



MALAYSIA STEEL WORKS (KL) BHD
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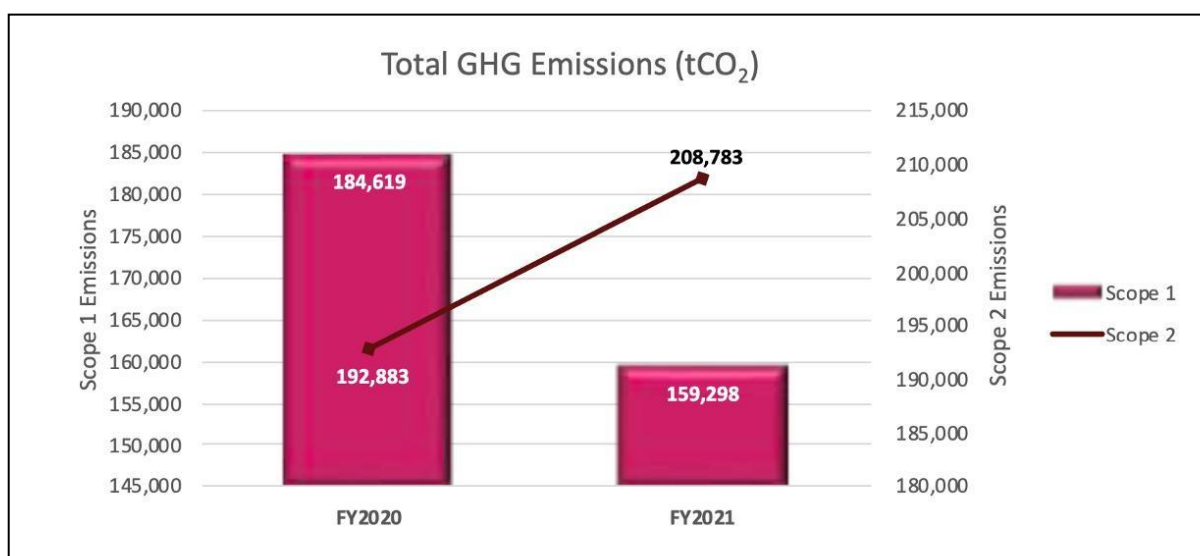
MASTEEL ESG COMMITMENT (FY2021/2022)

ENVIRONMENTAL

Reducing the GHG emission by integrating new technology

Masteel always gives top priority and continuously invests in new technology, particularly in steel manufacturing, to ensure the continuous reduction of greenhouse gases (GHG). Masteel is fully committed to achieving a minimum 10% overall GHG reduction by 2026 and a further 15% reduction by 2031. Thus, Masteel had invested in fully implementing the Induction Furnace (IF) to replace the conventional Electric Arc Furnace (EAF) to reduce the GHG emission and achieve the targeted reduction percentage set by the company. The current implementation of IF allows the company to reduce 2.5% of GHG emissions from 2020 to 2021. Furthermore, implementing IF reduces the total energy inputs required by both the fuel (natural gas) and oxygen. Masteel will continue to invest and make the necessary improvement to the existing manufacturing system to ensure Masteel is able to achieve the set target. Hence, this significantly aligns with the company's commitment to implementing low-emission technology in steel manufacturing.

To ensure the company achieved a total of 25% of GHG reduction by 2031, the company invested nearly RM67 million in revamping technology to reduce GHG emissions. In addition, it reduced the bar production cost by about RM40 per metric tonne. This good initiative is not only able to reduce GHG emissions, but at the same time, it increases the company's overall revenue.



Total GHG emission for scope 1 & 2 for 2020 and 2021

Water Security by implementing a new rainwater harvesting system at Petaling Jaya Plant.

Masteel is committed to preserving the principles of water security across all our operations and this is reinforced by the introduction of our **water conservation policy** (ratified in 2022). This is to provide the company staff able to conserve water with a better approach. We had communicated this policy throughout the company and across all our sites. This will indeed cultivate a strong sense of responsibility in everyone in the company to conserve water and be part of this initiative in ensuring the practice of ESG behaviour among all staff. (EWT06) The **water conservation policy** includes the following:-

1. Meter/Measure/Manage;
2. Check, Inspect and Improvise all water pipings in the workplace to prevent any leakages;
3. Reuse Process Water;
4. Rainwater Harvesting System; and
5. Water Conservation Awareness.

Aligned to this we are currently implementing a rainwater harvesting system at our Petaling Jaya plant. We have invested approximately RM200,000 in 2022 and it is currently undergoing the final stages of construction (70% completed). We expect full completion by October 2022. Once the completion and full operation of this system, it will enable the company to save on water usage and concurrently reduce operational costs. (EWT24) As a result of our water security initiatives, the company is projected to reduce approximately 5% m³ across the next five years. *

The continuous commitment to ensure that water security is always governed has yielded a positive outcome since the implementation with zero recorded incidences of non-compliance related to water security from relevant authorities. Masteel will continuously commit to always comply with all necessary standards and regulations. (EWT29)

Work program for Loading area and Maintenance area

	2022	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec
Description													
1 Feasible study Loading area (LDA)		=====	=====	=====									
		*****	*****	*****									
2 Feasible study Maintenance area (Ma)		=====	=====	=====									
		*****	*****	*****									
3 Design and award LDA				=====	=====								
				*****	*****								
4 Design and award Ma					=====	=====							
					*****	*****							
5 Construction commence LDA					=====	=====							
					*****	*****							
6 Construction commence Ma							=====	=====	=====	=====			
							*****	*****	*****	*****	*****		

Legend ===== Proposed schedule
***** Actual schedule

Work progress on the rainwater harvesting system at the Petaling Jaya plant

* Baseline year 2022



Rainwater harvesting system being installed at the Petaling Jaya plant



Rainwater harvesting system being installed at the Petaling Jaya plant

SOCIAL

Green Initiative through Hydroponic Vertical Farming

Masteel, committed to ESG implementation, had introduced a green initiative by starting the hydroponic vertical farming system at the Petaling Jaya plant. This green initiative is one of the many good ESG concepts being practised in the company. Hydroponic vertical farming is a soilless medium and only uses water to provide a rich and balanced diet in growing vegetables. Masteel utilises this green initiative to promote a sustainable and environmentally friendly approach to growing vegetables to reduce global greenhouse gases. In addition, this vertical farming helps to improve biodiversity because it does not cause any land surface disturbance.

Moreover, the crops from such farming methods will be able to eliminate the need for pesticides and produce healthier vegetables. Furthermore, this hydroponic concept can use far less water and be recycled. Thus, it is virtually no water wasted in this system.



Hydroponic Vertical Farming being installed at the Petaling Jaya plant



Masteel staff is planting vegetable using the hydroponic system



The vegetables are growing healthy



The healthy vegetables grown by Masteel staff

Such a farming system aligns with the company's commitment to promoting and implementing ESG within the Masteel community. Furthermore, through this initiative, Masteel is continuously promoting healthy eating habits among our staff as part of the company's commitment to taking good care of the staff's welfare. Therefore, all the vegetables harvested from this farming system are then distributed to all Masteel staff for free.

Ensuring Occupational Safety and Health being Fully Practise is Masteel Top Priority in achieving Zero Accident Rate

Masteel always places the highest priority on the safety of our employees. Thus, the company is fully committed to practising and ensuring all employees always comply with the company Occupational Safety and Health (OH&S) policy. This is to provide a safe and healthy working environment for all staff. Additionally, the company also established an OH&S management system on top of the policy to enable the company to achieve the ISO 45001 (Occupational Health and Safety Management) certification. This certification proves the company's recognition to handle any prevention of work-related injury and ill health and to ensure zero accident rate. Therefore, Masteel is actively conducting various courses for all employees related to Occupational Safety and Health at the Petaling Jaya and Bukit Raja plants.

List of training provided till August 2022

1. Chemical Handling
2. Coronavirus (Covid-19) Compliance Safety
3. Ergonomics
4. First Aid Box Inspection & Checklist
5. Forklift Training
6. Hearing Conservation Program
7. Permit to Work – Hot Work
8. Operation Safety in Iron and Steel Industry
9. Safety Orientation
10. Overhead Crane Safety
11. Personal Protective Equipment



Crane Training on site



Hot Work Training



Personal Protective Equipment Training



Onsite safety briefing to contractors

The active training provided by Masteel to all staff enables the company to achieve a very low accident rate and zero fatalities rate between 2019-2021 as reported in the table below. In addition, no fatality occurred involving contractors at Masteel's plants for the past three years. Hence, the zero-accident rate within the recent three years allows the company to maximise the operation time without any significant disruption to the daily operation time. (SHS15) & (SHS40)

Description / Years	2019	2020	2021
Work Related Injuries	0	3	1
Incident Rate	0	3.77	1.33
Work Related Fatalities (Employees)	0	0	0
Work Related Fatalities (Contractors)	0	0	0
<i>Incident Rate : No. of Accidents x 1000 / Annual Average of No. Employees</i>			

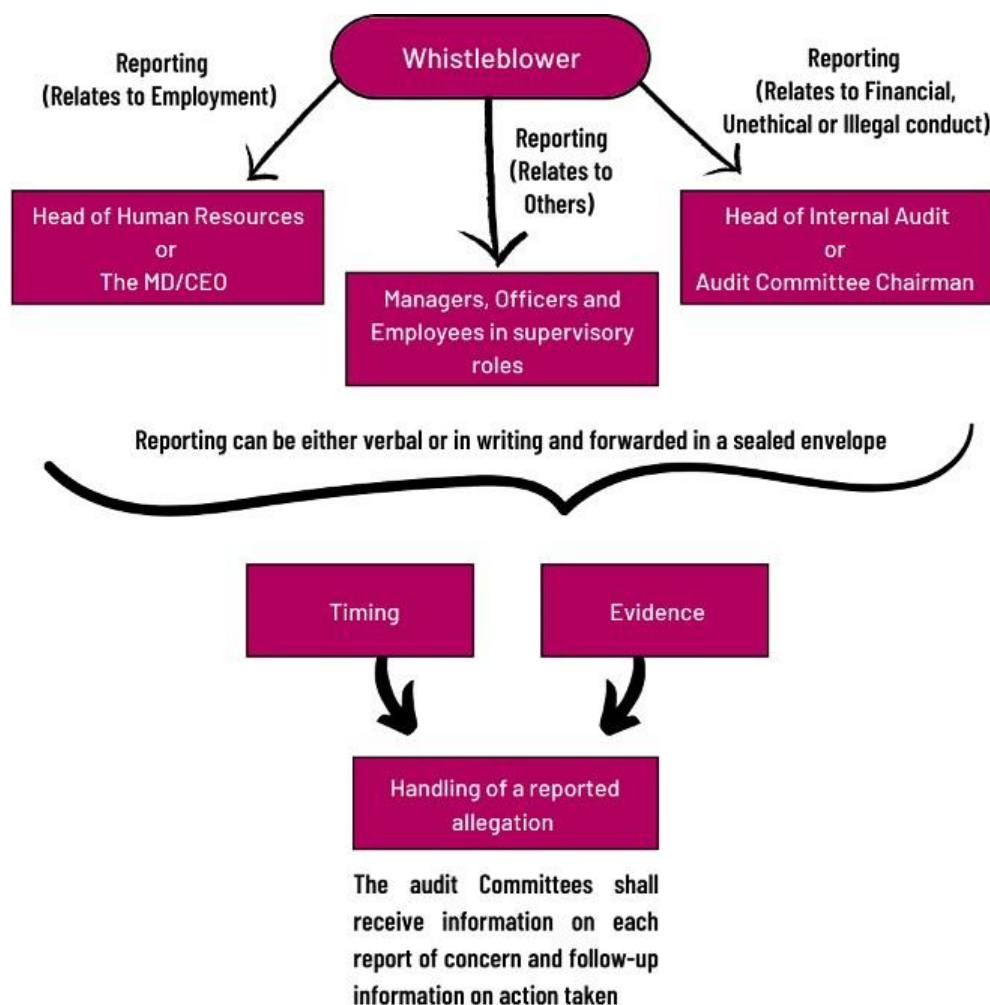
Human Rights is fully practiced within Masteel

Masteel is always concerned about the Human Rights of all the employees, and thus, the company introduced the Human Rights policy intending to uphold and protect the human rights of all individuals working in Masteel and the communities in which Masteel operates. Masteel focuses on the following policies under the Human Rights Principles:-

1. Workplace Diversity and Equal Opportunity;
2. Upholding Workers' Welfare and Well-being;
3. Prohibiting Child Labour; and
4. Employee Rights
 - (i) Safety and Healthy Workplace
 - (ii) Salary and Benefits
 - (iii) Work Hours
 - (iv) Non-Harassment
 - (v) Freedom of Association and Collective Bargaining

Masteel is transparent in implementing the Human Rights policy as the policy is clearly defined and can be accessed publicly. The Board of Directors will not compromise any wrongdoing primarily related to Human Rights principles within the Masteel communities. The management will take serious action against anyone who breaks or commits any wrongdoing. Besides that, Masteel informs and communicates to all stakeholders on the Human Rights policy by continuously conducting introduction and explanation workshops for all employees. [\(SHR24\)](#) The governing of this policy is under the close monitoring of the Board of Directors, the Group Human Resource Manager and the Head of Internal Audit. For day-to-day management, the Group Human Resource Manager will oversee all human rights matters. [\(SHR23\)](#)

The company practices a transparent system in monitoring any wrongdoing or violation of the company's Human Rights by all employees of Masteel plays an important role in ensuring the company maintains the highest level of corporate ethics and discloses any known malpractices or wrongdoing. Therefore, the company adopted a clear communication and reporting mechanism for all stakeholders. The communication and reporting mechanism is well explained and illustrated in the figure below.



Process for Disclosure

All this information is clearly stated in the Masteel Employee Handbook. At the point of this reporting period, no complaints or cases of human rights violations are being reported. Likewise, the company does not receive any complaints or cases regarding the infringement of human rights at the workplace or from other external parties. Masteel will continue to evaluate, review and seek new ways to strengthen the company's commitment to respect human rights. Masteel is fully committed to upholding human rights principles by ensuring our employees are respected and treated ethically. (SHR27)

GOVERNANCE

New Appointment of Independent Director and New Remuneration for Executive Directors that focuses on ESG

In ensuring Masteel is fully committed and successfully implementing the ESG, the company recently appointed Ms. Zueraini Binti Ahmad Basri (https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3273313) as an Independent Director that is tasked with oversight of the company's ESG elements. This new appointment will surely enhance the company's performance mainly related to the three important pillars in ESG which is the Environmental, Social and Governance.

ESG based Remuneration for Executive Directors and Key Senior Management

Masteel has introduced a new Key Result Area (KRA) for all Executive Directors, focusing on the company ESG annual performance result. In addition, the company allocated a 10% weightage from the overall total of 100% solely for ESG annual performance results.

The metric for ESG annual performance assessment will focus on the four key areas, which are

1. Showing improvement in overall ESG rating compared to the preceding year.
2. Demonstrate initiative(s) to improve aspects under the Environmental Category rating compared to the preceding year.
3. Demonstrate initiative(s) to improve aspects under the Social Category rating compared to the preceding year.
4. Demonstrate initiative(s) to improve aspects under the Corporate Governance Category rating compared to the preceding year.

This new implementation of KRA proves the Board of Directors' profound commitment to ensuring Masteel complies and continuously improves the company's ESG rating from year to year. This will enable Masteel to achieve all the targets set under the ESG. Hence, this will surely place Masteel as one of the key players in the steel industry to fully comply with ESG soon.