

F R O S T & S U L L I V A N



2022 COMPANY OF THE YEAR

*MALAYSIA
INTEGRATED ENVIRONMENTAL
SOLUTIONS INDUSTRY*

Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Alam Flora Environmental Solutions Sdn. Bhd. (AFES) excels in many of the criteria in the integrated environmental solutions space.

AWARD CRITERIA	
<i>Visionary Innovation & Performance</i>	<i>Customer Impact</i>
Addressing Unmet Needs	Price/Performance Value
Visionary Scenarios Through Mega Trends	Customer Purchase Experience
Implementation of Best Practices	Customer Ownership Experience
Leadership Focus	Customer Service Experience
Financial Performance	Brand Equity

Addressing Unmet Needs

According to Sustainable Development Report 2021, Malaysia ranked 65th out of 165 countries in progress toward sustainability.¹ In particular, the country fared moderately well in two Sustainability Development Goals (SDG), namely SDG 7 Affordable and Clean Energy and SDG 11 Sustainable Cities and Communities, but scored poorly in SDG 13 Climate Action, SDG 14 Life Below Water, and SDG 15 Life on Land. In 2021, the country’s position in the Climate Change Performance Index declined from 56th to 57th (out of 60 countries and the European Union [EU]).²

AFES is a provider of integrated services in the environment and buildings industry incorporated in 2013. A wholly-owned subsidiary of Alam Flora, a waste management company in Malaysia, AFES serves four core business lines: Facility Management (FM), Infrastructure Cleansing and Waste Solutions (ICWS), Waste Management Facilities (WMF), and Marine and Land Scheduled Waste Facilities. AFES is committed to improving Malaysia’s SDG performance in at least nine areas³.

¹ <https://dashboards.sdgindex.org/rankings>

² https://ccpi.org/wp-content/uploads/CCPI-2022-Results_neu.pdf

³ The nine areas are SDG 6 Clean Water and Sanitation, SDG 7 Affordable and Clean Energy, SDG 9 Industry, Innovation and Infrastructure, SDG 11 Sustainable Cities and Communities, SDG 12 Responsible Consumption and Production, SDG 13 Climate Action, SDG 14 Life Below Water, SDG 15 Life on Land, and SDG 17 Partnerships for the Goals.

Through its FM business line, AFES stands out with sustainability solutions for buildings for customers in the private sector. Its facilities engineering and maintenance services improve building energy management at customers' sites and introduce monitoring systems and audits in customers' operational expenditure (OPEX). AFES is uniquely positioned as an environmental solution service provider that is also technically adept in facility management. The company's FM business line embodies the development of SDG 9 and SDG 11 for Malaysia.

Additionally, AFES is a strong competitor in environmental cleansing and waste management solutions under its ICWS proposition. The company's ICWS benefits commercial and industrial customers with on-demand sanitization in facilities, comprehensive cleansing, and domestic and industrial waste

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management solutions. ICWS plays an important role in addressing SDG 6, SDG 11, and SDG 12 on cleanliness, sanitation, waste minimization, and sustainable living.

To support SDG 17, AFES partners closely with the Malaysian public sector. The company recognizes that collaborations among public and private entities are necessary for the country's SDG development. Its key contributions in the public sector include the management and operations of two mini incinerator plants in Pangkor Island and Cameron Highlands and a

waste transfer station in Taman Beringin, Kuala Lumpur, the largest in the Association of Southeast Asian Nations (ASEAN) by capacity. These reflect the company's expertise in managing high-technology waste facilities in Malaysia. AFES also facilitates landfill management, leachate treatment, and illegal dumpsite rehabilitation through its WMF business line, which is synergistic with the development of SDG 6, SDG 9, and SDG 15 in Malaysia. Most importantly, its technical competency in WTE has contributed to the country's alternative energy development, thus advancing SDG 7 and SDG 13.

Through its Marine and Land Scheduled Waste Facilities, AFES provides port reception facilities and services in Malaysia. Its expertise covers port waste solutions, such as advanced waste tracking, sampling, and analysis, and vessel waste management, including food waste, sludge, and used lubricant oil. The Marine and Land Scheduled Waste Facilities service proposition supports the growth of SDG 14.

Frost & Sullivan finds that services by AFES are pertinent to Malaysia's SDG progress. AFES has distinguished itself with impressive solutions that are holistic for the overall improvement of environmental conditions and sustainability in local communities and businesses.

Best Practices Implementation

There is an urgent need for businesses to operate with environmental, social, and corporate governance (ESG) principles. While the financial performance of businesses remains vital, it is not the only measurement for success. Achieving a profitable business with sustainability principles in place can be demanding. Some business owners find it challenging to keep up with sustainability practices.

AFES is a prominent service provider that helps customers achieve sustainability goals and ESG in businesses while improving their bottom line. The company essentially assists businesses under its Capital Expenditure (CAPEX) to OPEX Program by reducing operating expenses through environmental quality assessments, energy consumption optimization, and safety management. These services form the fundamentals of ESG improvement for AFES customers.

In ensuring seamless customer support, AFES adopts John Elkington's Triple Bottom Line (TBL) or the 3P principle: People, Planet, and Profit⁴. Under the People principle, the company develops its talent pool with learning programs that boost technical knowledge and customer management. Externally, the company helps customers raise environmental awareness among their employees. It also demonstrates resource use optimization, a unique best practice that promotes the well-being of the Planet. Under this proposition, the company stands out with its comprehensive resource use methods, including waste-to-value solutions (such as waste minimization, waste recovery, and waste recycling), bin management, and energy and water savings.

In pursuing the Profit principle that embodies wealth sharing, AFES has launched ECO DUTA, a program enabling ambassadors and agents to collect recyclable waste, including used cooking oil, for the company. This program improves recycling rates and environmental protection awareness while serving as a supplementary income platform for collectors amid the COVID-19 pandemic.

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Financial Performance

The environmental solutions market in Malaysia is at the development stage. According to the latest data from the Department of Statistics Malaysia, the Malaysian government spent approximately RM2.89 billion on environmental protection in 2019, a 7.0% jump from 2018. The government's commitment to environmental improvement has resulted in active participation from companies like AFES, which has recorded stellar growth since its establishment. AFES's company value grew from RM10.0 million in 2013 to RM200.0 million in 2021, registering an impressive 45.4% compound annual growth rate (CAGR).

In 2021, its revenue increased by 10.3% from the 2020 revenue, reflecting a profit margin of about 13.0%. Expanding AFM services and cleansing and waste solutions mainly contributed to the company's revenue growth.

In 2020, the company's revenue expanded by 40.0% from the 2019 revenue. Its exceptional growth from 2019 to 2020 was due to the pandemic-fueled high demand for cleansing and sanitization services and customized waste solutions from businesses and industries.

⁴ <https://www.investopedia.com/terms/t/triple-bottom-line.asp>

Customer Ownership and Service Experience

According to a global survey by GreenBiz and Schneider Electric⁵, the significant challenges to implementing sustainability initiatives in businesses are constrained financial resources, unattractive return on investment (ROI), the decentralization of programs, and limited internal expertise. Environmental solutions providers must assist customers in mitigating these challenges to achieve sustainability goals and enhance customer ownership and service experience standards.

AFES offers commendable solutions in addressing financial and ROI constraints. Its CAPEX to OPEX Program is a service proposition that capitalizes on the company's prowess in efficient operations enhancement. Additionally, the company's demonstrated expertise in environment and sustainability innovations are valuable in alleviating customers' ROI concerns. AFES provides technological solutions

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customized to unique customer goals. One service subsegment that the company excels in is energy and utility management. Energy consumption remains one of the most pertinent cost factors in business operations.

Frost & Sullivan lauds AFES as a reliable business partner to customers in project management. AFES ensures sustainability projects and offered solutions are managed well from initiation and planning to closure. As part of its exemplary project management proposition, the company implements a computerized

maintenance management system and a centralized monitoring system to manage and monitor work performance metrics. In addition, the company enhances the customer ownership experience with 24/7 technical staff support. These approaches overcome the issues of project decentralization and lack of workforce support at customers' sites.

In advancing customer service standards, AFES modernizes its operations with digital processes. In addition to digital work check-ins, the company has introduced automated billing with a barcode system to customers. A similar barcode system is used in the company's Rewards@S recycling program for the public. Registered consumers would label their recycling bags with provided barcodes before depositing them at designated bins. The company offers rewards based on consumer barcodes.

Frost & Sullivan notes AFES's aspiration to develop its own mobile app in the near future. This will boost AFES's position as a leading service provider that integrates environmental solutions with digital best practices. The convergence will strengthen its position as a leader with high customer service standards.

Brand Equity

Urbanization and the lack of sustainability practices among the population contribute to environmental deterioration in Malaysia. Public engagement is critical to building a sustainable environment for future

⁵ <https://perspectives.se.com/ess-perspectives-2/corporate-energy-sustainability-programs-research-report>

socioeconomic growth. Environmental solutions market participants are tasked with creating public awareness of sustainable development in Malaysia.

AFES leads in creating a brand that advocates environmental protection and sustainability solutions. Besides being a well-known service provider to waste management companies in Malaysia, it has carved its name in communities and businesses through public initiatives and recycling projects. Such initiatives include the Earth Hour quiz, the December 2021 post-flood clean-up in Greater Kuala Lumpur, and irrigation and drainage cleaning in Kajang, Selangor. The company has also raised recycling awareness through various campaigns, partnering with Nestle, Perbadanan Putrajaya, NGO Global Peace Malaysia, AEON Mall, PETRONAS, and Universiti Putra Malaysia Teaching Hospital (HPUPM).

Additionally, AFES has established itself as a waste recovery and recycling advocate through its 12 Buy Back Centers (BBC) in Kuala Lumpur, Putrajaya, and Pahang. These BBCs are collection points for recyclable items from the public that reward participants with cash and Petronas Mesra loyalty points. For its integrated solutions and public initiatives, AFES has been recognized as an industry leader by the EU-Malaysia Chamber of Commerce and Industry, Asia-Pacific Business Council for Sustainability, and ASEAN Centre for Energy.

Conclusion

AFES pioneers integrated environmental solutions for the advancement of SDGs in Malaysia. Frost & Sullivan finds that each of its service lines caters to the country's aspiration to meet SDG targets. As an all-rounder in holistic environmental solutions, AFES has positioned itself as an industry leader in sustainable energy and environmental practices. Despite industry challenges from the COVID-19 pandemic, AFES remains committed to advocating and creating awareness of environmental protection among communities in Malaysia through various campaigns, corporate social responsibilities, and partnerships. Its 45.4% CAGR in revenue from 2013 to 2021 is a testament to its tireless endeavors and industry leadership. With its strong overall performance, Alam Flora Environmental Solutions Sdn. Bhd. earns Frost & Sullivan's 2022 Malaysia Company of the Year Award in the integrated environmental solutions industry.

What You Need to Know about the Company of the Year Recognition

Frost & Sullivan's Company of the Year Award is its top honor and recognizes the market participant that exemplifies visionary innovation, market-leading performance, and unmatched customer care.

Best Practices Award Analysis

For the Company of the Year Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

Visionary Innovation & Performance

Addressing Unmet Needs: Customers' unmet or under-served needs are unearthed and addressed by a robust solution development process

Visionary Scenarios Through Mega Trends:

Long-range, macro-level scenarios are incorporated into the innovation strategy through the use of Mega Trends, thereby enabling first-to-market solutions and new growth opportunities

Leadership Focus: Company focuses on building a leadership position in core markets and on creating stiff barriers to entry for new competitors

Best Practices Implementation: Best-in-class implementation is characterized by processes, tools, or activities that generate a consistent and repeatable level of success

Financial Performance: Strong overall business performance is achieved in terms of revenue, revenue growth, operating margin, and other key financial metrics

Customer Impact

Price/Performance Value: Products or services provide the best value for the price compared to similar market offerings

Customer Purchase Experience: Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

Customer Ownership Experience: Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

Customer Service Experience: Customer service is accessible, fast, stress-free, and high quality

Brand Equity: Customers perceive the brand positively and exhibit high brand loyalty

