

SUSTAINABILITY POLICY

1. Overview

Kejuruteraan Asastera Berhad and all its subsidiaries (the Group) subscribes to the commitment towards Sustainable Development, whereby Sustainable Development is defined by the United Nations as, “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development, Our Common Future, 1987).

Sustainable development covers economic sustainability, environmental sustainability and social sustainability, whereby sustainability places the natural environment and its resources on co-equal footing with social and justice concerns and with economic outcomes.

Economic sustainability means participating in economic systems that are accessible to every person and that helps to generate and distribute wealth and prosperity.

Environmental sustainability means contributing to the ongoing maintenance of ecological integrity, preserving biodiversity, and maintaining the balance of natural and climate systems, whereby natural resources are consumed at a rate less than that at which they can be replenished.

Social sustainability means that a minimum standard of basic necessities and human rights is afforded to every person, who have sufficient resources to keep each person, their families and their communities healthy and secure.

The Group practices sustainability and contributes to sustainable development through different policies; through adherence to environmental, social and governance (ESG) regulations and norms, through its own business commitments ranging from commitments to human rights and occupational safety and health, to the alignment of its business model with the Paris Climate Agreement.

With sustainability as the focal point of its business, on par with its financial performance, the Group is able to create share value to all its stakeholders for the long term by managing sustainability risks, opportunities and actual impacts.

The Board of KAB and Managing Director has ultimate oversight on all human rights matters that affect the company and upholds the “protect, respect and remedy” principles as stated in the UN Guiding Principles in order to avoid, mitigate and manage any human rights impacts.

2. Scope

This Sustainability Policy (“Policy”) and its implementation applies to the entire Group, including the management of its internal and external stakeholders. It is designed to provide a comprehensive framework for all members of the Group when managing all dimensions of sustainability covering economic, environmental and social matters that are material to the Group.

3. Sustainability Governance

In ensuring that the Group as a whole continually adheres to its commitments, takes adequate measures to manage its sustainability risks, opportunities and impacts, and implements sustainability-related processes systematically, the Group has established the following governance structure:

- 3.1. The Board of Directors (“the Board”) determines the Company’s overall Sustainability strategy, quantitative and qualitative targets for the year.
- 3.2. The Sustainability Committee (the “Committee”), comprising three board members and chaired by an independent director who is not the Chairman of the Board, assists the Board of Directors in discharging its statutory duties and oversight responsibilities relating to supporting and monitoring the sustainable development strategy of the Group’s businesses covering economic, environmental and social aspects, including contribution to sustainability-related impacts in the course of the Group’s operations, and to oversee the integrity of the Group’s sustainability reporting and associated statements on matters within its scope.
- 3.3. The Sustainability Team of the Group, delegated to assist the Committee, responsible for realising the Group’s sustainability strategy, and to implement and policies and procedures related to sustainability objectives across the Group’s business operations and with all business relations.

4. Policy Principles

4.1. Sustainability Impacts

- 4.1.1. This refers to the effect the Group’s businesses have or could have on the economy, environment, and people, including effects on their human rights, as a result of the Group’s operations or business relationships. The impacts can be actual or potential, negative or positive, short-term or long-term, intended or unintended, and reversible or irreversible. These impacts indicate the Group’s contribution, negative or positive, to sustainable development.
- 4.1.2. The Group’s impacts on the economy refer to the impacts on economic systems at various geographical levels, such its competition practices, its procurement practices, and its taxes and payments to governments.
- 4.1.3. The Group’s impacts on the environment refer to the impacts on living organisms and non-living elements, including air, land, water, and ecosystems. The Group can have an impact on the environment through its use of energy, land, water, and other natural resources.
- 4.1.4. The Group’s impacts on the social aspect refer to the impacts on its stakeholders, such as specific groups or society at large, including the impacts the Group has on people’s human rights. The Group can have social impacts through its employment practices, its supply chain, and its products and services.
- 4.1.5. The various impacts of the Group on the economy, environment and people are interrelated.

4.2. Materiality

- 4.2.1. Material topics, as defined by the Global Reporting Initiative (GRI) Standards, are topics that represent an organization’s most significant impacts on the economy, environment, and people, including impacts on their human rights. Such impacts are of primary importance to sustainable development and to the Group’s stakeholders.

- 4.2.2. The process of determining material topics is aligned with the Group's ongoing identification and assessment of impacts, which is a result of the sustainability due diligence and stakeholder engagement processes as laid out in the Stakeholders identification and engagement policy.
- 4.2.3. The Group's management approach and reporting on various sustainability topics is prioritized based on the process of materiality, whereby financial and human resources is allocated accordingly based on prioritization and urgency.

4.3. Sustainability Due Diligence

- 4.3.1. Sustainability due diligence refers to the process through which the Group identifies, prevents, mitigates, and accounts for how it addresses its actual and potential negative impacts on the economy, environment, and people, including impacts on their human rights.
- 4.3.2. The Group addresses potential negative impacts through prevention or mitigation. It also addresses actual negative impacts through remediation in cases where the Group identifies it has caused or contributed to those impacts.
- 4.3.3. If it is not feasible to address all identified impacts on the economy, environment, and people at once, the Group prioritizes the order in which to address potential negative impacts based on their severity and likelihood. In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood.
- 4.3.4. Sustainability due diligence of the Groups makes reference to the due diligence elaborated by the United Nations Guiding Principles on Business and Human Rights and the OECD Due Diligence Guidance for Responsible Business Conduct.
- 4.3.5. The Group shall follow the Sustainability due diligence guidelines approved by the Sustainability Committee and provided by the Sustainability Team of the Group to be implemented when dealing with internal and external Stakeholders and business relations.

4.4. Sustainability Stakeholders

- 4.4.1. Stakeholders, as defined by the GRI Standards, are individuals or groups that have interests that are affected or could be affected by the Group's activities. Common categories of stakeholders are business partners, consumers, customers, employees and other workers, governments, local communities, non-governmental organizations, shareholders and other investors, suppliers, trade unions, and other community groups.
- 4.4.2. Engaging with stakeholders helps the Group identify and manage its negative and positive impacts. Not all stakeholders will be affected by all activities of the organization. The Group identifies the stakeholders whose interests have to be taken into account in connection with a specific activity.

5. **The Policy**

- 5.1. The Group commits to aligning with the United Nations Sustainable Development Goals (UN SDGs) based on the Group's vision, mission and business model.
 - 5.1.1. Goal 5 Gender Equality – Achieve gender equality and empower all women and girls
 - 5.1.2. Goal 6 Clean Water and Sanitation – Ensure availability and sustainable management of water and sanitation for all
 - 5.1.3. Goal 7 Affordable and Clean Energy – Ensure access to affordable, reliable, sustainable and modern energy for all
 - 5.1.4. Goal 8 Decent Work and Economic Growth – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- 5.1.5. Goal 9 Industry, Innovation and Infrastructure – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
 - 5.1.6. Goal 11 Sustainable Cities and Communities – Make cities and human settlements inclusive, safe, resilient and sustainable
 - 5.1.7. Goal 12 Responsible Consumption and Production – Ensure sustainable consumption and production patterns
 - 5.1.8. Goal 13 Climate Action – Take urgent action to combat climate change and its impacts
 - 5.1.9. Goal 15 Life on Land – Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss
 - 5.1.10. Goal 17 Partnership for the Goals – Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development
- 5.2. The Group commits to aligning with the Paris Climate Agreement:
- 5.2.1. Paris Agreement's central aim is to strengthen the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius.
 - 5.2.2. As part of the engineering, energy and utilities sectors, the alignment to the Paris Climate Agreement is for the Group to be a leader in zero-carbon energy generation and on the path to reach zero carbon emissions by 2050 or earlier.
 - 5.2.3. The Group ensures that all processes are socially and environmentally sustainable
- 5.3. Process of Sustainability Due Diligence
- 5.3.1. The Group considers actual and potential impacts that it causes or contributes to through its activities, as well as actual and potential impacts that are directly linked to its operations, products, or services by its business relationships. Business relationships are relationships that the Group has with business partners, with entities in its value chain including those beyond the first tier, and with any other entities directly linked to its operations, products, or services.
 - 5.3.2. Due diligence tools and methodologies shall be issued by the Sustainability Team, and approved by the Sustainability Committee, in order to gauge Sustainability impacts along with the related risks and opportunities, including surveys, grievance mechanisms and other two-way communication process with internal and external stakeholders.
 - 5.3.3. The due diligence process is used to identify negative or positive impacts:
 - 5.3.3.1. “Causes” - The Group ‘causes’ a negative or positive impact if its activities on their own result in the impact.
 - 5.3.3.2. “Contributes to” - The Group ‘contributes to’ a negative or positive impact if its activities lead, facilitate, or incentivize another entity to cause the impact. The Group can also contribute to a negative or positive impact if its activities in combination with the activities of other entities cause the impact.
 - 5.3.3.3. “Directly linked to” - Even if the Group does not cause or contribute to a negative impact, its operations, products, or services may be ‘directly linked to’ a negative impact by its business relationships.
 - 5.3.4. The due diligence process is further used to assess the significance of the negative or positive impacts:

- 5.3.4.1. The significance of an actual impact is determined by the severity of the impact. The significance of a potential impact is determined by the severity and likelihood of the impact.
- 5.3.4.2. The severity of an actual or potential impact is determined by the following characteristics:
 - 5.3.4.2.1. Scale: how grave the impact is
 - 5.3.4.2.2. Scope: how widespread the impact is
 - 5.3.4.2.3. Irremediable character: how hard it is to counteract or make good the resulting harm
- 5.3.4.3. The likelihood of a potential impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively, by using general terms (e.g., very likely, likely) or mathematically using probability (e.g., 10 in 100, 10%) or frequency over a given time period (e.g., once every three years)
- 5.3.5. The Committee and the Sustainability Team shall conduct sustainability due diligence process in accordance to stakeholder groups, onboarding of new business relations, the beginning of any new projects, or periodical review of projects and operational activities.
- 5.3.6. The Committee and the Sustainability Team shall respond accordingly to the negative and positive impacts, and the resulting risks and opportunities, such as improving process to avoid, mitigate and remedy sustainability impacts.

6. Whistleblowing and Grievance Mechanism

Employee or any third party may anonymously report any violation related to this Policy via the Group's confidential e-mail at kabwhistleblow@asastera.com.

The Group will investigate, address and respond to the concerns in the substantiated report and will take appropriate corrective action in response to any violation.

The entire process and its results shall be documented and shall be properly disclosed in accordance to any applicable laws or Sustainability standards.

7. Roles & Responsibilities

The Committee, assisted by the Sustainability Team, is responsible for developing strategies to meet the objectives of the Policy, as well as monitoring the progress of achieving the objectives.

8. Reporting and Disclosure

As and when necessary, the Group shall periodically report and disclose the relevant metrics, targets, deliverables and achievements with regards to the compliance to the Policy, via mandatory or voluntary public reports and disclosures in accordance with the relevant regulations and standards.

Disclosures relating to Sustainability reporting are in accordance with the Global Reporting Initiative (GRI) Standards, as well as the recommendations set forth by the Taskforce on Climate-related Financial Disclosures (TCFD) of the Financial Stabilities Board (FSB).

9. **Review**

This policy shall be regularly reviewed by the Board Sustainability Committee as and when required.

This policy is dated 31 October 2022.

End of Policy

ALL RIGHTS RESERVED