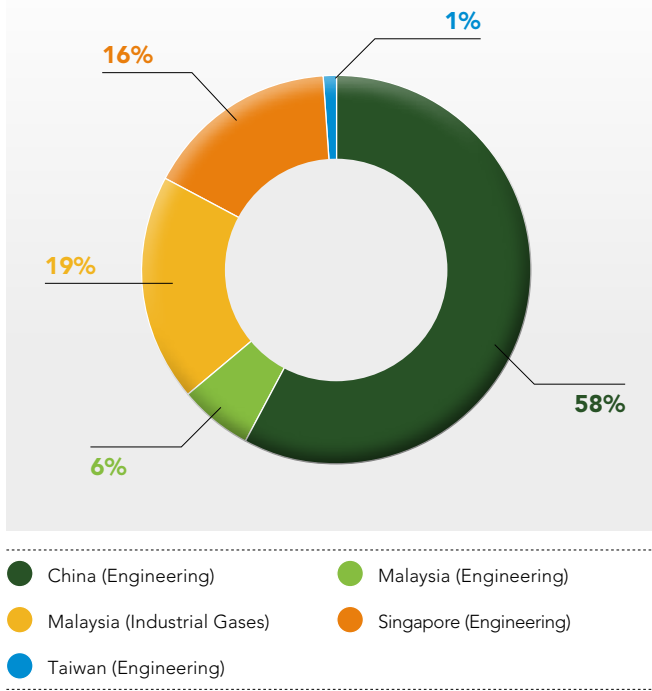| GHG (CO_2) Emission	Unit of Measure	FY2022 (Manual Data)	FY2023 (Manual Data)	FY2024 (New Baseline)
Direct Emissions from manufacturing facilities & distribution tankers.				
Scope 1: Mobile Combustion	$tCO_2 e$	1,406	1,842	**2,434.41**
Scope 1: Stationary Combustion	$tCO_2 e$	1	1	**2.51**
Scope 1: Fugitive Emissions	$tCO_2 e$	Data not available	Data not available	**1451.95**
Raw waste Mass Balance[1]	$tCO_2 e$	9,766[1]	10,652[1]	**N/A[1]**
Sub-Total	$tCO_2 e$	11,173	12,495	**3,888.87**
Indirect Emissions from electricity purchased and used				
Scope 2: Electricity	$tCO_2 e$	3,004	3,807	**15,178.98**
Scope 3: Other Indirect Emissions from the Group activities				
Purchased goods and services	$tCO_2 e$	32,148	23,241	**92,477.91**
Capital goods	$tCO_2 e$	Data not available	Data not available	**0[2]**
Upstream transportation and distribution	$tCO_2 e$	Data not available	Data not available	**0[2]**
Waste generated in operations	$tCO_2 e$	332	193	**3.25[3]**
Business Travel (Air & Land)	$tCO_2 e$	1,125	703	**1,160.48**
Employee Commuting	$tCO_2 e$	Data not available	Data not available	**643.95**
Fuel and energy related activities (not include in Scope 1 or 2)	$tCO_2 e$	Data not available	Data not available	**Data not available**
Upstream leased assets	$tCO_2 e$	Data not available	Data not available	**Data not available**
Investments	$tCO_2 e$	Data not available	Data not available	**Data not available**
Downstream transportation and distribution	$tCO_2 e$	Data not available	Data not available	**Data not available**
Processing of sold products	$tCO_2 e$	Data not available	Data not available	**Data not available**
Use of sold products	$tCO_2 e$	Data not available	Data not available	**Data not available**
End of life treatment of sold products	$tCO_2 e$	Data not available	Data not available	**Data not available**
Downstream leased assets	$tCO_2 e$	Data not available	Data not available	**Data not available**
Franchises	$tCO_2 e$	-	-	**-**
Sub-Total		33,605	24,137	**94,285.59**
Total GHG (CO_2e) Emission		47,782	40,439	**113,353.44**

Note [1]: Following a thorough re-assessment of the reporting boundaries based on operational control for KGB, it has been determined that the additional waste gas emissions reported in 2022 and 2023 fall outside of KGB's inventory boundary. Consequently, these emissions are excluded from Scope 1 reporting in FY2024 and will not be accounted for in subsequent years.

Note [2]: Capital Goods and Upstream Transportation and Distribution are currently included under Purchased Goods and Services. Moving forward, Kelington will improve data tagging for proper categorisation and reporting purpose.

Note [3]: The emissions from waste generation in previous years were estimated based on available domestic waste data and assumptions about treatment method. However, KGB lacked access to specific waste volume data and verified information on disposal methods, resulting in unreliable emissions estimates for FY2024. This contributed to a significant reduction in reported figures compared to prior years. Moving forward, KGB is taking proactive steps to improve waste data collection and traceability.

SUSTAINABILITY STATEMENT

Total emissions by geographical region

- China (Engineering)
- Malaysia (Engineering)
- Malaysia (Industrial Gases)
- Singapore (Engineering)
- Taiwan (Engineering)

Our greenhouse gas ("GHG") emissions analysis for FY2024 reveals significant regional variations, largely driven by the nature of our business activities and procurement activities. Total Scope 1, 2, and 3 emissions amounted to 113,353.44 tCO_2e. The highest contributor was our China operations, which accounted for 58% of total emissions (65,741 tCO_2e), primarily due to Scope 3 emissions from purchased goods and services (64,772.76 tCO_2e). This reflects the high volume of materials procured to support complex and project-intensive operations in the region. Singapore was the second-largest contributor, with 17,769.78 tCO_2e, also predominantly linked to procurement-related Scope 3 emissions.

Managing emissions from purchased goods and services — particularly at the project level — remains a key challenge due to factors such as a diverse supplier base, varying material requirements, and limited visibility into upstream emissions. These findings underscore the importance of strengthening supplier collaboration and advancing sustainable procurement practices. In response, we are enhancing supplier engagement and exploring lower-carbon sourcing strategies to reduce the environmental impact of our value chain.

CO_2 Equivalent Intensity Ratio -- Industrial Gas Division

Target	FY2022	FY2023	FY2024 (New Baseline)
Reduce emissions intensity by 5% by FY2030	763 tCO_2e / RM' million EBITDA	492 tCO_2e / RM' million EBITDA	376 tCO_2e / RM' million EBITDA

Note: EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation) reflects a company's core operating performance. The EBITDA of the Industrial Gases Division—excluding revenue from one-off projects—was used to calculate the CO_2e intensity ratio, ensuring a more consistent and representative measure of ongoing operational performance.

Kelington's Industrial Gases division has shown a positive trend towards sustainability by emitting fewer greenhouse gases per unit of earnings. In FY2024, the CO_2e intensity ratio improved by 24% to 376 tCO_2e / RM' million EBITDA. This enhancement in CO_2e intensity ratio is closely linked with a significant 53% increase in EBITDA, indicating improved energy efficiency and productivity within the division.

E. Financial Impacts and Performance

The company has acknowledged the financial impact from CRO through its risk assessment, as summarised below. While the impact has not yet been quantified as required by IFRS S2, the company is committed to enhancing its processes and will continue to improve its assessment and disclosure practices moving forward.

CRO	Financial Impacts	
Physical Risks	**Operational Costs and Revenue Loss**	**Extreme Weather Events** Increased operational costs and potential revenue loss due to infrastructure damage and production disruptions. **Chronic Physical Risks** Long-term shifts in climate patterns may disrupt supply chains, raw material availability, and production processes, increasing operational costs.
	Business Costs	**Regulatory and Design Changes** Stricter building codes and complex design criteria for climate resilience could increase project costs. **Reputational / Public Perception** Failure to address climate risks could result in legal issues, compliance challenges, public backlash, and reputational damage.
	Healthcare Cost	**Employee Health and Safety** Rising temperatures and frequent heatwaves could affect employee well-being, increasing healthcare expenses and absenteeism.
Transition Risks	**Compliance Costs**	**Carbon Pricing & Regulation** Emerging carbon taxes and stricter emissions reporting may raise compliance expenses.
	Energy Costs	**Electricity Price Volatility** The shift to low-carbon energy could impact future electricity prices.
	Legal Liabilities	**Compliance and Litigation Risks** Non-compliance with evolving climate regulations could result in legal penalties.
Opportunities	**Green Revenue Growth**	**Innovative Solutions** Increasing demand for low-carbon technologies and sustainable practices presents new market opportunities. In FY2024, Puritec Technologies (S) Pte Ltd successfully completed the installation of central abatement system in Singapore, supporting our customer's sustainability efforts and promoting a greener future for the semiconductor industry. **Sustainable Partnerships** Collaborate with international partners to develop climate-friendly technologies, enhancing competitiveness and revenue.
	Brand Value & Market Position	**Reputation and Market Share** Strong climate action can build trust, improve brand value, and expand market share.

SUSTAINABILITY STATEMENT

S2 Pollution & Waste Management

Pollution Prevention & Compliance

Kelington recognises the heightened pollution risks inherent in manufacturing industries and prioritises environmental stewardship across all operations. We are committed to stringent pollution prevention measures, ensuring compliance with both local and international environmental standards. We proactively identify and mitigate risks while leveraging opportunities for innovation and efficiency.

Our equipment manufacturing facilities in Chuzhou, China operate within controlled cleanroom environments, ensuring that production processes meet high industry benchmarks for contamination control, air quality, and waste management. This setup minimises pollution risks from our operations and upholds strict environmental standards.

At our Kerteh facility, pollution risks are actively mitigated through rigorous monitoring initiatives. We engage an independent company to conduct monthly assessments of key environmental parameters, including water quality in nearby rivers, air quality noise level monitoring. These efforts align with the standards set by the Department of Environment ("DOE") Malaysia, ensuring transparency and accountability. Detailed sampling data is readily available for inspection upon request.
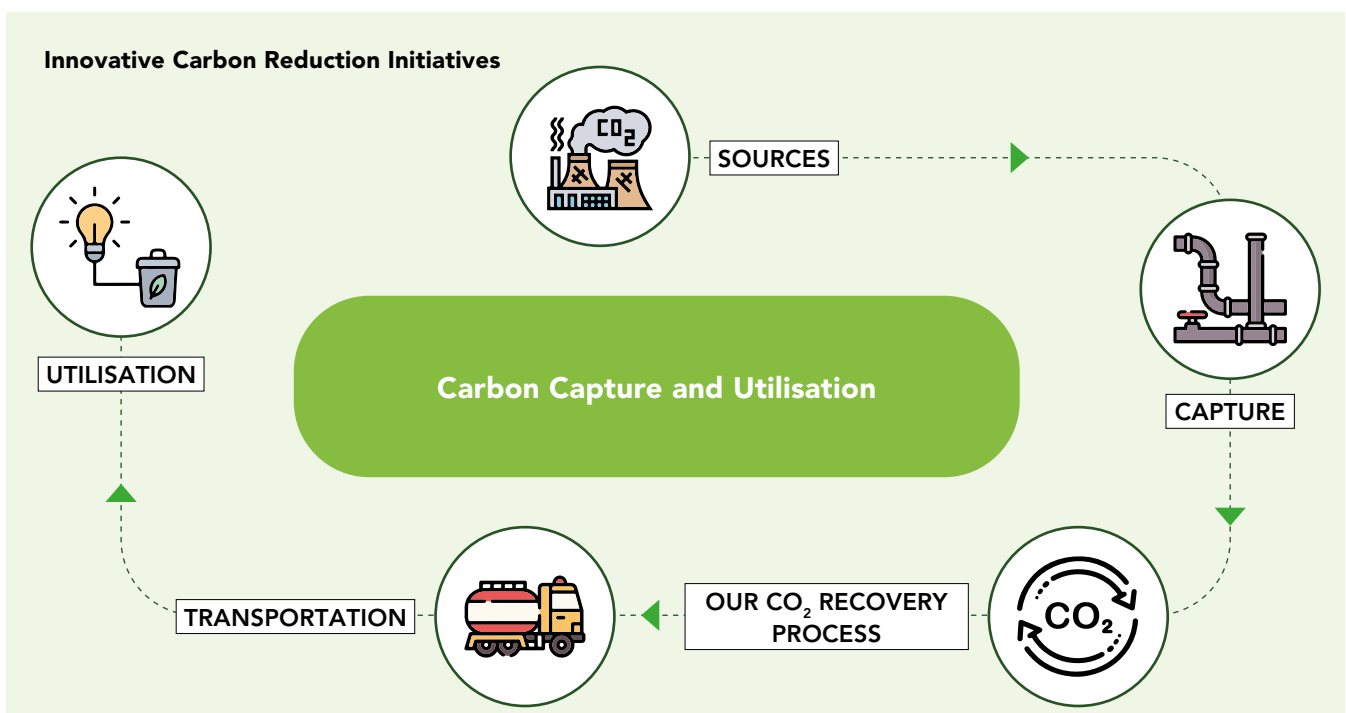
All monitoring data undergoes monthly review by our management team, with prompt corrective actions taken if test results approach alert thresholds. Additionally, a quarterly Environmental Monitoring and Auditing Report is submitted to the local DOE office, reinforcing our commitment to continuous oversight and improvement.

In FY2024, Kelington Group of companies recorded zero instances of non-compliance with local environmental regulations, resulting in no penalties related to pollution. This achievement underscores our steadfast dedication to environmental responsibility and operational excellence.

Industrial Gases Division: Strengthening Compliance & Waste Management

Within our Industrial Gases division, we focus on minimising scheduled waste generation through process optimisation and efficiency improvements, conducting routine monitoring and maintenance to mitigate leakage risks while ensuring operational safety and environmental protection, and implementing comprehensive emergency response planning. This includes employee training and rapid containment measures to swiftly address and remediate any hazardous waste incidents.

These proactive measures reinforce our commitment to reducing environmental impact, maintaining compliance with regulatory standards, and driving continuous improvement in sustainability.

Innovative Carbon Reduction Initiatives

SOURCES → CAPTURE → OUR CO_2 RECOVERY PROCESS → TRANSPORTATION → UTILISATION

Carbon Capture and Utilisation

Opportunities arise from adopting circular economy principles, as our LCO_2 manufacturing process captures CO_2 emissions from our raw gas supplier, a petrochemical complex, and converts it into liquid CO_2 (LCO_2), reducing greenhouse gas emissions. Captured CO_2 is utilised in various industries, including carbonation of beverages; industrial manufacturing processes; production of dry ice for cooling and transportation; and enhanced oil recovery.

This initiative reduces CO2 emissions that would otherwise be vented into the atmosphere while generating economic value from waste gases. In FY2024, our LCO_2 plant at Kerteh successfully captured 113,024 tonnes of CO_2 for reuse, helping reduce emissions and enhancing resource efficiency.

	Unit of measure	FY2022	FY2023	FY2024
Carbon Dioxide (CO_2) gas captured for reuse	tonnes	60,471	70,278	**113,024**

KGB is actively exploring innovative solutions in carbon capture, utilisation, and storage ("CCUS") to help industries reduce their carbon emissions. Our efforts aim to reduce industrial carbon footprints by capturing CO_2 at the source in industrial processes, repurposing it for commercial and industrial applications, and collaborating on long-term storage solutions, including the development of carbon storage hubs.

Sustainable Waste Management Practices

As part of our sustainability efforts, KGB is committed to minimising waste generation. Our Health, Safety, and Environment ("HSE") working group oversees the Group's waste management strategy, following the 4R Hierarchy: Reduce, Reuse, Recycle, and Recover.

As of FY2024, all our business operations have adopted the ISO 14001:2015 Environmental Management System, with the exception of our operations in Taiwan. Based on the number of project sites, this coverage represents approximately 87% of our total operations.

For our Engineering division, we implement key waste management strategies, with clear governance and accountability:-

Waste management strategies	Led by:-	Accountability
Value Engineering	Project & Design Teams	Enhancing designs and material efficiency to minimise waste generation at the source.
Active Employee Involvement	HR & Site Management	Fostering a culture of recycling through awareness and participation programs.
Effective Solid Waste Segregation	Site Supervisors & HSE working group	Implementing proper waste segregation at all project sites to maximise recycling potential.
Comprehensive Site Induction	HSE working group	Training staff and subcontractors on responsible waste management.
Continuous Monitoring & Improvement	Sustainability Working Group	As waste intensity varies according to project mix, we prioritise tracking and improving recycling rates to enhance overall waste management efficiency.

To minimise waste and enhance resource efficiency, we have implemented key waste management measures. Building Information Modeling ("BIM") is used to improve design efficiency, reduce material waste, and optimise resource utilisation. Systematic waste segregation is enforced at all construction sites, with designated on-site collection areas to facilitate recycling and proper disposal. Additionally, regulated waste disposal ensures that licensed waste collectors safely transport waste to approved treatment facilities, dumpsites, and landfills in full compliance with environmental regulations.

SUSTAINABILITY STATEMENT

Waste Management Overview: Generation & Recycling Summary

In FY2024, 97% of the total waste generated came from the Engineering division, while the Industrial division contributed only 3%. Kelington recycled 1,088.81 tonnes of waste, achieving a 66% recycling rate, reinforcing our commitment to resource efficiency, waste reduction, and circular economy principles. Our company's Engineering and Industrial divisions currently generate approximately 30% non-recycled waste out of their total waste produced. This figure reflects process-related waste that has not yet been diverted from landfills or incineration through recycling or reuse efforts.

The recycling rate varies based on the type of waste generated. In FY2024, the rate was particularly high due to the composition of non-hazardous waste, 67% of which was soil from underground piping works in Taiwan that was fully reused. However, if soil is excluded from the calculation, the overall recycling rate drops significantly to only 2.6%, highlighting a critical area for improvement in how other types of waste—particularly process-related and general industrial waste—are managed and recycled.

In FY2024, 41% of hazardous waste was generated and disposed of in Singapore. Hazardous waste—including chemicals and chemically contaminated clothing or rags—was collected in drums or totes and managed by a licensed vendor to ensure proper and compliant disposal.

Our operations in China are limited to installation works, with all activities conducted at customer sites equipped with waste management facilities. As a result, waste data from our China operations is not material or not applicable, as waste generation and disposal are managed in accordance with the customers' existing waste management systems.

FY2024	Unit of measure	Engineering Division	Industrial Gas Division	Total
Total Hazardous Waste generated	tonnes	24.98	34.62	59.60
Total Non-hazardous Waste generated	tonnes	1576.80	16.35	1593.15
Total Waste generated	tonnes	**1601.78**	**50.97**	**1652.75**
Total Hazardous Waste directed to disposal	tonnes	24.96	0	24.96
Total Non-hazardous Waste directed to disposal	tonnes	492.02	13.40	505.42
Total Waste directed to disposal	tonnes	**516.98**	**13.40**	**530.38**
		32%	26%	32%
Total Hazardous Waste diverted from disposal	tonnes	0.02	34.62	34.64
Total Non-hazardous Waste diverted from disposal	tonnes	1,084.78	2.95	1,087.73
Total Waste diverted from disposal	tonnes	**1,084.80**	**37.57**	**1,122.37**

	Unit of measure	FY2022	FY2023	FY2024
Total waste generated	tonnes	717	422	**1,652.75**
Waste management trend	%	+259	-41	**+292**
Non-hazardous waste recycled	tonnes	61	47	**1,088.81**

Target to achieve 30% Recycling Rate by FY2030				
Recycling Rate	%	8.5	11.1	**65.9**

Our Operations	Non-hazardous waste generated (tonnes)			How we manage Non-hazardous waste
	FY2022	FY2023	FY2024	
KE Malaysia	621	406	494.6	Manage waste in accordance to The Solid Waste and Public Cleansing Management Act 2007 as well as the local government rules and regulations.
Ace Gases	0	11	16.4	
KE Singapore	94	0	7.1	Dispose construction waste via site waste management facilities and in compliance with the waste management regulations.
KE China	1	3	0	
KE Taiwan	1	2	1075.1	
Total Non-hazardous Waste generated	717	422	1593.2	

Non-hazardous waste recycled	Unit of measure	FY2022	FY2023	FY2024
Metal	tonnes	60	44	10.9
Paper or Carton Boxes	tonnes	-	-	1.3
Wood	tonnes	1	3	0
Plastic	tonnes	-	-	1.6
Others	tonnes	-	-	1,075
Total Non-hazardous waste recycled	tonnes	61	47	1,088.8

Scheduled Waste Management

A small percentage of hazardous waste is considered intractable, meaning it requires specialised technologies and facilities for safe disposal. These scheduled wastes are strictly managed in compliance with regulatory standards to protect human health and the environment.

KGB is committed to handling scheduled waste in accordance with the Environmental Quality (Scheduled Wastes) Regulations 2005 and has implemented the ISO 14001:2015 Environmental Management System as a guiding framework for hazardous waste management.

The following scheduled wastes are applicable to Kelington's operations and are managed in compliance with regulatory requirements:

Scheduled waste classification under Malaysia's Environmental Quality (Scheduled Wastes) Regulations 2005	
SW104	Dust, slag, dross, or ash containing aluminium, arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium, or selenium, excluding slag from iron and steel factories.
SW305	Spent lubricating oil from machinery and equipment maintenance.
SW306	Spent hydraulic oil from operational processes.
SW409	Disposed containers, bags, or equipment contaminated with chemicals, pesticides, mineral oil, or other scheduled wastes.
SW410	Rags, plastics, papers, or filters contaminated with scheduled wastes.
SW411	Spent activated carbon, excluding carbon used in the treatment of potable water, food industry processes, and vitamin production.

These wastes are segregated, stored, and disposed of responsibly in accordance with environmental regulations and best practices.

	Unit of measure	FY2022	FY2023	FY2024
Scheduled Waste	tonnes	38	33	35

SUSTAINABILITY STATEMENT

E-Waste Management & Employee Awareness

E-waste consists of discarded electronic appliances that contain hazardous materials such as mercury, lead, beryllium, and cadmium. Improper disposal can release toxic chemicals into the soil, water, and air, posing serious health and environmental risks.

KGB adheres to the Environmental Quality (Scheduled Wastes) Regulations 2005, which categorises e-waste as Scheduled Waste SW110 First Schedule. Our approach includes raising employee awareness about responsible e-waste disposal, providing E-Waste Collection Stations at all Malaysia offices since FY2024 to facilitate proper disposal, and partnering with licensed DOE-registered e-waste recyclers to ensure safe and compliant disposal. Through these initiatives, we continue to promote responsible e-waste management, minimising environmental risks and supporting a circular economy approach.

Global Recycling Day 2024

On Global Recycling Day, we took a moment to reflect on the importance of sustainability and environmental responsibility. At Kelington, we are proud to contribute to a greener, more sustainable future through proactive waste reduction initiatives.

To mark this occasion, we organised special recycling events across our offices and project sites in Malaysia, uniting our team in collective action to minimise waste and conserve resources. Employees were encouraged to bring recyclable materials from home, contributing to our mission of responsible waste management. From paper and plastics to electronics, every effort counted toward reducing landfill waste and promoting circular economy practices.

A highlight of this year's initiative was the successful collection of 835kg of recycled waste on 18 March 2024, reinforcing our commitment to sustainability. The campaign also featured an engaging awareness talk, emphasising the environmental and social benefits of recycling, along with practical waste reduction strategies for daily life.

Through this initiative, KGB continues to cultivate a culture of environmental responsibility, ensuring that sustainability remains at the core of our operations.

S3 Resources Management

Kelington's Commitment to 100% Renewable Energy by 2045

Kelington is committed to achieving 100% renewable energy by 2045 as part of our broader sustainability and climate strategy. Our approach to climate-related risks and opportunities is guided by our Sustainable Development and Climate Change Position Statement, which provides a structured and accountable path toward a low-carbon future. We are also committed to continuously optimising resource efficiency across energy, water, and other utilities to reduce our environmental footprint.

Energy Management and Decarbonisation Strategy

Kelington's operations, spanning customer sites and fabrication facilities, are energy-intensive, particularly within our Industrial Gases manufacturing division, where 24/7 production necessitates a robust energy management framework.

To support our decarbonisation goals, we are implementing energy management strategy that leverages data analytics to track and optimise energy consumption, reduce inefficiencies, and lower greenhouse gas ("GHG") emissions. Additionally, we are optimising production processes by implementing best practices to minimise energy waste while continuously fostering a culture of sustainability.

Opportunities in Renewable Energy Transition

Kelington's commitment to achieving 100% renewable energy by 2045 presents significant opportunities for business growth, innovation, and industry leadership. By integrating advanced renewable technologies, we can strengthen our position as a leader in sustainable engineering solutions within Malaysia. Collaboration with renewable energy providers, government agencies, and sustainability-focused investors will enable us to maximise incentives and funding opportunities. Additionally, investing in renewable energy projects, carbon credit markets, and Renewable Energy Certificates ("RECs") will create both financial and environmental value, driving our transition towards a more sustainable future.

Renewable Energy Initiatives

Renewable energy is central to our sustainability vision. Since FY2011, we have installed and maintained solar photovoltaic ("PV") panels at our Shah Alam office, generating clean energy to support our operations. Despite efficiency challenges such as dust accumulation and environmental factors, our proactive maintenance measures have ensured optimal solar PV performance. In FY2024, our solar PV system generated 12,589 kWh of renewable energy, contributing to Kelington's carbon reduction efforts.

Moving forward, we are exploring opportunities to scale up our renewable energy adoption, including on-site solar installations at additional facilities and collaborations with renewable energy providers.

Pathway to 100% Renewable Energy by 2045

Moving forward, we are exploring opportunities to scale up our renewable energy adoption through various initiatives. These include conducting feasibility studies for mini and micro-hydro projects in Malaysia or ASEAN, securing Power Purchase Agreements ("PPAs") with hydro or green energy providers, and investing in small-scale hydro partnerships to generate Renewable Energy Certificates ("RECs") for Scope 2 offsetting. Additionally, we aim to leverage RECs to facilitate our transition to full renewable adoption while continuously exploring emerging renewable energy technologies and integrating them into our sustainability roadmap.

Enhancing Energy Resilience and Mitigating Climate Risks

Climate-related risks, including energy volatility and regulatory changes, are continuously assessed within our sustainability and risk management framework. To mitigate operational risks and enhance energy resilience, we conduct monthly energy performance assessments to identify inefficiencies and implement corrective actions, benchmark against industry standards to drive continuous improvement, and ensure preventive maintenance through regular equipment inspections to minimise downtime and energy wastage. Additionally, we actively engage stakeholders—including employees, partners, and suppliers—in climate action to align with our long-term sustainability commitments.

SUSTAINABILITY STATEMENT

Metrics & Targets

Target	Unit of measure	FY2022	FY2023	FY2024 (New Baseline)
Group Target 2045: 100% Renewable Energy Use	%	0	0	**0**
Industrial Gas Division - Target 2030: Reduce electricity intensity by 5%	MWh / RM'million EBITDA	664	452	**384**

Note:
The Group's renewable energy use is currently at 0%, with a minor contribution of 12,589 kWh from Kelington's Shah Alam office solar PV system in FY2024.

Renewable Energy	Unit of measure	FY2022	FY2023	FY2024
Solar Power Generated	KWh	11,236	13,908	**12,589**

Electricity Consumption
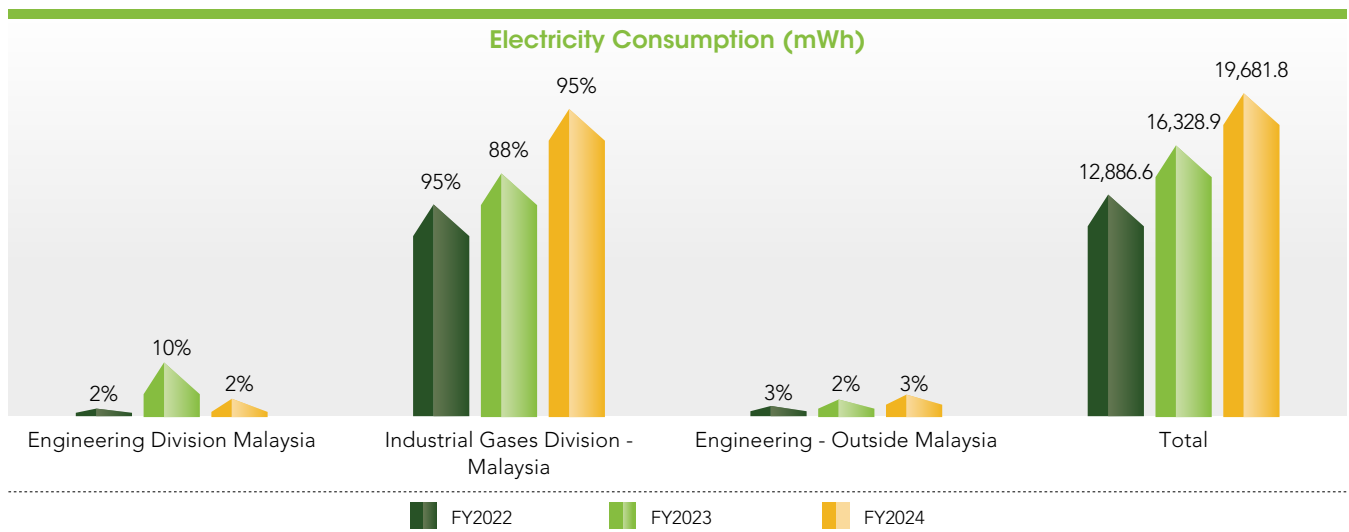
The Group's electricity consumption has shown an increasing trend in FY2024, primarily driven by the expansion of operations within the Industrial Gas division. This rise is closely aligned with the division's increased liquid CO_2 (LCO_2) production capacity, which is inherently more energy-intensive due to the processes involved in gas compression, liquefaction, and storage.

As illustrated in the chart above, the Industrial Gas division accounted for 95% of the Group's total electricity consumption in FY2024, highlighting its significant energy footprint. While this growth supports the Group's strategic positioning in the industrial gases market, it also underscores the importance of enhancing energy efficiency and exploring renewable energy integration to mitigate the associated environmental impact.

To better manage and monitor energy use, we track the energy performance of the Industrial Gas division through energy intensity, measured by the amount of electricity required to generate RM1 million in EBITDA. This metric helps guide operational improvements and informs our long-term sustainability strategy. Despite the overall increase in electricity consumption, energy intensity showed a declining trend in FY2024, reflecting improved operational efficiency as higher production volumes led to better energy utilisation. This positive development indicates progress toward more sustainable and cost-effective production practices.

Kelington remains committed to continuous improvement in energy efficiency and will further explore low-carbon technologies to align with climate-related financial risks and opportunities.

Water Management and Sustainability Commitment

Clean freshwater is a scarce and vital resource, making its responsible management essential. Recognising this, the United Nations has identified Clean Water and Sanitation as one of its Sustainable Development Goals ("SDGs"). In line with this, Kelington is committed to providing access to two of life's most fundamental necessities — clean drinking water and safe, private sanitation facilities — through the strict implementation of our water management plan.

Our Water Management Approach

Our approach to water management integrates engineering solutions, data analysis, regulatory compliance, and health and safety measures to support sustainable and responsible water use. As part of our efforts to address climate change, we design and install water treatment systems for our customers, enhancing their ability to manage water resources effectively and reduce environmental impact.

Our Plant Operations team actively monitors water consumption through regular data collection from water meters, analysing trends to set efficiency targets and swiftly implementing conservation measures when deviations occur. This not only enhances operational efficiency but also presents opportunities to reduce environmental impact and optimise resource use.

To maintain regulatory compliance, we closely monitor water discharges, conducting monthly water quality checks at our primary operating site in Kerteh, Terengganu, to meet Malaysian government standards. Additionally, to safeguard employee health and safety, our cooling tower water treatment systems are designed to prevent the growth of Legionella bacteria, ensuring a safe workplace and minimising health risks.

Although our operations are located in regions not classified as water-stressed or scarce, we recognise the intrinsic value of water and the potential risks posed by climate change, such as changing rainfall patterns and extreme weather events. As part of our long-term strategy, we remain committed to optimising water usage and exploring opportunities to implement technologies that enhance resilience against future water-related challenges. This proactive approach reflects our dedication to sustainability, environmental stewardship, and the protection of natural resources.

Water Withdrawal

Our primary water source is municipal potable water, drawn from local reservoirs. We do not utilise surface water (rivers, lakes, or ponds), groundwater (wells), or external wastewater. In FY2024, Kelington's total water withdrawal amounted to 59,243m³.

Water Withdrawal by sources	Unit of measure	FY2022	FY2023	FY2024
Surface water from rivers, lakes, natural ponds	m³	0	0	**0**
Groundwater from wells, boreholes	m³	0	0	**0**
Used quarry water collected in the quarry	m³	0	0	**0**
Municipal potable water	m³	31,241	76,813	**59,243**
External wastewater	m³	0	0	**0**
Harvested rainwater	m³	0	0	**0**
Sea water, water extracted from the sea or the ocean	m³	0	0	**0**
Total Water Withdrawal	m³	31,241	76,813	**59,243**

SUSTAINABILITY STATEMENT

Water Consumption

Water Consumption (m³)
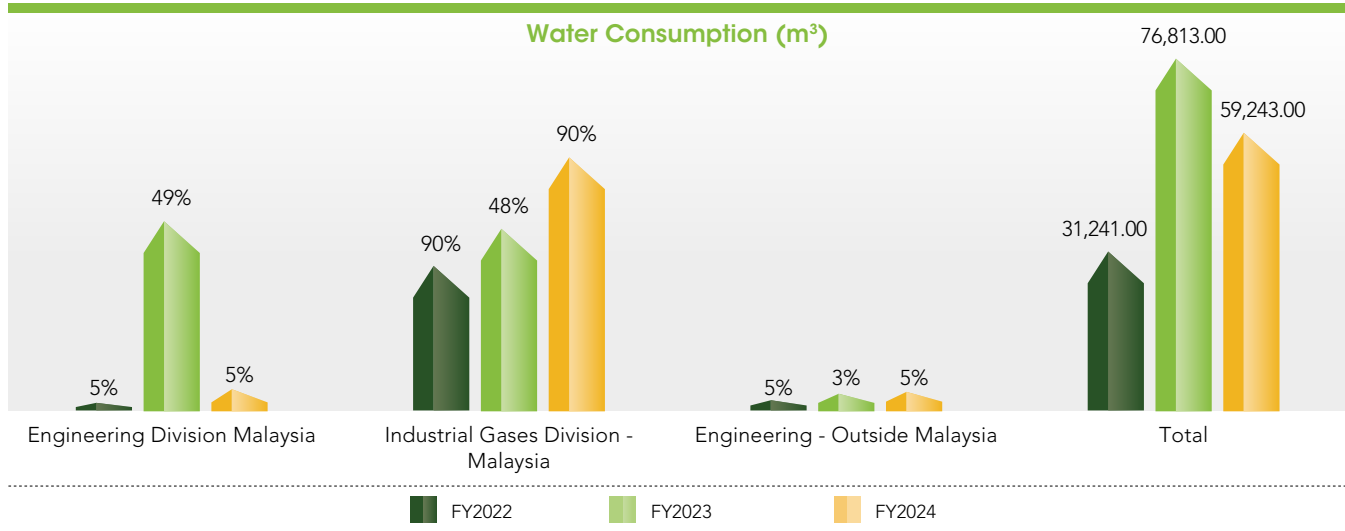
The analysis shows that 90% of the Group's total water consumption in FY2024 was attributed to the Industrial Gases division. As this division represents the bulk of water usage, Kelington has been monitoring water intensity for this segment since FY2020.

Water Intensity

In our Industrial Gases division, we measure water efficiency using water intensity parameters, assessing the water consumption required to generate RM1 million in EBITDA.

In FY2024, with the LCO_2 business division's EBITDA growing by 53%, overall water consumption increased by 46%. However, water intensity improved by 4.5%, demonstrating enhanced efficiency despite higher usage.

Industrial Gas Division - Target 2030	Unit of measure	FY2022	FY2023	FY2024 (New Baseline)
Reduce water intensity by 5%	m³ / RM'million EBITDA	1,508	1,153	**1,101.4**

Water Discharge & Environmental Compliance

Water discharge does not inherently translate to greater environmental impact; rather, its effects depend on discharge quality and the sensitivity of receiving water bodies.

Our LCO_2 manufacturing facilities in Kerteh generate a high volume of water discharge, which is non-hazardous and does not require treatment. This water is safely channeled to drains, eventually flowing into rivers and the sea. We conduct quarterly monitoring in accordance with the DOE's Environmental Management Plan, ensuring compliance with environmental regulations.

In FY2024, we recorded zero incidents of non-compliance, with no penalties related to water supply and discharge.

Water Discharge by destination	Unit of measure	FY2022	FY2023	FY2024
Ocean total discharge	m³	0	0	**0**
Surface water total discharge	m³	31,241	76,813	**59,243**
Subsurface / well total discharge	m³	0	0	**0**
Off-site water treatment total discharge	m³	0	0	**0**
Beneficial / other use total discharge	m³	0	0	**0**
Total Water Discharge	m³	31,241	76,813	**59,243**

S4   Support Biodiversity

Our Commitment to Biodiversity

Biodiversity plays a crucial role in maintaining functioning ecosystems, providing essential services such as oxygen production, clean air and water, pollination, pest control, and wastewater treatment.

Kelington recognises that economic activities and population growth can contribute to pollution and climate change, which pose risks to biodiversity.

As part of our commitment to environmental protection and biodiversity preservation, we integrate systematic management approaches to minimise our operational impact. Our Sustainable Development Position Statement reaffirms this commitment, ensuring that our business activities align with responsible environmental stewardship.

Key Initiatives & Strategies for Biodiversity Conservation

Kelington actively implements various strategies to mitigate biodiversity impacts and contribute to conservation efforts. We integrate biodiversity considerations into our environmental management systems to identify and address potential impacts. Through stakeholder engagement, we collaborate with government agencies and NGOs to support biodiversity conservation and promote sustainable practices. Environmental Impact Assessments ("EIA") are conducted for new projects to understand local ecosystems and implement effective mitigation measures. Additionally, we participate in reforestation and habitat restoration projects to enhance biodiversity and support ecosystem sustainability.

Biodiversity Conservation Targets & Progress

Goal	Key Initiatives	Progress
Generate Positive Biodiversity Impacts	Tree planting & habitat restoration projects.	A total of 470 new trees have been planted since FY2021.

While none of our operational sites are located within or adjacent to protected areas or biodiversity hotspots, we are committed to minimising our impact. Apart from our major gas plant in Kerteh, most of Kelington's operations take place at customer premises or within industrial zones.

At our Kerteh site, we assign local employees to monitor and manage our biodiversity impact through a structured approach. This includes conducting regular environmental audits that assess water quality, air quality, and noise levels, as well as implementing pollution prevention and mitigation measures to ensure compliance with local regulatory standards. Additionally, we perform monthly monitoring of air and water quality, particularly in nearby rivers, and submit quarterly Environmental Monitoring and Auditing Reports to Malaysia's Department of Environment ("DOE") to uphold our commitment to environmental stewardship.

In FY2024, all environmental test results remained within government-mandated limits, with zero negative feedback or penalties from authorities.

SUSTAINABILITY STATEMENT

Continuous Participation in Conservation Efforts

Tree Planting at Taman Botani Shah Alam

In 2024, Kelington organised a tree-planting initiative at Taman Botani Shah Alam to support urban reforestation and ecological conservation. With the participation of 20 dedicated employees, we successfully planted 200 native tree species, contributing to:

Restoring local biodiversity by creating habitats for birds, insects, and small mammals.	**Enhancing urban green spaces to improve air quality and mitigate the heat island effect.**	**Strengthening carbon sequestration efforts, aligning with our broader climate action strategy.**

This initiative reflects our commitment to biodiversity conservation, reinforcing our role in protecting ecosystems and fostering a healthier environment for future generations.