

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****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 gas-powered 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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CBB's molded pulp products are produced using the eco-friendly ventilation system.

Legend



Financial Capital



Manufactured Capital



Intellectual Capital



Human Capital



Social and Relationship Capital



Natural Capital

Material Matter: Energy Efficiency [GRI 3-3]



Highlight

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.

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.