



MALAYSIA STEEL WORKS (KL) BHD
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MASTEEL ESG COMMITMENT (FY2025/2026)

Our Commitment to Climate Change

Masteel has established greenhouse gas emission reduction targets as part of our climate transition planning. The Group targets a 10% reduction in Scope 1, Scope 2 and relevant Scope 3 emissions by 2026, followed by achieving net zero by 2030 against the baseline year of 2017. These targets support Masteel's long-term objective of achieving net-zero emissions before 2050 and are monitored as part of ongoing operational and strategic performance management. To evaluate the resilience of our strategy, Masteel conducts climate scenario analysis to assess the potential financial and operational implications of climate-related risks and transition developments. The assessment considers multiple temperature pathways, including 1.5°C, 2.0°C and 4.5°C warming outcomes by 2100, based on Representative Concentration Pathways ("RCPs") developed by the Intergovernmental Panel on Climate Change ("IPCC"). The scenarios are used to identify potential exposure to physical risks, regulatory changes, market shifts and operational impacts under different climate conditions.

The climate scenario analysis indicates that Masteel could experience different business impacts depending on the pace of the global transition and the severity of physical climate change. Under the 1.5°C and 2.0°C scenarios, transition risks are expected to be more significant due to accelerated climate policies, carbon-pricing mechanisms, stricter emission requirements and carbon-related trade measures such as the European Union's Carbon Border Adjustment Mechanism ("CBAM"). These developments could increase electricity, raw-material, compliance and production costs while requiring additional capital investment in energy efficiency, renewable energy, process optimisation and low-carbon technologies. They may also affect the competitiveness and market access of steel products with higher embodied emissions.

However, these scenarios also present opportunities for Masteel to benefit from growing demand for lower-carbon steel, improve operational efficiency, strengthen customer relationships and enhance access to sustainable financing. Early investment in emissions reduction and carbon-management capabilities could reduce Masteel's exposure to future carbon costs and improve its competitive position as markets increasingly prioritise lower-carbon products.

Under the 4.5°C scenario, physical climate risks are expected to become more severe across two key dimensions:

1. Extreme heat

Rising ambient temperatures could reduce operational efficiency, increase cooling demands, and heighten heat-related stress on both equipment and personnel. This may lead to higher energy consumption, elevated maintenance costs for temperature-sensitive machinery, and potential productivity losses during peak heat periods.

2. Intense rainfall, flooding and water-related disruptions

Increased frequency and intensity of rainfall events pose significant flood risks to Masteel's facilities in Bukit Raja and Petaling Jaya. Such events could interrupt production and logistics, damage infrastructure, and drive up maintenance, cooling and insurance

costs. Disruptions affecting suppliers, transportation networks, electricity supply or raw-material availability could also result in production delays and higher procurement costs.

These findings are incorporated into Masteel's strategic planning, capital-allocation and risk-management processes. They support the prioritisation of energy-efficiency improvements, emissions-reduction projects, water recycling, drainage management, infrastructure resilience and supply-chain preparedness. Masteel will continue to review our climate scenarios and business impacts as climate science, regulations, market expectations and technological options evolve.

Masteel has adopted an internal shadow carbon price of RM200 per tonne of carbon dioxide equivalent (RM200/tCO₂e). This price is referenced against the benchmark proposed in the policy paper, Carbon Pricing for the Malaysian Steel Industry: Incentivising Sustainable Growth, developed by the Institute for Democracy and Economic Affairs (IDEAS). Masteel provided financial support to IDEAS for the development of this independent policy research.

The internal carbon price serves as a strategic decision-making tool for assessing the potential carbon-related costs and benefits associated with major capital investments, energy-efficiency initiatives, production technologies and decarbonisation projects. It is applied primarily as a shadow price for scenario analysis and investment evaluation rather than as an internal tax or direct financial charge imposed on individual business units.

Where applicable, the anticipated greenhouse gas emissions or emission reductions associated with a proposed project are converted into a monetary value using the internal carbon price. This enables Masteel to:

- i. incorporate the potential future cost of carbon into investment decisions;
- ii. compare conventional and lower-carbon technology options;
- iii. prioritise projects that deliver meaningful emission reductions;
- iv. evaluate exposure to emerging carbon-pricing regulations and trade measures;
- v. strengthen preparedness for Malaysia's future carbon-pricing mechanism and the European Union's Carbon Border Adjustment Mechanism
- vi. support the Masteel's transition towards its net-zero emissions target by 2030.

The IDEAS policy paper identifies RM200/tCO₂e as an indicative benchmark for improving the commercial viability of lower-carbon steel production in Malaysia and recommends the phased introduction of carbon pricing towards this benchmark by 2030. Masteel's adoption of the same benchmark provides a consistent basis for evaluating carbon-related risks, opportunities and investment options within the Malaysian steel-industry context. Masteel will periodically review its internal carbon price, taking into consideration developments in Malaysia's carbon-pricing policies, prevailing carbon-market prices, international trade requirements, technological costs and the Masteel's decarbonisation pathway.

Association of Malaysian-Owned Steel Enterprises (“AMOSE”)

Masteel Executive Vice Chairman is the President of AMOSE

AMOSE is an industry association representing Malaysian-owned and locally based steel companies across the steel manufacturing value chain, from upstream production to downstream products and related engineering and trading services. Its main function is to advocate for the sustainability and competitiveness of Malaysian-owned steel enterprises, promote the development of the local steel supply chain, support Malaysia’s self-sufficiency in steel production, encourage exports of locally made steel, and align the sector with ESG and decarbonisation goals. One of the agendas of AMOSE is to address climate change as a top business risk affecting the Malaysian steel industry. Masteel is a founding member of AMOSE and actively participates in the association's efforts to promote the long-term sustainability, resilience and competitiveness of Malaysian-owned steel enterprises. Through AMOSE, Masteel collaborates with other industry participants to examine climate-related risks and opportunities affecting steel production. These include greenhouse gas emissions, energy efficiency, carbon pricing, emerging environmental regulations, low-carbon technologies and carbon-related trade requirements, including the European Union’s Carbon Border Adjustment Mechanism (“CBAM”).

Masteel’s involvement in AMOSE includes:

- i. Participating in industry discussions concerning climate change, decarbonisation and the transition towards lower-carbon steel production;
- ii. Providing industry perspectives on carbon-pricing policies and their potential financial and operational implications for Malaysian steel manufacturers;
- iii. Advocating for practical, progressive and commercially viable climate policies that balance emission reductions with industrial competitiveness;
- iv. Promoting the adoption of energy-efficient processes, lower-carbon technologies and improved greenhouse gas management practices;
- v. Supporting collaboration among steel producers, policymakers, research institutions and other relevant stakeholders;
- vi. Raising awareness of emerging climate-related risks, including carbon costs, changing customer expectations and access to international markets.

AMOSE provides an industry platform through which Masteel can contribute to collective climate action and engage relevant stakeholders on the development of an equitable and practicable decarbonisation pathway for Malaysia’s steel sector. This participation complements Masteel’s internal sustainability initiatives and supports Masteel’s commitment to achieving net-zero greenhouse gas emissions by 2030.

Masteel periodically reviews the climate-related positions, policy submissions and public advocacy activities of our principal industry organisations, including the Malaysia Steel Institute (“MSI”), the Malaysian Iron and Steel Industry Federation (“MISIF”) and the Association of Malaysian-Owned Steel Enterprises (“AMOSE”). This review helps identify whether their positions align with Masteel’s climate commitments, including its ambition to achieve net-zero greenhouse gas emissions by 2030.

Malaysia Steel Institute (“MSI”)

As an industry participant engaging with MSI, Masteel supports MSI’s role in collaborating with the Government on policy formulation, particularly in areas related to sustainability, climate change and the transition towards a lower-carbon steel industry. Masteel contributes industry insights and technical perspectives through our participation in policy discussions, stakeholder engagements, industry events and relevant sustainability initiatives. Through this involvement, Masteel supports efforts to strengthen the regulatory framework, promote industry best practices and develop practical decarbonisation pathways for Malaysia’s iron and steel sector.

Malaysian Iron and Steel Industry Federation (“MISIF”)

As a member of MISIF, Masteel supports industry-wide efforts to decarbonise Malaysia’s iron and steel sector in alignment with the New Industrial Master Plan 2030 (“NIMP 2030”). Masteel considers MISIF’s current position on climate change and industrial decarbonisation to be broadly aligned with the Company’s commitment to achieving net-zero greenhouse gas emissions by 2030. Masteel participates in relevant discussions, consultations and collaborative initiatives undertaken through MISIF to address energy efficiency, greenhouse gas emissions, carbon pricing, low-carbon technologies, climate-related regulations and the long-term competitiveness of the Malaysian steel industry.

Association of Malaysian-Owned Steel Enterprises (“AMOSE”)

Masteel is a founding member of AMOSE, which was established as a collaborative platform representing Malaysian-owned steel enterprises. One of AMOSE’s key agendas is to address climate change as a significant business risk affecting the resilience, sustainability and competitiveness of the Malaysian steel industry. Masteel actively supports AMOSE’s engagement on climate-related matters, including industrial decarbonisation, energy efficiency, greenhouse gas management, carbon pricing, emerging environmental regulations and carbon-related trade requirements. Through AMOSE, Masteel contributes industry perspectives and technical input to the development of practical and commercially viable climate policies for the Malaysian steel sector. AMOSE’s current position on climate change is considered to be aligned with Masteel’s commitment to achieving net-zero greenhouse gas emissions by 2030. Both parties recognise the importance of collective industry action, stakeholder collaboration and an orderly transition towards lower-carbon steel production while maintaining the competitiveness of Malaysian-owned steel enterprises.

Overall, where an industry organisation’s climate-related position is significantly weaker than or inconsistent with Masteel’s climate commitments, Masteel will engage with the organisation to communicate our concerns and advocate for closer alignment. If the

inconsistency remains unresolved, Masteel may publicly clarify our own position, refrain from supporting the conflicting position, or reconsider our participation or membership in the organisation.

Our Commitment to Water Withdrawal

Masteel works with relevant stakeholders to strengthen water stewardship and reduce water withdrawal and consumption across our operations. We collaborates with Universiti Tunku Abdul Rahman (“UTAR”) to analyse the quality of drainage water surrounding our operational facilities in Petaling Jaya and Bukit Raja. This collaboration provides an independent, scientific basis for assessing surrounding water quality, identifying potential environmental risks, and supporting continuous improvements in Masteel’s water-management practices. Masteel operates a zero-process-water-discharge system, under which process water is treated, recirculated and reused within our operations. Consequently, no process wastewater is discharged into the surrounding drainage system under normal operating conditions. This closed-loop approach reduces freshwater withdrawal, minimises wastewater generation and prevents the loss of reusable water resources.

The collaboration with UTAR complements Masteel’s internal water-quality monitoring and helps verify that our operations do not adversely affect the surrounding drainage environment. The findings may also be used to identify opportunities for improving water recycling, drainage management and pollution-prevention controls. Although Masteel does not currently utilise wastewater streams from neighbouring companies as production inputs, our closed-loop water-recycling system demonstrates the application of industrial-ecology principles by retaining water within the production cycle and treating it as a reusable operational resource rather than a waste stream. Masteel remains open to exploring future water-sharing, reuse and industrial-symbiosis opportunities with neighbouring industries and other relevant stakeholders where these are technically feasible, environmentally beneficial and compliant with regulatory requirements.

Our Commitment to Community

Masteel's approach to sustainability extends beyond environmental stewardship to include community development and social investment. We recognise that our long-term success is closely connected to the well-being and prosperity of the communities in which it operates. Masteel therefore invests in initiatives that promote inclusive development, strengthen local partnerships and create shared socio-economic value.

Education and Climate-Change Research

Masteel established the Masteel Sustainability Grant in collaboration with Universiti Tunku Abdul Rahman ("UTAR") to support education and climate-related research. The grant focuses particularly on carbon capture, utilisation and storage ("CCUS"), including the use of captured carbon dioxide to produce lower-carbon construction materials. Through this initiative, Masteel strengthens industry-academia collaboration, develops local research capabilities and empowers young researchers to create practical solutions for climate-change mitigation and industrial decarbonisation.

Youth Development and Social Inclusion

Masteel also supports the TEAM Programme, which equips vulnerable and underserved young people with relevant skills, confidence and pathways towards employment and social reintegration. Its beneficiaries include young offenders, care leavers, youths not in education, employment or training ("NEET"), and individuals recovering from substance abuse. Through structured mentoring, life-skills training and career-readiness development, the programme helps participants rebuild independence and self-worth while reducing the risks of reoffending, unemployment and long-term social exclusion. The initiative aligns with the Universal Declaration of Human Rights ("UDHR"), particularly the principles of dignity, education, equal opportunity and decent work.

By integrating education, research, youth empowerment and social inclusion into our sustainability strategy, Masteel addresses immediate community needs while supporting long-term resilience and shared prosperity.

In 2025, Masteel contributed RM120,000 to the Selangor Crown Prince Gold Charity Cup in support of the TEAM Programme Malaysia, an initiative implemented in collaboration with The King's Trust International, under the patronage of His Majesty King Charles III. The programme supported 180 young people by helping them develop relevant skills, discover their talents and access opportunities through various partnerships and platforms. The TEAM Programme focuses on empowering vulnerable young people, including young offenders, care leavers, youths not in education, employment or training (NEET), and individuals recovering from substance abuse. Through employability training, confidence-building activities and structured support, the programme provides participants with pathways towards employment and successful social reintegration. Masteel also strengthened its commitment to climate-policy advocacy by contributing an additional RM60,000 to the Institute for Democracy and Economic Affairs (IDEAS), building on its support in the previous year. The contribution supported policy research aimed at advancing practical decarbonisation pathways for Malaysia's steel sector. This collaboration culminated in the publication of Carbon Pricing for the Malaysian Steel Industry: Incentivising Sustainable Growth, which was launched on 21 August 2025. To date, the publication has recorded 2,657 downloads, demonstrating strong public interest in the transition towards a more sustainable and low-carbon steel industry.

Building on the above, Masteel has, during the year 2025, performed the following community investments.

Total amount contributed: **RM180,000.00**

The estimated number of beneficiaries: **2837 people**

Our Commitment to Health and Safety

Occupational Health and Safety (“OH&S”) is a key pillar of Masteel’s sustainability governance and is overseen at the highest organisational level by the Board of Directors and Senior Management. Masteel maintains a structured safety management framework supported by continuous monitoring, proactive risk mitigation and formal governance procedures to safeguard employee well-being across all operations. Each operating site is supported by a dedicated Safety and Health Committee responsible for overseeing regulatory compliance, hazard identification and risk management. The Committee regularly engages with worker representatives on OHS matters through monthly HSE meetings, weekly grand toolbox meetings, and daily briefings on high-risk hazard identification, risk assessment and risk control (HIRARC). All workers whose work or workplace is controlled by the organisation are represented through formal joint management worker health and safety committees. Weekly toolbox meetings provide a platform for sharing lessons on unsafe practices and discussing workplace health and safety concerns. These matters are also addressed at both project and company level OHS Committee meetings, where workers and management are encouraged to raise concerns openly and contribute to continuous improvements in workplace safety. They are led by the Executive Vice Chairman and oversight at Board level by Executive Director Ms. Shirley Ng, ensuring consistent reviewed and accountability. Matters that cannot be resolved at committee level are formally escalated to the Board for review and decision-making, enabling timely intervention and continuous improvement. This governance structure demonstrates Masteel’s commitment to integrating workplace safety into corporate decision-making and maintaining a safe, healthy and responsible working environment.

Within the ISO 45001 framework, clear safety and health objectives are established as part of the operational OH&S programme for both plants. The table below outlines the FY2025 safety targets, reflecting Masteel's ongoing commitment to maintaining a safe, compliant, and well-managed working environment. Since 2023, we have maintained zero work-related fatalities, in line with our target of zero fatalities. Nevertheless, we remain vigilant and committed to strengthening workplace safety to sustain a fatality rate below Malaysia's National Fatality Rate of 2.05 per 100,000 workers in 2023, based on the latest official statistics published by the Department of Statistics Malaysia ("DOSM").

Petaling Jaya Plant	Bukit Raja Plant
• Zero fatality case • Zero compounds from authorities • To ensure 100% of new employees to complete safety and health induction training within two days of joining. • To achieve at least 95% participation of Safety and Health Committee Meeting	• To achieve more than 8,000 operating hours without plant shut down due to injury and accident. • Zero fatality case • Not more than 2 cases of the compound from authorities per year • To ensure 100% of new employees to complete safety and health induction training within two days of joining. • To ensure at least 95% attendance for the Safety and Health Committee Meeting