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## **IMPACT IN MOTION**

Reflecting a strategic commitment to operational excellence and environmental stewardship, **Impact In Motion** encapsulates a data-driven approach to integrating advanced environmental, social and governance practices into our business operations. Representing a methodical approach to managing carbon emission, for instance, we opted to optimise resources and work more efficiently, which resulted in measurable progress, enriching environmental performance and economic resilience.

Throughout this report, we share our disciplined pursuit of continuous improvements and technical rigour, a journey to preserve our Financial, Manufacturing, Intellectual, Human, Social and Relationship, and Natural Capitals to drive long-term value creation.



Scan this QR code to view our 2024 Integrated Annual Report, 2024 Audited Financial Statements and 2024 Sustainability Report. Other information on KPS Berhad is also available at www.kps.com.my



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# Chapter 0

# Climate Report [GRI 2-23, 2-24]

## **Building Climate Resilience: Redefining Environmental Stewardship**

Rising global temperatures and unprecedented climate challenges have reshaped our operating environment. With the planet now facing realities that were once unthinkable, our commitment to sustainability has evolved from obligation into strategic necessity. We have translated lessons from past sustainability targets into a roadmap where we can realistically plan for the future.

Our strategy focuses on four integrated areas of optimising energy use, reducing carbon output, minimising waste and preserving water resources that underpin responsible business practices. Reducing emissions is a focal point in determining our operational resilience in supporting our shift towards a low-carbon economy. Energy efficiency is both a strategic financial priority and a commitment to sustainable practices, delivering cost savings alongside environmental benefits. While our waste reduction efforts focus on optimising resource use and driving innovation, implementing effective water resource management minimises operational disruptions apart from mitigating the greater risks associated with global water scarcity.

These initiatives are not isolated efforts and are in fact the basis of our comprehensive approach to responsible business. Equally critical has been the mobilisation of over 3,500 employees across all levels. Over the years, deepening knowledge in sustainability has been cascaded across our workforce, ensuring they are wellinformed and equipped to take practical action.

#### So, how can we further engage our workforce and stakeholders in these initiatives?

Through the roll-out of targeted programmes, comprehensive training and clear performance metrics, we have already seen tangible improvements. We have seen commendable results in several areas, from the boardroom to the production floors of our manufacturing segment, positively impacting our financial situation, operational efficient and further embodying a culture of continuous environmental improvement. It is a measured, forward-looking response designed to secure our future in an increasingly demanding global economy.

#### **Our 4 Core Environmental Focus Areas**



Against this critical backdrop, KPS Berhad, with over 80% of its business anchored in manufacturing, has intensified its commitment to a transformative environmental strategy. While we have been guided by our Sustainability Framework outlined in Chapter 2 (Environment Commitments 1 and 2), ongoing awareness and educating our stakeholder groups has enabled us to address pressing environmental challenges.

Mapping our initiatives to strategically leverage the six capitals, Financial, Manufactured, Intellectual, Human, Social and Relationship, and Natural, has been central to our approach. By integrating sustainable practices across these areas, we are able to mitigate the risk of capital erosion and reinforce the resilience of each asset.

Incremental advances in technology and innovation strengthen our Manufactured and Intellectual capitals while supporting environmental stewardship. Sound financial management and proactive stakeholder engagement further secure our Social and Relationship capital, ensuring that Natural capital remains fundamental to our operations. This interconnected framework drives long-term value and sustainable growth for both our organisation and our stakeholders.

**Reducing Carbon Output** Adopting cleaner production methods to lower greenhouse gas emissions.

4 **Optimising Energy Use** Implementing energy-efficient technologies to

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## **Environment Commitment 1: Reducing Carbon Emission intensity by 45% and**

## Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

#### Material Matters [GRI 3-3]

KPS Berhad's Environment Commitment 1 is driven by two key matters:



#### Climate Change and Emissions

Managing rising temperatures and carbon emissions through proactive measures.



#### **Energy Efficiency**

Optimising energy use and reducing operational footprints.

#### Highlight

While this Material Matter: Climate Change and Emissions is ranked as a medium priority within our organisation, it remains an essential part of our commitment to balancing operational excellence with environmental responsibility.

#### **Strategic Focus Creating Value**

#### **Emissions Reduction**

We aim to decrease carbon emissions intensity by 45% by 2030, with the ultimate goal of achieving carbon neutrality by 2050.

#### **Regulatory Compliance**

Ensuring adherence to environmental regulations to maintain operational integrity and stakeholder confidence.

#### **Operational Integration**

Financial

Capital

Embedding sustainable practices into daily operations to enhance efficiency and environmental responsibility.

Manufactured

Capital

#### **Stakeholders**

Stakeholders' support and collaboration are vital as we implement strategies to reduce our environmental impact. Building and maintaining trust with stakeholders, including regulators, is essential.

#### Environment

Social and

**Relationship Capital** 

Our

Extending

<u><u></u>Human</u>

Capital

Intellectual

Capital

Reducing environmental burden and reinforcing ecological integrity through responsible practices that support long-term sustainability.

Natural

Capital

#### Material Matter: Climate Change and Emissions [GRI 3-3]

Addressing carbon emissions is a critical challenge in today's business environment, necessitating a balanced approach in managing our financial resources, manufactured assets and intellectual capital to achieve tangible reductions in emissions.

Our focus is reducing emissions and meeting regulatory requirements while embedding sustainable practices into everyday operations and decision-making. Building trust with stakeholders is central to this process, as their support and engagement will determine how far we can go.



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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

#### The Significance: Leading Climate Action for Sustainable Growth

Recognising the profound implications of climate change, we view these challenges as catalysts for innovation and leadership. By proactively addressing environmental risks, we aim to ensure regulatory compliance, safeguard our brand reputation and capitalise on opportunities to achieve the Group's environmental-related KPIs targets.

#### Aligning with Global Standards

Since 2019, KPS Berhad has succinctly redefined its sustainability reporting approach, shifting from a narrative-driven approach and better utilising data to effect change and present evidence of action. We have been continuously refining quantitative and financial data regarding impacts, understanding that data quality is essential.

Targeted investments in natural capital form part of our sustainable resource management strategy, allowing us to integrate eco-efficient practices into everyday operations. By upgrading facilities with green technologies, we not only reduce energy use and operational costs but also optimise resource consumption across our network. This approach safeguards essential inputs and builds a resilient value chain that can better withstand environmental risks and regulatory changes.

As global alignment with the International Sustainability Standards Board ("ISSB") standards gathers pace, we are gearing up efforts by transitioning from the TCFD recommendations to the more standardised and data-centric IFRS S2.

Our approach is centred on leveraging high-quality data that directly informs our decision-making processes. By capturing precise metrics, we pinpoint areas for improvement and develop focused programmes that drive operational efficiencies and generate measurable financial and non-financial outcomes.

While at an early pace, we are already establishing the groundwork to align reporting with the NSRF as mandated by the Securities Commission and Bursa Securities. As a Group 2 listed issuer, we will be required to integrate the NSRF framework with IFRS S2 requirements starting in 2025. The rollout of quantitative disclosures on climate-related risks will begin with the financial year ending in 2026.

This dual-alignment method not only ensures regulatory foresight and operational excellence but also transforms sustainability reporting from a narrative exercise into a rigorous, evidence-based discipline. Through precise, data-driven insights, we equip our stakeholders with a transparent view of how targeted initiatives are delivering measurable reductions in carbon emissions and reinforcing our competitive edge in an increasingly climateconscious global marketplace.

#### Highlight

In 2024SR we have renamed the TCFD report to **'Climate Report'** to better align with stakeholders' expectations, particularly regulators in disclosing climate-related information.

#### ✓ Pathway to Strategic Climate Action

Guided by our Carbon Neutrality 2050 Roadmap and under the strong oversight of our TCFD Committee, KPS Berhad launched its inaugural TCFD report in 2024. By 2024, the Committee had rigorously identified and evaluated climate-related risks and opportunities across KPS Berhad and its subsidiary companies, setting the stage for practical and decisive climate action. Recognising that strategy can only succeed with proper implementation and execution, we are determined to turn actionable insights into meaningful impact.

#### ✓ Key Focus Areas and Targets [GRI 305-5]

#### • Emission Reduction

Targeting a 45% reduction in emissions intensity by 2030, we are primarily focused on Scope 1 and Scope 2 emissions, which constitute 92% of our total emissions.

#### • Scope 3 Expansion

Currently tracking emissions from employee commuting and business travel, we plan to expand our inventory from 2026 to include upstream and downstream transportation, distribution, and operational waste.



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#### **Our Approach: Building Climate Resilience**

KPS Berhad

Achieving our climate goals requires more than just incremental improvements; it calls for embedding climate risk management into aspects of our operations.

Guided by the NSRF as a strategic blueprint rather than a compliance tool, we drive sustainable corporate decision-making with purpose and good governance practices. Integrating data analytics into our climate resilience strategy significantly enhances our ability to manage environmental risks and drive innovation.

By analysing extensive datasets related to energy consumption, supply chain operations and resource utilisation, we can identify inefficiencies and implement targeted improvements. Ultimately, this approach not only reduces our carbon footprint but also leads to cost savings and operational efficiencies.

Incorporating predictive analytics enables us to anticipate and mitigate potential climate-related disruptions, thereby strengthening the resilience of our value chain. Embracing data-driven strategies ensures that our sustainability initiatives are both effective and aligned with global standards, which urges us forward in corporate climate responsibility.

#### GOVERNANCE

**Enhanced Board Oversight and Strategic Integration** 

The SBC plays a pivotal role in leading the Group's climate governance efforts, with support from the TCFD Committee and the BGRC. Tasked with overseeing the decarbonisation action plan and steering the organisation toward carbon neutrality, the SBC ensures that sustainability is integrated into every level of decision-making across the Group.

The SBC comprises five Directors from the Board, including the MD/GCEO, Ahmad Fariz bin Hassan. The committee meets at least twice annually to review progress on the Group's sustainability initiatives and assess climate-related risks and opportunities. These meetings enable informed decision-making to advance the Group's sustainability agenda while addressing emerging challenges and tapping into opportunities for sustainable growth.

Each subsidiary company allocates dedicated resources for sustainability initiatives as part of their annual business plans. After thorough deliberation, the SBC seeks the Board's approval to initiate Group-wide climate actions, with the Board directly monitoring progress to ensure alignment with our targets.

#### **Revised Terms of Reference for Effective** Governance

In 2024, we revised the SBC's Terms of Reference ("TOR") to align with current objectives and challenges. The updated TOR clearly outlines the responsibilities of the Committee in managing climate-related risks and opportunities in accordance with Bursa Securities' MMLR. This enhancement ensures that the SBC can effectively assist the Board in fulfilling its statutory and fiduciary duties regarding sustainability.

#### ✓ Collaborative Integration and Accountability

The IRSC department keeps the Group abreast of evolving regulatory requirements and climate-related issues. At the same time, the RMD supports our efforts in addressing sustainability risks and opportunities. To further reinforce accountability, sustainability responsibilities have been integrated into Senior Management performance evaluations, directly linking their compensation to ESG performance.

Notably, the Group has made good progress in achieving its key ESG milestones, including the identification of climate risks and opportunities for all subsidiary companies in alignment with IFRS requirements, as well as firming up the boundary of the Group's existing Scope 1 and Scope 2 emissions at the subsidiary company level, both of which have already been successfully achieved.

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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

Key 2025 Climate-Related KPI Achievements	Status 🔍 🔵 🔵
Identifying climate risks and opportunities for all	
IFRS S2 requirements.	Achieved
Firming up the boundary of the Group's existing Scope 1 and Scope 2 emissions at	
subsidiary companies.	Achieved

#### ✓ Driving Climate Action through Informed Decision-Making

In 2024, KPS Berhad's TCFD Committee successfully conducted its inaugural assessment of climate risks and opportunities, a milestone that spurred the launch of our first Group-wide Carbon Intensity Reduction Plan. With the strategic approach approved by the SBC and the Board, detailed initiatives targeting operational efficiency, RE, decarbonisation and carbon offset mechanisms are now being implemented.

#### RISK MANAGEMENT Mitigating Sustainability Ris

Mitigating Sustainability Risks Proactively and Holistically

Our resilience is underpinned by an enhanced ERM framework developed in line with the ISO 31000:2018 International Standard. This framework enables us to proactively identify, evaluate and manage key risks, including those arising from sustainability and climate change, which are vital for maintaining business resilience and building stakeholder trust.

#### ✓ Sustainability Risk Management

Our ERM process covers a wide range of risks that may impact the Group financially, reputationally, or even legally. The RMD assesses key indicators and factors, determining whether each risk poses a substantive financial or strategic impact on our operations. This detailed assessment categorises risks as insignificant, minor, moderate, major, or catastrophic, and the outcomes are mapped onto our Risk Profiling, which is presented to the Board and the BGRC on a quarterly basis.

Most recently, the climate risks, which encompass both physical risks from climate events and transition risks from evolving regulations and market shifts, have been carefully evaluated.

#### Risk Management Procedures

Central to our approach is a structured process of controls, procedures, and assessments that align with our defined risk appetite. Key components include:

#### Exposure Analysis based on Risk Rating

Determining the impact and likelihood of each risk.

#### **Existing Controls Evaluation**

Reviewing current measures and identifying gaps.

#### **Effectiveness Analysis**

Assessing whether controls reduce risks to acceptable levels.

#### **Action Plan Reviews**

Monitoring the progress of corrective measures.

#### **Compliance Checks**

Ensuring all activities meet regulatory and internal standards.

Within the Group, sustainability-related risks particularly those related to climate change, are currently assessed as low risk, comparable to other key risks such as cybersecurity, cost escalation, and non-compliance. However, despite this assessment, we remain vigilant in monitoring and addressing emerging climate-related challenges to ensure proactive risk management. This commitment reinforces our ability to adapt and also ensures alignment with the requirements of IFRS S2, which mandates robust identification, assessment, and disclosure of climate-related risks and opportunities. Chapter 1:
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#### Managing Climate Risk and Opportunity

The TCFD Committee has adopted a holistic approach to managing climate-related risks and aligning them with our overall strategy. Physical and transition risks are assessed through detailed scenario analyses, ensuring that our approach remains forward-looking and resilient.

KPS Berhad conducted its climate risk scenario analysis using the Representative Concentration Pathways ("RCPs") outlined in the IPCC's Climate Change 2015 Synthesis Report. The range of climate scenarios is determined after identifying the key risk and opportunity drivers relevant to our business.

However, beginning in 2024, we shifted our analysis to the Shared Socio-economic Pathways ("SSPs") as recommended in the IPCC's Climate Change 2023 Synthesis Report. The SSP framework offers a broader perspective on potential futures by considering a wider range of greenhouse gas and air pollutant scenarios compared to the RCPs. Although both frameworks are similar, SSPs typically project higher levels of effective radiative forcing for scenarios with the same label.

#### **Climate Scenario of IPCC**

**SSP1 (Sustainable Development):** A world increasingly focused on sustainability, preserving global commons and respecting the limits of nature.

**SSP2 (Middle-of-the-Road Development):** Extrapolates past and current global development trends, with diverging income trends and moderate cooperation between states.

**SSP3 (Regional Rivalry):** Characterised by a revival of nationalism and regional conflicts, with policies increasingly focused on national and regional security.

**SSP4** (Inequality): A scenario where the chasm between developed and developing societies widens, with environmental policies being successful in some regions but not in others.

**SSP5** (Fossil-Fueled Development): Global markets are increasingly integrated, leading to innovations and technological progress, but with a focus on fossil fuels and resource-intensive development.

#### Risk Assessments Based on Climate Scenarios of IPCC's Shared Socio-economic Pathways ("SSPs")



#### Global Mean Surface Temperature Change (°C) by 2100

CCD1	Stringent climate policies, innovations, and measures are in place to reach global net zero	RCP2.6	
JJFI	Limit warming to 1.5°C with no or limited overshoot	Limit warming to 2°C.	
SSP2	Assume all announced climate pledges to be met in full and on time. Governments focus on the "ambition gap" that must be closed to achieve the agreed-upon goals.	RCP4.5 Limit warming to 3°C.	
SSP5	Global temperature is estimated to rise above 4.0°C	<b>RCP8.5</b> No climate action is taken	

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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

#### **Risk Assessment based on 3 Different Scenarios of IPCC's SSPs**

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KPS Berhad primarily focuses on analysing the SSP1/ RCP2.6 and SSP2/RCP4.5 scenarios to evaluate the financial impacts of transition risks. In worst-case scenarios, such as SSP5/RCP8.5, the Group anticipates significant implications on its business from physical risks.

Our analysis highlights that transition risks are most significant in scenarios with warming limited to 1.5°C or less. This is due to the growing demand from stakeholders for a rapid transition to low-carbon operations. Conversely, physical risks become most severe in a business-as-usual scenario, where temperatures rise by 4°C without meaningful mitigation efforts.

#### Highlight

As part of the assessment, the TCFD Committee evaluated the identified climaterelated risks, both transitional and physical, and the corresponding opportunities by engaging with our five subsidiary companies.

Dedicated meetings were held across all subsidiary companies to **identify climaterelated risks and opportunities**, evaluate the likelihood of their occurrence and discuss their potential impacts on each entity. Following these discussions, KPS Berhad consolidated the identified risks across all subsidiary companies. Risks with similar characteristics were grouped to streamline the analysis and provide clearer insights. The assessment further considered the potential financial and reputational implications of these risks, thereby providing a basis to guide our future actions.

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Ris	ks Types —	Risks & Opportunities	Potential Financial Impacts	
P TRAI	NSITIONAL			
Pol	licy	Regulatory updates in ISO standards (ISO 14001, ISO 15378, ISO 45001) require manufacturing	<ul> <li>Increased expenses for system upgrades, audits, and certifications.</li> </ul>	
		companies to integrate climate change considerations into their management systems.	<ul> <li>Need for process changes to align with new climate-related requirements.</li> </ul>	
		Energy Audits & Costs	<ul> <li>High-energy-consuming factories (&gt;8,000 sqm) must undergo energy audits, increasing OpEx.</li> </ul>	
		Stricter Waste Regulations	• Fines for non-compliance with air waste regulations.	•
Тес	chnology	High Investment Cost	<ul> <li>Electrical injection moulding machines with improved efficiency are costlier than hydraulic options.</li> </ul>	
			<ul> <li>Inkjet printer has a higher cost but reduces ink wastage.</li> </ul>	•
		Automation Investment Risks	• Partial automation can create bottlenecks, requiring a full process redesign, leading to higher CapEx and training costs.	
Ма	arket	ESG Compliance & Certification Cost	<ul> <li>More companies require higher ESG ratings (EcoVadis and Responsibile Business Alliance) increasing certification costs.</li> </ul>	
		Customer Demands on Sustainability	<ul> <li>Large clients demand Scope 1, 2 and 3 GHG emissions data</li> </ul>	•
			<ul> <li>Customers demand eco-friendly chemicals due to regulations, increasing procurement costs.</li> </ul>	•
Rej	putational	Carbon Tax	<ul> <li>Might face higher operational costs compared to those in countries without such a tax, potentially affecting exports.</li> </ul>	

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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

	Risks Types —	Risks & Opportunities	- Potential Financial Impacts	
Ŷ	PHYSICAL			
	Acute	Flooding Risks due to roofing leaking issues	<ul> <li>Water accumulation in production areas causes safety hazards, operational disruptions and financial losses.</li> </ul>	
		Dengue & Health Risks	<ul> <li>Increased fogging due to rising dengue cases affects worker health and productivity.</li> </ul>	
		Road & Supply Chain Disruptions	<ul> <li>Flooding near warehouses disrupts logistics and supply chain reliability.</li> </ul>	•
		Water Supply Issues	<ul> <li>Water disruptions in Penang forced a one-day production shutdown, requiring overtime pay to recover backlog.</li> </ul>	•
		Severe Storm Damage	<ul> <li>Heavy storms and strong winds have damaged factory ceilings, causing water leaks, production downtime and equipment loss.</li> </ul>	
		Chemical Supply Disruptions	<ul> <li>Rising temperatures impact chemical production in China, affecting Aqua-Flo's stock availability.</li> </ul>	
		Extreme Heat & Worker Productivity	<ul> <li>Rising temperatures in injection moulding facilities affect worker retention and performance.</li> </ul>	
		Inefficient Ventilation	<ul> <li>Heat buildup (35°C tolerance limit) slows glue drying, causes fungal growth and poses health risks.</li> </ul>	
	Chronic	Rising Sea Levels	<ul> <li>Parts of Penang's coast may be underwater by 2100, posing long-term operational risks.</li> </ul>	
٩_	OPPORTUNITY			
	Market	Increased Demand for Chlorine	• Higher rainfall increases chlorine demand for water treatment, impacting costs.	

Legend

Low Impact





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Having embedded sustainability into our ERM framework, the TCFD Committee is now committed to further exploring the VaR assessment across the operating facilities. This next step will help us more precisely analyse KPS Berhad's risk exposure to climate change, including operational issues such as new climate-related regulations, weather-related disruptions, and natural disasters. At this stage, our inaugural climate risk and opportunity assessments have taken a qualitative approach. We have not yet modelled the potential financial impacts of different climate scenarios with historical data. As our efforts progress, we will continue to explore options for incorporating more quantitative analysis into our assessments.

Aligned with FTSE Russell indicators as guidelines, our reporting further details how climate-related risks and opportunities are integrated into our overall strategy. Specifically, we:

- Detail how we incorporate climate change risks and opportunities into our strategic initiatives, ranging from climate adaptation to climate mitigation measures.
- Disclose the impact of these risks and opportunities • on our financial planning, including OpEx, CapEx, mergers and acquisitions and debt management.

#### **STRATEGY**

**Phased Climate Actions and Initiatives for Achieving Sustainable Progress** 

Sustainability at KPS Berhad

KPS Berhad's strategic vision for climate action is focused on reducing carbon emissions intensity by 45% by 2030 and achieving carbon neutrality by 2050.

To attain these ambitious targets, the Group is employing a phased approach, breaking down long-term climate goals into manageable steps. The strategy is designed to be implemented in distinct phases, each with tailored, specific actions targeting key areas of emissions reduction. These phases will be informed by continuous assessments, with each step offering measurable results over shorter, tactical timelines.

#### **Setting Climate Actions in Phases**

Each phase of the strategy will focus on advancing specific climate actions, ensuring that KPS Berhad stays on track to meet its climate-related goals. The Group remains committed to optimising its operations framework and continuously refining its approach to maintain momentum and scale efforts towards achieving carbon neutrality by 2050.

Our climate adaptation initiatives are planned to enhance resilience against climate-related risks while ensuring sustainable growth across our operations. To achieve this, we have identified four strategies that guide our targeted investments and operational transformations.



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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

#### ✓ Strategy 1: Enhancing Energy Efficiency

Taking deliberate steps to enhance energy efficiency and reduce its reliance on fossil fuels, we began closely examining current energy use through energy audits. These audits are expected to help identify areas of hot spots in our energy consumption and provide a roadmap for improvement. At the same time, the Group is rethinking how things are done by reengineering key business processes. By simplifying workflows and eliminating redundancies, KPS Berhad aims to make better use of resources while reducing waste.

On the ground, tangible changes are already underway. Energy-efficient lighting and HVAC systems are being installed in facilities, cutting down on electricity consumption without compromising comfort or productivity. In manufacturing, advanced robotic production lines are being introduced to streamline operations, improve precision and lower energy demands. These upgrades reflect our efforts to incorporate technology to achieve both operational and environmental goals.

Green mobility is also part of the equation. The Group is exploring ways to adopt cleaner transportation solutions, which will help reduce its carbon footprint and align with broader sustainability objectives.

Product life cycle assessments are being considered to be undertaken in 2025 to understand better and mitigate the environmental impact of products throughout their lifespan.

#### Strategy 2: Transitioning to RE

Gaining traction in opting for RE, we have successfully deployed solar panels at some of our operating facilities in efforts to utilise cleaner energy sources. By harnessing solar power, particularly at our subsidiary companies, we are steadily reducing our reliance on fossil fuels and strengthening our sustainability credentials.

To further accelerate this shift, we are exploring opportunities such as the Green Electricity Tariff ("GET") Programme, which taps into low carbon electricity supply.

#### Strategy 3: Accelerating Decarbonisation

Our decarbonisation efforts are focused on electrifying fuel-dependent machinery and adopting low-carbon emission technologies. By transitioning from traditional fuel-powered equipment to electric alternatives, we aim to reduce carbon emissions while enhancing energy efficiency across our operations. In parallel, we are investing in advanced low-carbon technologies to optimise our processes further and minimise our environmental footprint.

#### ✓ Strategy 4: Implementing Carbon Offset Mechanisms

As we plan for the future, we acknowledge that some emissions may remain unavoidable despite our efforts to minimise them. To address this challenge, we plan to implement carbon offset mechanisms as a strategic component of our sustainability initiatives. These measures will help neutralise our residual carbon footprint and also prepare us for potential regulatory developments, such as the introduction of carbon taxes or other environmental policies.

Our approach centres on three key strategies of:

- purchasing Renewable Energy Certificates ("RECs");
- acquiring Voluntary Carbon Credits ("VCM"); and
- supporting nature-based sequestration projects.

By investing in RECs, we wil be contributing to RE infrastructure development in the country, helping to displace fossil fuel-based energy and reduce emissions linked to our operations. Through VCM, we are open to support verified projects focusing on reducing or removing greenhouse gases, amplifying our contribution to global climate action.

Additionally, nature-based solutions, such as reforestation and ecosystem restoration, are being considered. These initiatives can effectively capture and store carbon while enhancing biodiversity, restoring natural ecosystems, and strengthening environmental resilience. Integrating these efforts provides a response to unavoidable emissions, generating broader ecological and social benefits. Chapter 1:
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#### Our Data Performance: Expanding Our Carbon Accounting for Greater Transparency

In 2024, KPS Berhad significantly broadened its carbon emissions baseline, encompassing all subsidiary companies with manufacturing operations not only in Malaysia but also in Indonesia, China and Vietnam. As expected, the majority of our emissions originate from our manufacturing segment, particularly from Toyoplas, CPI, CBB and MDS Advance. This expansion marks a critical step in strengthening our climate strategy, enabling us to track and manage our carbon footprint with greater accuracy across our regional operations.

#### Highlight

For this reporting period, we have disclosed Scope 1 and 2 emissions, along with two key categories of Scope 3 emissions, business travel and employee commuting, both of which are directly relevant to our business.

Looking ahead, we are actively working to expand our Scope 3 coverage, with plans to include emissions from upstream and downstream transportation and distribution in the near future.

#### A Structured Approach to Carbon Accounting

KPS Berhad follows internationally recognised methodologies for emissions calculation, aligning with the GHG Protocol, a globally accepted corporate accounting and reporting standard. We ensure precision in our reporting by using relevant emissions factors from:

Scope 1 PCC Guidelines for National Greenhouse Gas Inventories

- Malaysia: Grid Emission Factor (GEF) in Malaysia, 2017-2022, by Malaysia Energy Information Hub.
- Indonesia: Faktor Emisi Gas Rumah Kaca (GRK) Sistem Interkoneksi Ketenagalistrikan by Kementerian Energi dan Sumber Daya Mineral Direktorat Jenderal Ketenagalistrikan.
- Vietnam: Publication of greenhouse gas emission scenarios for 2024 by the Ministry of Natural Resources and Environment of Vietnam
- China: Publication of the 2022 carbon dioxide emission factors for electricity by the Ministry of Ecology and Environment of the People's Republic of China.



Scope 2

Conversion factors 2024: Condensed set (for most users) - updated 8 July 2024 by the Department for Energy Security and Net Zero, United Kingdom.

#### KPS Berhad's GHG Emissions Scope Breakdown



Scope 1: Direct emissions from stationary and mobile sources within our manufacturing facilities and other sources owned or controlled by KPS Berhad.

**Scope 2:** Indirect emissions from purchased electricity used across our operations.

**Scope 3:** Indirect emissions associated with business travel and employee commuting.

#### ✓ Clarification on Other Emissions

At present, data on nitrogen oxides ("NOx"), sulfur oxides ("SOx") and other ozone-depleting substances ("ODS") are not recorded or disclosed, as KPS Berhad's sustainability focus is centred on carbon reduction. Given the nature of our operations, these other emissions substances are not deemed significant contributors to our overall environmental impact.



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#### Our Progress in Enhancing the Scope and Boundaries of Emissions [GRI 305-1, 305-2, 305-3, 305-4, 305-5]

		(fcos)	Æ		
		Scope 1	Scope 2	Scope 3 (Employee Commuting)	Scope 3 (Business Travel)
_		2024: NA	<b>2024:</b> 🗹	2024: 🗹	<b>2024:</b> ☑
kps,	KPS Berhad	2023: NA	2023: 🗹	2023: 🗹	2023: 🗹
		2022: NA	2022: 🗹	2022: 🗹	2022: 🗷
		<b>2024:</b> ☑	<b>2024:</b> 🗹	2024: 🗹	<b>2024:</b> 🗹
TOYOPIAS	Malaysia	2023: 🗹	2023: 🗹	2023: 🗹	2023: 🗹
TOTOPLAS	-	2022: 🗹	2022: 🗹	2022: 🗷	2022: 🗷
		2024: 🗹	<b>2024:</b> ☑	2024: 🗹	<b>2024:</b> 🗹
7040	Indonesia	2023: 🗹	2023: 🗹	2023: 🗹	2023: 🗹
TOTOPLAS		2022: 🗷	2022: 🗹	2022: 🗷	2022: 🗷
		2024: 🗹	<b>2024:</b> 🗹	2024: 🗹	<b>2024:</b> ☑
7040	Vietnam	2023: 🗷	2023: 🗷	2023: 🗷	2023: 🗷
TOTOPEAS		2022: 🗷	2022: 🗷	2022: 🗷	2022: 🗷
		2024: 🗹	<b>2024:</b> ☑	2024: 🗹	2024: 🗹
7040	China	2023: 🗷	2023: 🗷	2023: 🗷	2023: 🗷
TOTOPLAS		2022: 🗷	2022: 🗷	2022: 🗷	2022: 🗷
-		2024: 🕅	2024: 🕅	2024: 🗹	2024: 🗹
CPI	Malavsia	2023: 🗹	2023: 🗹	2023: 🗹	2023: 🗵
	,	2022: 🗹	2022: 🗹	2022: 🗷	2022: 🗷
		2024. 🖂	2024.17	2024. 🖂	2024.17
	Malaysia	2023.	2023.	2023. 1	2023.
WIDS	malaysia	2022: 🗷	2022: 🗹	2022: 🗵	2022: 🗷
		2024: 🕅	2024: 🕅	2024: 🗹	2024: 🕅
63	Malavsia	2023: 🗹	2023: 🗹	2023: 🗹	2023: 🗵
	,	2022: 🗹	2022: 🗹	2022: 🗷	2022: 🗷
		2024: 🗹	2024: 🗹	2024: 🗹	<b>2024:</b> 🗹
SS	Indonesia	2023: 🗹	2023: 🗹	2023: 🗷	2023: 🗷
		2022: 🗷	2022: 🗷	2022: 🗷	2022: 🗷
Aaua-flo		2024: 🗹	<b>2024:</b> 🗹	2024: 🗹	<b>2024:</b> 🗹
	Malaysia	2023: 🗹	2023: 🗹	2023: 🗹	2023: 🗷
	-	2022: 🗹	2022: 🗹	2022: 🗷	2022: 🗷

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KPS Berhad     Chapter 1:     Chapter 2:     Chapter 3:     Chapter 3:     Chapter 3:       Overview     Sustainability at KPS Berhad     Economic Prosperity     Climate	late Report

**Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050** [GRI 2-23, 2-24, 3-3, 201-2]



Note: Figures stated may not add up due to rounding of decimals NA: Not Available

Chapter 5: Social Well-being	<ul> <li>Chapter 6:</li> <li>Governance Ethics</li> </ul>	<ul> <li>Chapter 7:</li> <li>Our Aspiration</li> </ul>	<ul> <li>Additional Information</li> </ul>	2024 Sustainability Report -99





Note: Figures stated may not add up due to rounding of decimals NA: Not Available Chapter 1: Overview

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Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

#### **INCREMENTAL INNOVATIONS IN OUR OPERATIONS**

2024 Sustainability Report



**IMPACT STORY 4 CBB: Breakthrough in Reducing Natural Gas Consumption** 

Traditionally, the company relied on a liquefied natural gas ("LNG") powered heating oven to dry moulded pulp products, a process that, while effective, consumed a significant amount of energy and contributed to high Scope 1 emissions.

With rising LNG prices and sustainability becoming a key priority, CBB sought an innovative solution to reduce dependency on LNG without compromising production efficiency.

#### ✓ The Initiative

CBB installed an eco-friendly ventilation system designed to dry moulded pulp using a combination of blowing fans and natural sunlight instead of gaspowered heating. This initiative was a fundamental shift in production methods, allowing for a more energy-efficient drying process while maintaining product quality.

#### The Outcome

#### **Significant Cost and Emission Reductions**

• By implementing the ventilation system, LNG usage decreased by 41%, dropping from 6,482.1 MMBtu in 2023 to 3,848.7 MMBtu in 2024, leading to substantial cost savings by RM126,795.37 and a marked reduction in Scope 1 emissions.

#### **Increased Production Output with Lower Energy Usage**

- Despite reducing LNG consumption, the 2024 output for dry moulded pulp products hit 1,478,984 units.
- Highlights the new system's effectiveness in enhancing operational efficiency while reducing carbon emissions.

The success of this initiative demonstrates how innovative solutions can drive both financial and environmental benefits. By reducing its reliance on LNG while improving production efficiency, CBB is actively contributing to KPS Berhad's long-term decarbonisation goals.

#### Our Outlook:

#### Sustaining Momentum in Climate Action

Building on the progress made in 2024, KPS Berhad remains steadfast in strengthening its climate action strategies by continuously improving operational efficiency and accelerating decarbonisation activities. With our subsidiary companies playing a key role in emissions reduction, we will refine our targets and progressively extend our Scope 3 coverage to gain a more comprehensive understanding of our carbon footprint.

Moving forward, we will continue to embed sustainability into our business decisions, ensuring that future investments align with our carbon intensity reduction plan. While challenges such as regulatory shifts and evolving stakeholder expectations remain, our structured and measured approach will keep us on track towards reducing carbon intensity and ultimately achieving our long-term climate goals.

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Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]



CBB's molded pulp products are produced using the ecofriendly ventilation system.

Financial

Capital

Legend

Manufactured

Capital

Intellectual

Capital

Human

Capital



As part of our materiality assessment process, **Energy Efficiency** has been identified as a **medium priority** matter, reflecting its balanced significance in driving both financial performance and environmental sustainability.

Social and

**Relationship Capital** 

Natural

Capital

#### The Significance: Building Competitive Advantage through Energy Innovation

As sustainability takes centre stage, businesses are under increasing pressure to adopt responsible energy practices. Since electricity prices continue to increase and with the potential introduction of carbon pricing mechanisms, inefficient energy use presents financial and operational risks. For manufacturers, this is not just about meeting regulatory requirements; it is about staying competitive in an era of rising energy costs and shifting stakeholder expectations.

We have taken a proactive approach, notably process optimisation, to identify areas for improvement and implemented measures to reduce energy leakages. We are also investing in energy-efficient technologies and integrating RE sources where practical.

Beyond risk mitigation, energy efficiency presents opportunities for operational and financial gains. By prioritising energy optimisation, KPS Berhad aims to:

- Improve cost efficiency through reduced energy consumption.
- Enhance regulatory compliance by aligning with global and national energy standards, such as the Energy Efficiency and Conservation Act ("EECA") 2024.
- Increase supply chain resilience by reducing reliance and cost on fossil fuel-based energy.

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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]



MDS Advance installs an energy-efficient robotic arm on its production floor.

As businesses worldwide transition to low-carbon economies, companies that proactively enhance energy efficiency will be better positioned to meet investor and market expectations.

#### **Our Approach:**

**Embedding Energy Efficiency into Operational** Excellence

Energy efficiency plays a pivotal role in our carbon intensity reduction plan. Due to the nature of their operations, some of our operating facilities have inherently higher energy demands, making it critical that they implement more rigorous energy-saving measures. To achieve this, our subsidiary companies are required to continuously enhance their energy efficiency strategies, ensuring that electricity consumption is optimised without compromising productivity.

As part of our commitment to reducing carbon emissions intensity by 45% by 2030, we are focused on staying below our energy intensity targets. 2024 is another year for KPS Berhad to closely monitor energy usage across our operations, invest in efficient technologies and inculcate a culture of an energy-conscious operating environment. Beyond internal improvements, KPS Berhad also actively engages with stakeholders to promote awareness and best practices in energy efficiency, reinforcing our role as a responsible and forward-thinking organisation.

To drive meaningful progress in energy adaptation, KPS Berhad has implemented the following key initiatives in 2024, focusing on solidifying carbon baselines, enhancing energy efficiency, integrating low-carbon technologies, and expanding RE adoption.

#### **Implementation of Energy Efficiency** Measures

Subsidiary Companies such as CPI have taken proactive steps to control and monitor energy consumption by implementing specific energy intensity targets measured by revenue.

#### **Installing Low Carbon Emission Technologies**

We have invested in green mobility and are exploring opportunities to transition towards automation, including the installation of advanced robotic production lines within our manufacturing facilities.

#### **Adoption of RE Sources**

Since 2023, we have been installing solar panels in our manufacturing facilities to generate clean energy. In 2024, CPI and CBB installed solar panels in manufacturing facilities in Malaysia, contributing to a total of 1,936.13 MWh of RE generated.



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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

Our Data Performance: Enhancing Energy Transparency and Efficiency [GRI 302-1, 302-3, 302-4]

KPS Berhad annually discloses its energy consumption profile and carbon emissions data, covering the Group and its five subsidiary companies. In 2024, the focus was on expanding data boundaries to ensure a more comprehensive representation of direct and indirect energy sources across operations in Malaysia, Indonesia, Vietnam, and China.

As part of this reporting, the Group provides total energy consumption on a three-year rolling basis, including RE usage and TCO<sub>2</sub>e offset through solar energy initiatives.

SIRIM QAS has independently verified energy data for 2024.



	Wide Energy	/ Con	sumption			
SCOPE 1 Stationary + Mobile Fuel Consumption (MWh) 2024: 10,865.69 2023: 15,433.42 2022: 10,593.87 SCOPE 1 Stationary + Mobile Fuel Consumption (Mj) 2024: 39,555,779.36 2023: 55,560,315.16 2022: 38,137,924.62		SCOPE 2 Purchased Electricity (MWh) 2024: 49,929.56 2023: 39,372.59 2022: 29,125.17		=	Total Scope 1 & Scope 2 Energy Consumption (MWh) 2024: 60,795.25 2023: 54,806.01 2022: 39,719.04	
		÷	<b>SCOPE 2</b> <b>Purchased Electricity</b> (Mj) <b>2024: 179,746,428.70</b> 2023: 141,741,313.20 2022: 104,850,626.40		_	Total Scope 1 & Scope 2 Energy Consumption (Mj) 2024: 219,302,208.06 2023: 197,301,628.36 2022: 142,988,551.02
<b>SOLAR POWER</b> (MWh) <b>2024: 1,936.13</b> 2023: 1,121.41 2022: NA			<b>SOLAR POWER</b> 2024: 6,970,05 2023: 4,037,07 2022: NA	<b>R</b> (Mj) 5 <b>6.84</b> 0.78		Percentage of Solar Energy from Total Group Energy (%) 2024: 3.09 2023: 2.01 2022: NA
Total Energy I		gy Co 52, 23: 55 22: 39 Inten	onsumed (MWh) 731.38 5,927.41 9,719.04 sity (MWh/revenue)	Total 2024: 22 20 20 20 Energy	Energ 26, 7 023: 20 022: 14 Intens	y Consumed (Mj) <b>272,264.90</b> 01,338,699.14 42,988,551.02 sity (Mj/revenue) <b>213</b>
20 MWh: Megawatt-hour Mj: Megajoule NA: Not Available		2023: 0.00005 2022: 0.00003		2024: <b>U.2 13</b> 2023: 0.164 2022: 0.105		1: 0.164 1: 0.105

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Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

Overview of Energy Consumption Breakdown

2024 Sustainability Report

## kps.-

KPS Berhad does not engage in stationary or mobile fuel consumption, resulting in no Scope 1 emissions. Following the sale of Plaza Perangsang, electricity tracking was discontinued after September 2024. Moving forward, KPS Berhad will no longer be able to track electricity consumption for its corporate office, as utility costs are included in the rental fees for the leased office space.

Scope 2: Total Energy Consumption (MWh) 2024: 1,858.92 2023: 2,549.56 2022: 2,990.59

Scope 2: Total Energy Consumption (Mj) 2024: 6,692,101.20 2023: 9,178,430.40 2022: 10,766,127.60

Note: Electricity consumption data for KPS Berhad is available up to September 2024.

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Scope 1: Stationary + Mobile Fuel Consumption (MWh) 2024: 2,152.14 2023: 1,150.24 2022: 494.90

Scope 2: Purchased Electricity (MWh) 2024: 31,700.01 2023: 17,701.49 2022: 11,276.40

Total Energy Consumption (MWh) 2024: 33,852.15 2023: 18,851.73 2022: 11,771.30 Scope 1: Stationary + Mobile Fuel Consumption (Mj) 2024: 7,843,491.48 2023: 4,140,868.10 2022: 1,781,638.30

Scope 2: Purchased Electricity (Mj) 2024: 114,120,042.62 2023: 63,725,353.20 2022: 40,595,044

 Total Energy

 Consumption

 (Mj)

 2024: 121,963,534.10

 2023: 67,866,221.30

 2022: 42,376,681.90

## CPI

Scope 1: Stationary + Mobile Fuel Consumption (MWh) 2024: 231.96 2023: 277.09 2022: 276.83

Scope 2: Purchased Electricity (MWh) 2024: 9,668.09 2023: 10,427.12 2022: 9,965.85

Total Scope 1 + Scope 2 Energy Consumption (MWh) 2024: 9,900.05 2023: 10,704.20 2022: 10,242.68

Total Solar Photovoltaic ("PV") Energy Generation (MWh) 2024: 827.15 2023: NA 2022: NA

Total Energy Consumption (MWh) 2024: 10,727.20 2023: 10,704.20 2022: 10,242.68 Scope 1: Stationary + Mobile Fuel Consumption (Mj) 2024: 845,150.13 2023: 997,520.01 2022: 996,596.27

Scope 2: Purchased Electricity (Mj) 2024: 34,805,124.00 2023: 37,537,617.60 2022: 35,877,049.20

Total Scope 1 + Scope 2 Energy Consumption (Mj) 2024: 35,650,274.13 2023: 38,535,137.61 2022: 36,873,645.47

**Total Solar PV Energy Generation** (Mj) **2024: 2,977,740.00** 2023: NA 2022: NA

**Total Energy Consumption** (Mj) **2024: 38,628,014.13** 2023: 38,535,137.61 2022: 36,873,645.47

MWh: Megawatt-hour Mj: Megajoule NA: Not Available  Chapter 5: Social Well-being Chapter 6:
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#### Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

## MDS

Scope 1: Stationary + Mobile Fuel Consumption (MWh) 2024: 86.45 2023: 94.53 2022: NA

Scope 2: Purchased Electricity (MWh) 2024: 758.46 2023: 645.05 2022: NA

**Total Energy Consumption** (MWh) **2024: 844.91** 2023: 739.58 2022: NA Scope 1: Stationary + Mobile Fuel Consumption (Mj) 2024: 315,387.86 2023: 340,310.52 2022: NA

Scope 2: Purchased Electricity (Mj) 2024: 2,730,452.40 2023: 2,322,169.20 2022: NA

**Total Energy Consumption** (Mj) **2024: 3,045,840.26** 2023: 2,662,479.72 2022: NA



Scope 1: Stationary + Mobile Fuel Consumption (MWh) 2024: 8,333.88 2023: 13,844.51 2022: 9,744.69

Scope 2: Purchased Electricity (MWh) 2024: 5,905.24 2023: 8,011.63 2022: 4,868.01

**Total Scope 1 + Scope 2 Energy Consumption** (MWh) **2024: 14,239.12** 2023: 21,856.14 2022: 14,612.70

**Total Solar PV Energy Generation** (MWh) **2024: 1,108.98** 2023: 1,121.41 2022: 0

Total Energy Consumption (MWh) 2024: 15,348.10 2023: 22,977.55 2022: 14,612.70 Scope 1: Stationary + Mobile Fuel Consumption (Mj) 2024: 30,328,237.66 2023: 49,840,246.75 2022: 35,080,882.01

Scope 2: Purchased Electricity (Mj) 2024: 21,258,870.08 2023: 28,841,868.00 2022: 17,524,836.00

 Total Scope 1 + Scope

 2 Energy Consumption

 (Mj)

 2024: 51,587,107.74

 2023: 78,682,114.75

 2022: 52,605,718.01

**Total Solar PV Energy Generation** (Mj) **2024: 3,992,316.84** 2023: 4,037,070.78 2022: 0

**Total Energy Consumption** (Mj) **2024: 55,579,424.58** 2023: 82,719,185.53 2022: 52,605,718.01



Scope 1: Stationary + Mobile Fuel Consumption (MWh) 2024: 61.26 2023: 67.05 2022: 77.45

Scope 2: Purchased Electricity (MWh) 2024: 38.84 2023: 37.74 2022: 24.33

**Total Energy Consumption** (MWh) **2024: 100.10** 2023: 104.79 2022: 101.77 Scope 1: Stationary + Mobile Fuel Consumption (Mj) 2024: 223,512.23 2023: 241,369.79 2022: 278,808.04

Scope 2: Purchased Electricity (Mj) 2024: 139,838.40 2023: 135,874.80 2022: 87,570.00

**Total Energy Consumption** (Mj) **2024: 363,350.63** 2023: 377,244.59 2022: 366,378.04

> MWh: Megawatt-hour Mj: Megajoule NA: Not Available



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Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

**Renewable Energy and Offsets** 

CPI

Installed Capacity (kWp) 2024: 2,164.56 2023: NA

Total Solar PV Energy Generation (MWh) 2024: 827.15 (since June 2024) 2023: NA

**Total Solar PV Energy Generation** (Mj) **2024: 2,977,740.00** 2023: NA

Amount of TCO<sub>2</sub>e Offset through Solar Energy 2024: 640.21 2023: NA

Percentage of Solar Energy from the Total Energy (%) 2024: 7.71% 2023: NA

MWh: Megawatt-hour Mj: Megajoule kWp: Kilowatt-peak NA: Not Available

\*SIRIM QAS has verified all energy data.



Installed Capacity (kWp) 2024: 935.4 2023: 935.4

**Total Solar PV Energy Generation** (MWh) **2024: 1,108.98** 2023: 1121.41

**Total Solar PV Energy Generation** (Mj) **2024: 3,992,316.84** 2023: 4,037,071

**Amount of TCO<sub>2</sub>e Offset through Solar Energy 2024: 858.35** 2023: 874.70

**Percentage of Solar Energy from the Energy (%) 2024: 7.23%** 2023: 4.88% Environment Commitment 1: Reducing Carbon Emission intensity by 45% and Ultimately Pursuing Carbon Neutrality by 2050 [GRI 2-23, 2-24, 3-3, 201-2]

#### **SMALL CHANGES, BIG IMPACT**



IMPACT STORY: CBB's Electricity Conservation Approach

In line with its commitment to reducing Scope 2 emissions, CBB recognised that inefficient airconditioning use contributed to high electricity consumption and avoidable carbon emissions. With cooling being a major energy draw in manufacturing facilities, optimising temperature control became a key focus area for improving energy efficiency.

#### ✓ The Initiative

CBB set a targeted temperature range of 22°C to 26°C for all air-conditioning units, ensuring efficient cooling while minimising excessive energy use. To support this initiative, an awareness campaign was launched for all staff, educating employees on the importance of maintaining consistent temperature settings for both sustainability and cost efficiency.

#### The Outcome

By the first quarter of 2024, the initiative successfully achieved its objective, with all CBB employees adhering to the new air-conditioning guidelines. Combined with the installation of solar panels, this optimised cooling efficiency initiative reduced electricity consumption and contributed to lowering Scope 2 emissions.

As a result, electricity consumption decreased from 8,012 MWh in 2023 to 5,905 MWh in 2024, a 26% reduction, reinforcing CBB's role in KPS Berhad's broader sustainability strategy.

Electricity Consumption decreased to 2024: 5,905 MWh 2023: 8,012

**26%** reduction, reinforcing CBB's role in KPS Berhad's broader sustainability strategy.

#### Our Outlook:

**Continuing the Energy Efficiency Journey** 

In 2024, we expanded data coverage, enhanced monitoring across our subsidiary companies and implemented targeted initiatives to improve energy performance. We will continue refining our energy strategies by investing in efficiencydriven technologies, optimising energy use in manufacturing and reinforcing best practices across all operations.

As energy costs and regulatory expectations evolve, we will maintain a structured and practical approach to energy management. Our focus will be on further integrating RE, expanding automation and driving behavioural change within our workforce to achieve sustained improvements. Steadily advancing our energy efficiency efforts will contribute towards making measurable progress toward its long-term carbon reduction goals.

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## **Environment Commitment 2: Continuously Implementing Environmentally** Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

#### Material Matters [GRI 3-3]

KPS Berhad's Environment Commitment 2 is driven by two key matters:



Waste Reduction, Recycling and

Enhancing resource management to minimise waste.



Water Security

Ensuring sustainable water use and conservation across our processes.

#### Material Matter:

Waste Reduction, Recycling and Circular Economy [GRI 3-3]



In the context of our sustainability priorities, our operating facilities are both major resource consumers and waste producers, generating a range of waste streams, including:

- **Process waste and by-products** (chemical process • residues, slag and dross from metal smelting, and excess process solvents);
- Packaging and end-of-line scrap (packaging materials such as plastic, paper, corrugated boards) and off-spec products, including mixed plastics and composite materials); and
- Hazardous and electronic waste (waste containing heavy metals, solvents, or other toxic substances requiring specialised treatment).

The manufacturing segment's energy demand, raw material consumption and waste generation mean that even incremental improvements in waste reduction and recycling can significantly lower environmental impacts and operating costs.

With increasing global awareness and stringent international standards, adopting strategies such as integrating circular economic principles positions KPS Berhad as a compliant, responsible and eco-conscious Group.

While the recycling rates for key materials like plastics remain low, integrating advanced waste-reduction and circular economy practices can yield significant environmental and economic benefits.

Natural

Capital

Social and

**Relationship Capital** 

<u></u>Human

Capital

Prioritising these initiatives is not a peripheral concern but key to our broader sustainability strategy, ensuring that as a consumer and producer in the manufacturing sector, we need to consistently meet regulatory requirements and create long-term value through technology integration and resource efficiency.

Even though our manufacturing operations do not rely heavily on water, implementing prudent water management practices aligns with global trends and addresses both environmental and operational concerns. Tangible benefits in adopting water-efficient practices and implementing measures to reduce consumption can lower operational costs, and reduce exposure to risks associated with water scarcity and potential regulatory changes.

Gaining technical insights into data-driven benchmarks, coupled with industry best practices, KPS Berhad's manufacturing segment can establish new standards in waste minimisation, recycling excellence, and water management. This commitment to sustainable development enables us to align more effectively with emerging regulations, inevitably strengthening our corporate reputation and, more critically, in meeting stakeholder expectations.

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#### **Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices** [GRI 2-23, 2-24, 3-3]

7040

TOYOPLAS

#### Highlight

Given that the manufacturing segment is a major consumer of resources and a significant producer of waste, addressing waste management as well as water security has become a medium-priority focus area within our broader sustainability strategy.

QA-D/MYS/GMP/0011 **Good Manufacturing Practices** (WHO-GMP)

QA-D/MYS/GMP/0014 Good Manufacturing Practices (WHO-GMP)



**ISO 9001 Quality Management System** 

**ISO 14001 Environment Management System**  **ISO 9001** Quality Management System

**ISO 13485** Medical Devices Quality Management System

ISO 14001 **Environment Management System** 

IATF 16949 **Quality Management System** (Toyoplas Indonesia)

> **ISO 9001 Quality Management System**

#### **ISO 13485**

**Medical Devices Quality Management** System



**Environment Management System** 

#### IATF 16949

**Quality Management System** (Clause 8.3 product design of IATF 16949 : 2016 is justifiably excluded)

**Good Manufacturing Practices GMP-WHO** 

International Sustainability and Carbon Certification("ISCC") Plus **Voluntary Sustainability Certification** System

**ISO 9001** Quality Management System

Environment **Management System** 

MDS relevant jurisdictions):

Aaua-fla

All subsidiary companies of

KPS Berhad comply with

the following legislationa

(and equivalents in

[GRI 2 - 27]

**ISO 9001 Quality Management System** 

**ISO 14001** 

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#### Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

#### The Significance: Minimising Waste for a Circular and Sustainable Future

Poor waste management poses several risks, including regulatory non-compliance, increased operational costs and reputational damage. Stricter environmental regulations are being introduced worldwide, placing greater emphasis on companies adopting sustainable disposal methods and circular economy principles. To mitigate these risks, KPS Berhad ensures compliance with relevant waste management regulations across its operational jurisdictions.

#### **The Outcome**

As of 2024, **43%** of KPS Berhad's manufacturing facilities have been **certified under ISO 14001**, internationally recognised environmental management systems.

Our subsidiary companies not only comply with waste management legislation in all operating jurisdictions but are also actively enhancing their processes to reduce waste sent to landfills, increase material recovery and optimise waste segregation and disposal practices. Embedding circular economy principles into our manufacturing processes contribute toward improving cost efficiency by reducing raw material waste and optimising production inputs. In alignment with regulatory standards and global sustainability frameworks, besides enhancing our environmental compliance, we further strengthen relationships with environmentally conscious customers and investors.

#### **Our Approach:**

#### **Embracing Circularity to Minimise Waste and Pollution**

Considering the potential environmental and community impacts of our diverse business activities, it is imperative to prioritise waste management and pollution control within our environmental stewardship strategy. Neglecting these areas could lead to reputational, legal and financial risks, potentially jeopardising our operating licenses. Therefore, proper implementation of waste management and pollution control measures across our operations includes the diligent monitoring of sediment and effluent levels to ensure compliance with regulatory standards and protecting the well-being of our workforce and community members.



Embedding waste reduction initiatives in our operational processes.

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#### Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

A key aspect of our approach is progressively integrating circular economy principles into our subsidiary companies. It involves reducing or eliminating waste by keeping materials in use for as long as possible. To drive this effort, KPS Berhad's subsidiary companies focus on three core waste management approaches:



#### Waste Prevention: From Waste to Products

Waste prevention involves reducing waste generation at its source, minimising reliance on single-use materials and optimising production processes to prevent unnecessary waste. Apart from environmental benefits, this approach also creates opportunities for added revenue by repurposing materials that would otherwise be discarded.



#### Waste Reuse: From Waste to Resources

Material reuse is encouraged to preserve resources and promote sustainable operations. Subsidiary companies, Toyoplas and MDS Advance integrate reuse initiatives into their production processes through creative methods by repurposing packaging materials, carton boxes, and egg trays. This has helped reduce waste, lower costs and support a more resource-efficient manufacturing ecosystem.



#### Waste Recycle: From Waste to Value

Among our subsidiary companies, CPI actively prioritises efficient recycling methods by working closely with various stakeholder groups. Through collaborative efforts, CPI pledges a shared commitment to resource conservation, ensuring that production waste is recycled wherever possible.

## Managing Hazardous, Scheduled Waste and Other Waste

Our subsidiary companies adhere strictly to regulatory requirements for waste that cannot be repurposed or recycled, particularly hazardous and scheduled waste. Third-party licensed waste management companies, which are certified by Malaysia's Department of Environment, are contracted to ensure safe and responsible disposal practices.

#### **Our Data Performance:**

Tracking Material Use and Responsible Waste Management [GRI 306-1, 306-2, 306-3, 306-4, 306-5]

In 2024, we expanded our data boundary to include operations in Indonesia, China and Vietnam, providing a more comprehensive overview of our waste reduction and recycling efforts. Our reason for extending our reporting boundary was to improve recycling and energy recovery rates within the Group, employing a dual focus on global trends and specific data.

Although the Government's National Solid Waste Management Policy and related targets (aiming for a 40% recycling rate by 2025) are driving action, implementation challenges persist, especially within the industrial sector. While managing manufacturing waste is a complex, multi-material challenge, deploying actionable strategies across the Group to enhance segregation and reduction of waste, encourage recycling and close the loop on material flows. KPS Berhad can reduce its environmental footprint while generating competitive advantages through efficiency gains and enhanced brand reputation.

#### ✓ Material Consumption Data

Our comprehensive monitoring programme tracks the total weight and volume of materials consumed across all operating facilities. Primary inputs such as plastic resin, paper rolls, inks, adhesives and carton trims are continuously recorded and analysed as reference. These inputs not only drive production but also constitute significant contributors to waste streams if not efficiently managed.

This material consumption data serves as a necessary performance indicator and stresses the imperative for process optimisation, lean material usage and targeted waste minimisation initiatives. Considerations are also in place to enforce real-time tracking with waste reduction strategies to improve resources, reduce material loss and edge closer to our sustainability targets.

#### The Outcome

Total weight or volume of materials used (tonnes)

**2024: 30,058.58** 2023: 4,579 2022: NA

NA: Not Available

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#### Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

Our Data Performance: Key Waste Management Disclosures

**2024 Sustainability Report** 



Waste diverted from disposal through reuse, recycle, composting and recovery



Waste sold to third-party recyclers



Hazardous or scheduled waste generated



Non-hazardous waste or non-scheduled waste generated



Waste directed to disposal

#### ✓ Responsible Waste Disposal

In 2024, KPS Berhad generated 2,320.85 tonnes of waste, a moderate increase from previous years due to expanded reporting boundaries. While the Group remains focused on recycling and waste diversion, efforts continue to enhance recycling programmes across all operation.

**Total Waste Generated (tonnes) 2024: 2,320.85** 2023: 2,217.03 2022: 1,757.19

Hazardous Waste or Scheduled Waste (tonnes) 2024: 245.97 2023: 83.18 2022: 94.48

Percentage of Hazardous Waste Generated (%) 2024: 10.60 2023: 3.75 2022: 5.38

Non-hazardous Waste or Non-scheduled Waste (tonnes) 2024: 2,074.88 2023: 2,133.84 2022: 1,662.71

Percentage of Non-hazardous Waste or Non-scheduled Waste Generated (%) 2024: 89.40 2023: 96.25 2022: 94.62

**Total Waste Directed to Disposal (tonnes) 2024: 486.14** 2023: 171.67 2022: 172.53

#### ✓ Recycling Performance and Boundary Expansion

The percentage of recycled waste declined in 2024 due to expanded data collection across all regions, revealing varying levels of recycling adoption across operating facilities. Some facilities still lack formal recycling programmes, underscoring the need for greater standardisation of waste management efforts.

**Total Waste Directed from Disposal (tonnes) 2024: 1,834.71** 2023: 2,045.36 2022: 1,584.66

Waste Diverted from Disposal: Reuse, Recycle, Composting and Recovery (tonnes) 2024: 274.68 2023: 408.12 2022: 358.67

Waste Diverted from Disposal: Sold to Third-Party Recyclers (tonnes) 2024: 1,560.03 2023: 1,637.24 2022: 1,225.99

Percentage of Recycled Waste or Recycling Rate (%) 2024: 79.1 2023: 92.26 2022: 90.18

✓ Waste Management Compliance

KPS Berhad recorded no significant spills of waste or effluents in 2024, reinforcing the effectiveness of our environmental management measures. Hazardous waste disposal remains compliant with regulatory requirements, ensuring that all scheduled waste is managed responsibly.

\*SIRIM QAS has verified all waste management data.

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Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

#### **DRIVING CIRCULAR ECONOMY PRACTICES**



IMPACT STORY 1 CBB Turning Waste into Pulp Products (Waste Prevention: From Waste to Product)

In carton manufacturing, significant amounts of trim waste and rejected cartons are typically discarded, contributing to unnecessary landfill waste and increasing material costs. Additionally, the process of pulp production relies heavily on municipal water, further straining external resources. To address this, CBB sought a way to transform its waste into a valuable resource while reducing raw material dependency.

#### ✓ The Initiative

CBB implemented an incremental innovative process that converts carton trim waste into pulp products. Integrating this method into daily operations enabled the company to achieve a 100% success rate in repurposing what would have been waste into a key raw material.





Integrating waste prevention strategies into its operations, CBB has successfully reduced waste generated from paper and carton production. By embedding these strategies into daily operations, CBB minimises landfill waste while unlocking opportunities for resource efficiency and cost savings.

#### The Outcome

Reusing trim carton waste and rejected cartons, CBB effectively **reduced its raw material costs.** Instead of purchasing Pro Pulp at RM0.65 per kilogramme from suppliers, the company optimises its own discarded materials, reducing landfill waste while maximising available resources.



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#### Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

#### DRIVING CIRCULAR ECONOMY PRACTICES

7010 TOYOPLAS IMPACT STORY 2 Toyoplas and MDS Advance: From Waste to Resources

Manufacturing processes often depend on large quantities of packaging materials and disposable production components, many of which are discarded after a single use. In efforts to reduce environmental impact and ease financial strain, Toyoplas and MDS Advance have adopted repurposing methods to eliminate unnecessary waste and pare down operational costs by extending the lifecycle of these materials.

#### ✓ The Initiative

Toyoplas has introduced a structured initiative to reuse packaging materials and refrain from discarding after a single use. Giving materials a second life had led to lowered procurement costs and lesser waste volumes sent to landfills.

Similarly, MDS Advance has integrated material reuse into its daily operations by repurposing used egg trays as part holders for components after the machining process. Instead of disposing, carton boxes are used to store semi-finished parts during production and before they are sent to finishing suppliers. These simple yet effective measures contribute to embedding sustainability practices in the manufacturing process.

#### Highlight

Sustainability and operational efficiency go hand in hand at Toyoplas where **material** reuse has resulted in annual savings of at least RM50,000.

Achieving one of its Environmental KPIs, the reuse practices of MDS Advance has allowed the company to circulate waste into operations and maximise the use of available resources.

#### The Outcome

Focusing on **Waste reuse**, Toyoplas and MDS Advance are leading the way in transforming production waste into valuable resources, proving that thoughtful changes can have a significant impact.



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#### Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

#### **DRIVING CIRCULAR ECONOMY PRACTICES**



IMPACT STORY 3 CPI Strengthens Recycling Practices

In efforts to be part the waste reduction solutions, CPI sought to increase recycling efforts of unused steel, plastics, papers, cartons and other mixed materials, This practical approach has led to reduced production waste an advocating sustainable manufacturing practices in its operations.

#### ✓ The Initiative

CPI has implemented a structured recycling initiative for unused steel, plastics and other mixed waste materials.

Adopting more efficient recycling processes enables CPI to support KPS Berhad's broader waste reduction goals and strengthen its commitment to resource conservation. These efforts help minimise waste disposal in landfills and contribute to the transition to a circular economy, where materials are kept in use for as long as possible.

#### Highlight

Reduction of disposal of scheduled waste per revenue at the following operating facilities: CPI ETP: 0.040% CPI-EMS: 0.040%

Rejection or scrap per sales at the following operating facilities: CPI ETP: 1.03% CPI-EMS: 0.013%

Recycling of Non-production Waste 2024



#### The Outcome

In 2024, CPI successfully recycled a total of **744 kg** of materials, including plastics, paper, cartons, mixed waste and unused steel.

Our Outlook: Continuing Our Commitment to Waste Minimisation

KPS Berhad is committed to enhancing waste reduction efforts by further integrating circular economy principles across its operations. In 2024, we remained focused on waste prevention, reuse, and recycling, ensuring that resources are wellutilised while minimising environmental impact. We will continue refining our waste management strategies, strengthening partnerships with stakeholders, and identifying new opportunities to reduce production waste.

We will take a structured and practical approach to improving waste reduction and resource efficiency. Our focus will be on optimising material use, expanding recycling initiatives, and driving incremental innovations in waste management to support long-term environmental and operational goals. Chapter 1:
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#### Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]



While KPS Berhad's manufacturing processes are not highly water-intensive, responsible water management remains an essential part of our sustainability commitments.

#### Highlight

Given that **water security** is considered a **low priority** in our materiality assessment, we have nonetheless taken proactive steps to ensure efficient water use and wastage.

Manufactured

Capital

#### The Significance: Responsible Water Management

As water security becomes an increasingly critical global concern, industries are being called upon to adopt more responsible water management practices. Recognising this growing challenge, we remain steadfast in enhancing our water conservation measures across all operations. Our subsidiary companies are committed to reducing water usage wherever feasible without compromising operational effectiveness.

Even though manufacturing processes inherently require relatively moderate water consumption, inefficient management can still lead to unnecessary costs, operational risks and potential regulatory noncompliance. With global water regulations becoming increasingly stringent, it is imperative that we implement conservation measures to reduce wastage and improve water efficiency.

We will consistently explore water-saving initiatives and process optimisations to enhance sustainability across operations. Our effort underscores the Group's commitment to environmental stewardship and results in cost savings. It illustrates that, even in areas of lesser material concern, we prioritise sustainable practices as a core value of our operations.

Natural

Capital

Social and

**Relationship** Capital

<u>଼୍</u>ୟୁ Human

Capital

() Intellectual

Capital

Through water conservation efforts, we target to achieve the following aspects:



#### Our Approach: Efficient Management for Water Security

While our facilities are not located in waterstressed areas, we still undertake responsible water management to avoid disruptions, reduce environmental impact and supporting ongoing sustainability. Minimising water leakages, optimising consumption and implementing water conservation strategies to maintain operational efficiency form part of our facilities management.

Although KPS Berhad and its subsidiary companies do not manage water utility assets directly, we work closely with third-party municipal providers to ensure access to a reliable water supply.

Legend

Financial

Capital

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Environment Commitment 2: Continuously Implementing Environmentally Responsible Manufacturing Practices [GRI 2-23, 2-24, 3-3]

Our approach focuses on three key pillars:

- monitoring water consumption;
- identifying opportunities for efficiency improvements; and
- ensuring compliance with regulatory standards.
- Municipal Water Management

Our subsidiary companies operate in areas where municipal water costs remain relatively low. While financial considerations do not drive water efficiency efforts, we prioritise conservation as a shared responsibility with local communities. To safeguard against supply disruptions, all relevant subsidiary companies maintain reserve water tanks, ensuring minimal to zero interruptions to daily operations.

Reducing Reliance on Municipal Water at Toyoplas

Toyoplas sources most of its water from the local utility provider. However, one of its Johor-based sites treats and utilises river water from Sg Kulai for sanitary and production use. This initiative reduces dependency on municipal water, offering an effective solution during occasional water cuts while supporting local water conservation efforts.

Despite the increased water tariffs in 2024, Toyoplas successfully maintained its water usage per revenue at RM0.0005. Achieving the targeted water expense intensity highlights the company's ability to sustain operational efficiency despite external cost pressures, reflecting its improved water usage efficiency.

#### Highlight

Water Security Treated water used for Production Activities **RM0.0005** Water Intensity

#### Our Data Performance: Tracking Water Consumption [GRI 303-5]

KPS Berhad continues to track and monitor water consumption across its subsidiary companies to ensure responsible water management and operational efficiency. In 2024, we expanded our data coverage to provide a broader assessment of water use across Malaysia, Indonesia, Vietnam and China.

Our water consumption data is measured annually, with a three-year rolling analysis to track trends and identify opportunities for efficiency improvements. The following table provides an overview of the total water consumption across KPS Berhad and its subsidiary companies.

#### **Total Water Consumption (Litres)**



Our Outlook: Strengthening Water Conservation Efforts

KPS Berhad is committed to improving water efficiency and conservation across its operations.

While KPS Berhad does not currently measure water discharges, we remain committed to refining our data collection processes and enhancing water conservation efforts across all operations.

As environmental and regulatory expectations evolve, we will maintain a structured approach to managing water consumption while ensuring minimal operational disruptions. By steadily advancing our water conservation efforts, KPS Berhad will continue making measurable progress toward resource efficiency and sustainable business practices.

> **Total 2024: 279,819,728** 2023: 192,362,050 2022: 140,693,000

\*SIRIM QAS has verified all water management data.

2022: 437.000

2024: 94,236,728

TOYOPLAS 2023: 54,679,000 2022: 20,910,000

2024: 2,471,000

2024: 548,000

2023: 469.000

2023: 2,815,000 2022: 1,549,000

7040

MDS

## kps.

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The cover of this 2024 Sustainability Report is printed on certified forest-based kraft paper similar to the material used by our subsidiary company, Century Bond Bhd, for its export-quality box packaging. This choice reflects our commitment to sustainable materials and alignment across KPS Berhad's operations. As part of our upcycling efforts, we have included coasters on the back cover. Simply perforate and pop them out for reuse. It's a small gesture with a big message: Sustainability can be practical, purposeful, and part of everyday life.