

VALUE CREATION AT GAMUDA

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MARKET TRENDS AND OUTLOOK

MARKET TRENDS AND OUTLOOK

ECONOMIC GROWTH IN 2023

3.3%

Global

1.7%

Advanced Economies

4.4%

Emerging Markets and Developing Economies

3.7%

Malaysia

5.0%

Vietnam

2.1%

Australia

1.3%

Taiwan

1.1%

Singapore

0.1%

United Kingdom

MALAYSIA

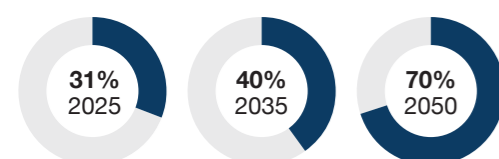
Major infrastructure projects including **East Coast Rail Link, Light Rail Transit Line 3, Klang Valley Double Track Phase 2, Mass Rapid Transit Line 3, Pan Borneo Highway, West Coast Expressway, Electrified Double Track Gemas-Johor Bahru, Johor Bahru – Singapore Rapid Transit System**

Potential projects on the horizon including Penang Light Rail Transit (LRT) and Kuala Lumpur-Singapore High Speed Rail (HSR)

Construction sector growth of 20.2% YoY (Q2 2024) driven by civil engineering, special trade activities, residential buildings

Property sales value growth **↑ 9.9%** (2023)

National Energy Transition Roadmap (NETR) sets ambitious targets for renewable energy share:



Rapid growth in data centre market, with projected CAGR of 13.9% to 2029, supported by investments from tech giants

VIETNAM

Strong recovery in Q1 2024, supported by low interest rates, supportive government policy and strong economic fundamentals. Property market slump in 2023 due to legal and cash flows issues among developers

Hanoi demand driving growth
Average apartment price: **↑ 10.1% YoY** (Q1 2024)

Ho Chi Minh City property market remains sluggish
Average apartment price: **↑ 1.1% YoY** (Q1 2024)

Foreign Direct Investment growth of **13.1% YoY** (Q2 2024) provides optimism

AUSTRALIA

Average house prices **↑ 8.1%** (2023)

Demand-supply imbalance continues to drive prices up, particularly in major cities, in spite of higher interest rates

Construction sector growth **↑ 9.1%** (2023)

Sector growth expected to slow to 2.0% in 2024 due to decline in building permits, labour shortages, material supply constraints and high construction costs

Strong government investment in infrastructure:
AUD10 billion for social and affordable homes
AUD12 billion for road and rail projects (2023 and 2024)
AUD800 billion for renewable energy projects by 2050

TAIWAN

Construction sector expected to achieve **4.0%** average annual growth rate (2025-2028), supported by investments in semiconductor manufacturing, transport, tourism, energy, and housing

Average house prices **↑ 11.9% YoY** (Q2 2024)

Continued progress of Forward-Looking Infrastructure Development Programme (FLIDP), which focuses on eight main categories: **railway systems, water environments, green energy, digital infrastructure, urban-rural development, child care facilities, food safety and human resources development**

SINGAPORE

Average residential house prices **↑ 4.9% YoY** (Q1 2024)

Slower growth in property market due to higher interest rates and market cooling measures

Construction sector **↑ 5.2%** (2023)

Steady growth expected in coming years, supported by investments in public housing and major MRT line developments (public sector), and continued growth in **residential developments, expansions of integrated resorts and redevelopment of commercial premises (private sector)**
Singapore's safe haven status drives the sector's resilience

UNITED KINGDOM

Accelerated shift to sustainability: green-certified offices fetch an **average premiums of over 12%** in Central London

Growing market for **Purpose-Built Student Accommodation (PBSA)**, with investments in the sector reaching a record **£7.2 billion** in 2023, fuelled by increase in international student applications

Average house prices **↓ 1.4%** (2023)

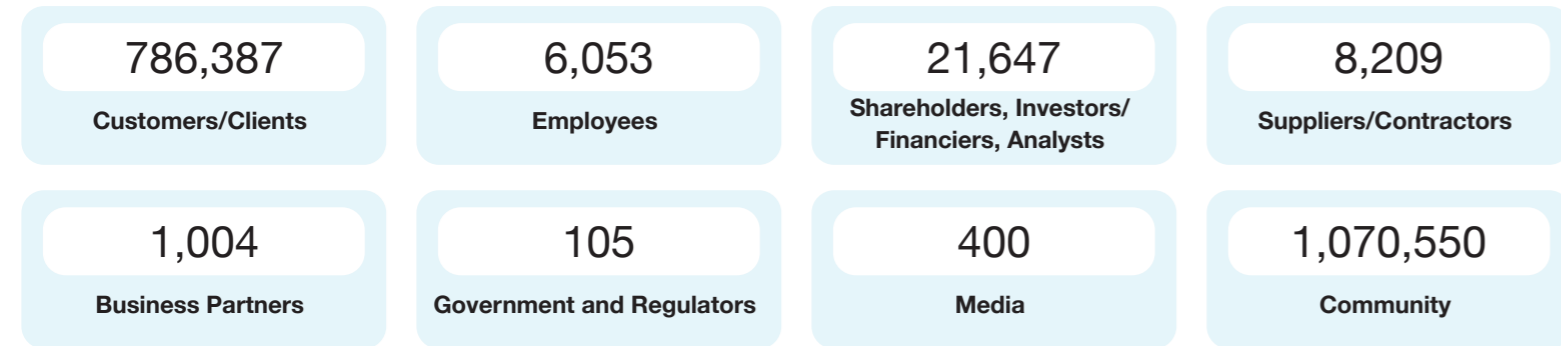
London had the biggest decline in 2023 at **↓ 4.8%**

New home registrations **↓ 44.0%** (2023)

High mortgage costs and building material inflation dampening demand, but market has rebounded strongly in 2024

STAKEHOLDER ENGAGEMENT

We actively engage diverse stakeholders, both internal and external, to comprehend and address their needs. These stakeholders influence, or are impacted by our operations. We focus on enhancing these relationships to maximise value creation, as outlined in our Investor Relations, Business Conduct, Public Relations, and Stakeholder Management policies.



STAKEHOLDER ENGAGEMENT

EXTERNAL STAKEHOLDERS

Ongoing engagement

- Reviews of projects, programmes and relationships
- Key conferences and industry events
- Project progress briefings and newsletters
- Feedback through customer and business mobile apps
- Loyalty programmes

Annual feedback

- Thought leader interviews
- Stakeholder panel
- Benchmarking exercises with industry peers
- Compliance assessments
- Communication audits

- ✓ Customers/Clients
- ✓ Shareholders, Investors/Financiers, Analysts
- ✓ Government and Regulators
- ✓ Media
- ✓ Community

INTERNAL STAKEHOLDERS

Ongoing engagement

- Sharing knowledge via collaborative platforms
- Development discussions
- Employees' activities, newsletters and surveys
- Project site visits
- Feedback through townhalls and dialogues

Annual feedback

- Performance appraisals
- Audits

- ✓ Employees
- ✓ Business Partners
- ✓ Suppliers/Contractors

Engagement Effectiveness ● Effective ● Sufficient ● Improvement Needed



Who They Are and How They Contribute Value				Who They Are and How They Contribute Value			
Our customers and clients are essential partners in our success. Their demand drives our projects, and their insights inform our understanding of their needs for our products and services. By consistently exceeding their expectations, we build lasting relationships and create sustainable value.	Our shareholders and financiers provide essential financial support, enabling us to invest in our growth and development. Analysts play a crucial role in evaluating our performance and communicating our financial results to the broader market.	Regulatory bodies within governments oversee and assess industry standards, influencing businesses accordingly.	The media serves as a crucial platform for impartial and trustworthy dissemination of information about Gamuda to the public.	We are committed to being a positive force in the communities where we operate. By understanding their needs and making meaningful contributions, we can create a lasting positive legacy.	Engaged employees are more motivated, productive, and dedicated. They contribute to higher quality work and align with our values.	We rely on our suppliers and contractors to deliver high-quality products and services on time, while adhering to our strict ethical standards.	We count on suppliers/contractors for quality, timely delivery, emphasising ethics and integrity.
Issues Raised	Issues Raised	Issues Raised	Issues Raised	Issues Raised	Issues Raised	Issues Raised	Issues Raised
<ul style="list-style-type: none"> • Service response time • Delivery of homes • On-time, on-budget infrastructure completion 	<ul style="list-style-type: none"> • Company's performance (financial and non-financial) • Business strategies implementation and progress • Ensuring corporate governance and internal controls 	<ul style="list-style-type: none"> • Ensuring company adherence to applicable regulations • Upholding corporate governance and best business practices 	<ul style="list-style-type: none"> • Provide clear and timely information and progress updates to stakeholders • Commitment to ethical conduct 	<ul style="list-style-type: none"> • Meeting manpower and upskilling requirements in the construction sector for infrastructure projects • Promoting equal participation in local employment and businesses 	<ul style="list-style-type: none"> • Competitive compensation • Opportunities for career growth and training • Emphasis on safety and well-being • Promotion of work-life balance 	<ul style="list-style-type: none"> • Proficiency in efficient and timely deliveries • Building trustworthy and integral relationships 	<ul style="list-style-type: none"> • Transparency and objectivity in procurement processes • Knowledge sharing and capacity-building • Timeliness in payment transaction
Strategic Responses	Strategic Responses	Strategic Responses	Strategic Responses	Strategic Responses	Strategic Responses	Strategic Responses	Strategic Responses
<ul style="list-style-type: none"> • Adherence to global quality standards compliance • Increase technology and digital implementation • Strict budget and progress oversight 	<ul style="list-style-type: none"> • Strategy development (business and sustainability) • Timely reporting (quarterly and annually) • Timely query resolution • Robust governance framework 	<ul style="list-style-type: none"> • Dedicated Integrity and Governance Unit (IGU) ensures Group-wide governance standards • Business Units manage risk for compliance • Actively engage in industry committees for policy advocacy 	<ul style="list-style-type: none"> • Proactively engage with diverse media outlets • Maintain open-door communication with the media • Swift response to media inquiries 	<ul style="list-style-type: none"> • Establish dedicated training centers to provide construction-related skills and vocational education • Implement robust procurement contracts that prioritise local businesses, especially small and medium enterprises, to create employment opportunities 	<ul style="list-style-type: none"> • Fair and competitive pay and benefits packages that align with industry standards • Provide ongoing on-the-job training and professional development opportunities • All operational sites hold ISO 45001 certification • In-house Gamuda Healthcare, Centralised Labour and Quarantine Quarters 	<ul style="list-style-type: none"> • Consistent and transparent communication on policies, structures, operations, strategy, and performance • Regular reporting: Share monthly reports and hold regular meetings to keep stakeholders informed • Foster collaboration with stakeholders via relevant business chambers and associations to foster collaboration 	<ul style="list-style-type: none"> • Advancing digital procurement processes • Empowering suppliers/contractors through training • Easy adoption of policies and values • Mandatory Declaration of Compliance/AB&C Clause

MATERIAL MATTERS

Material matters are key sustainability issues that are significant to our business and stakeholders, as they represent our sustainability impacts on the economy, environment and people. Determining and addressing these material matters enables us to identify risks and opportunities while minimising any adverse impacts of our decisions and activities.

We conduct a comprehensive materiality assessment periodically, ensuring our sustainability priorities remain relevant and aligned with industry dynamics. Our most recent comprehensive materiality assessment was conducted in 2022. This process is complemented by an annual review and revision of material matters, keeping pace with industry benchmarks and evolving sustainability standards. Each revision undergoes formal endorsement by the Gamuda Board of Directors, affirming our commitment to informed, forward-thinking governance.

Gamuda's Five-Step Materiality Assessment

Current State Assessment	Stakeholder Engagement	Assessment of Impact and Significance	Prioritisation of Material Issues	Validation and Review
Process begins by assessing existing Gamuda's material matters. Internal brainstorming, industry benchmarking, and reviewing sustainability standards. External factors, including regulations, trends, and stakeholder expectations, are also considered.	Surveys, interviews, focus groups, and other engagement methods are used to gather data about stakeholders' concerns and expectations.	Issues are assessed based on Group's financial, operational, reputational, and regulatory implications, as well as their importance to stakeholders.	Prioritise the identified issues based on their significance to Gamuda's business and its stakeholders. This is represented in to a materiality matrix.	Senior leadership, including the Board of Directors, reviews and validates the assessment results to ensure alignment with strategic priorities. The process is regularly revisited to remain current with emerging issues. For annual reviews, management team, alongside key business units, conducts an internal review to confirm the accuracy of the current matters and alignment with updated operational goals.

In 2024, we reviewed our material matters by aligning them with industry peers and global sustainability reporting frameworks. Through a process of consolidation and regrouping, we streamlined our material matters from 17 to 13 key issues. As part of this refinement, Indirect Economic Impact was removed from the materiality matrix. Despite these changes, the priority of our top five Materiality Matrix remained unchanged.

Existing Material Matters	Changes Made	Revised Material Matters
Climate Action	➤ Renamed	➤ Climate Change
Human Rights and Labour Practices		➤ Human Rights
Renewable Energy	➤ Regrouped Under	➤ Climate Change
Customer Satisfaction		➤ Responsible Marketing and Labelling
Water Management	➤ Consolidated	➤ Resource Management
Resources and Waste		
Indirect Economic Impacts	➤ Removed	

MATERIAL MATTERS

Materiality Matrix



Economic and Governance	Environmental	Social
Economic Performance	Climate Change	Safety and Health
Digital Transformation and Innovation	Biodiversity	Human Rights
Governance	Resource Management	Human Capital Development
Supply Chain Management		Stakeholder and Community Relations
Cyber Security and Data Protection		
Responsible Marketing and Labelling		

MANAGING OUR RISKS

In today's dynamic business landscape, effective risk management is crucial to our Group's success. We have established robust guard rails to manage project risks and ensure strategic alignment across operations. Our immediate priority is to stay on track with our annual targets for revenue, margins, and overhead costs as outlined in our 5-year business plan, safeguarding our trajectory towards long-term objectives. Central to this effort is our commitment to technical excellence in design, procurement, and project delivery, supported by a dedicated team of subject matter experts who enhance our capabilities.

We are also focused on digitising our procurement processes and construction operations, fostering transparency and speeding decision-making for delivery efficiency. By prioritising these elements, we mitigate risks and position ourselves for sustainable growth.

Detailed in Our Integrated Value Creation Model (see pages 56 to 57), we discuss potential risks in our management and governance committees to mitigate long-term impact on our business outcomes and reputation.

For a deeper dive into our risk management approach, please refer to the Risk Management Committee Report (see page 106).

RISK PROFILE ▲ Increased ▼ Decreased ◀▶ Unchanged

POLICY SHIFTS

Risk Type: **Regulatory** Risk Profile: ▼

Changes in government policies can pose substantial challenges and opportunities for businesses, affecting their strategies, financial performance, and regulatory requirements

RISK DRIVERS

- Fiscal Policy: Changes in government spending, taxation, and monetary policy can affect the overall economic climate and demand for construction and property services.
- Infrastructure Spending: Government investment in infrastructure such as transportation, energy, and water, can impact demand and delivery for construction projects.
- Political conditions: Conflicts can alter trade patterns and impose restrictions, and impact business demands in the affected regions.
- Decarbonisation roadmap: Government mandates for renewable energy and stricter energy-efficiency standards can drive demand for construction projects while potentially increasing their complexity and cost.

MITIGANTS

- Continuously adapt to changes in government policies to identify potential risks and opportunities.
- Actively engage with regulator, business partners and supply chain to influence industry policies and ensure effective risk management and value creation.
- Invest in and adopt innovative technologies that reduce carbon emissions, such as energy-efficient in design and construction, low carbon materials, renewable energy systems, and less carbon intensive logistic.

COST ESCALATION AND DISRUPTION OF THE SUPPLY CHAIN

Risk Type: **Market** Risk Profile: ▲

Geopolitical events (Russia-Ukraine War, US-China Trade War and ongoing conflicts in the Middle East), including natural disasters (earthquakes, hurricanes, typhons, floods) are driving up costs and disrupting supply chains, creating a challenging environment for construction projects.

RISK DRIVERS

- Labour shortages: A shortage of skilled workers in the construction industry has driven up wages and increased competition for talent.
- Rising costs: Increased material and labour costs can lead to cost overruns, affecting project budgets and profitability.
- Trade restrictions and sanctions: Tariffs, quotas, and trade restrictions can disrupt the flow of materials and equipment, increasing costs and potentially causing shortages.

MITIGANTS

- Diversify suppliers and reduce reliance on a single source.
- Continuously identify and address potential threats.
- Plan for disruptions and unexpected events.
- Use technology to improve supply chain visibility and efficiency.
- Protect with contracts with inclusion of clauses to address cost increases and disruptions.

MANAGING OUR RISKS

INTEREST RATE AND CURRENCY EXCHANGE

Risk Type: **Financial** Risk Profile: ▼

Rising interest rates and foreign currency fluctuations can strain finances by increasing borrowing costs and limiting access to affordable credit, potentially impacting profitability and financial stability.

RISK DRIVERS

- Monetary Policy: Changes in interest rates can affect financial conditions.
- Inflation: Rising inflation may lead to higher interest rates.
- Political Instability: Discord in politics can weaken the currency.
- Foreign Exchange Risk: Fluctuations in exchange rates can impact businesses operating in multiple currencies.

MITIGANTS

- Manage interest rate risk through financial instruments, maintain a balanced debt structure, and ensure sufficient cash flow.
- Mitigate inflation's impact with cost-saving measures, and inflation-linked investments.
- Manage political risk by diversifying operations to other regions, planning for disruptions, and obtaining risk insurance.
- Manage foreign exchange risk through hedging, currency diversification, and forecasting.

CAPITAL AND LIQUIDITY

Risk Type: **Financial** Risk Profile: ◀▶

Effective management of capital and liquidity is crucial to maintaining financial stability and supporting business growth.

RISK DRIVERS

- Economic factors: Recessions, rising interest rates, and inflation, can limit access to capital.
- Industry-specific: Competition, technological advancements, and regulatory changes, can impact profitability.
- Business operations: Project delays, inventory issues, purchaser credit risk, and regulatory challenges can impact cash flow.

MITIGANTS

- Regularly assess financial metrics and maintain a healthy debt-to-equity ratio to ensure a strong financial position.
- Explore multiple funding options to increase capital availability.
- Monetise assets and allocate capital effectively to improve financial performance and reduce risk.
- Financial Transparency via timely communication with stakeholders about the company's liquidity position.

CYBERSECURITY AND DATA

Risk Type: **IT** Risk Profile: ◀▶

Cybersecurity is crucial to protect against financial loss, operational disruptions, and data breaches. By mitigating cyber threats, businesses can safeguard their assets and reputation.

RISK DRIVERS

- Threat Landscape: Constant evolution of cyber threats, ransomware attacks, phishing scams, and supply chain attacks.
- Data Privacy: Stricter data privacy regulations can impose significant compliance and financial burdens.
- Third-Party Management: Complexity of supply chains and reliance on third-party vendors increases security vulnerabilities risks.

MITIGANTS

- Enhance cybersecurity with regular assessments, employee training, patch systems, and have an incident response plan.
- Have a robust compliance framework with audit processes for enhanced data accuracy and privacy.
- Conduct due diligence, require security in contracts, monitor vendors, and collaborate on incident response to manage third-party risks.

CLIMATE CHANGE

Risk Type: **ESG** Risk Profile: ▲

Climate change poses significant physical, transition, and reputational risks. Extreme weather events, regulatory changes, and loss of investor confidence are additional key concerns.

RISK DRIVERS

- Operational Disruptions: Extreme weather can halt construction.
- Transition Risks: Climate policies may disrupt supply chains and require new investments.
- Investor Pressure: Investors increasingly prioritise climate action.
- Regulatory & Reputational Risks: Biodiversity conservation can be costly.

MITIGANTS

- Embed climate adaptation and climate resilience designs.
- Develop a sustainability strategy, report ESG performance, and engage with investors.
- Collaboration between public and private sectors on ESG policies and research.
- Ensure the preservation of ecosystems with conservation programmes that undergo rigorous audits.

OUR INTEGRATED VALUE CREATION MODEL

Our business model, grounded in stability and adaptability, is a cornerstone of our growth strategy. By leveraging our expertise, strategic partnerships, and innovative approach, we are expanding our reach across diverse regions and sectors. From project inception to completion, we optimise resources, harness technology, and foster a culture of engineering excellence. This proven model, adaptable to the evolving needs of our engineering, property, and infrastructure businesses, ensures sustainable value creation for our stakeholders.

OUR INTEGRATED VALUE CREATION MODEL

KEY RISK TYPES:

- Cost escalation and disruption of supply chain
- Interest rate increase and ringgit depreciation
- Capital and liquidity risk
- Policy shifts
- Climate emergency and biodiversity loss

