

2019

Sustainability
Report

CREATING FUTURE VALUE

Economic

Leveraging a three-pronged strategy to create future value

Environmental

Innovative use of scheduled wastes and by-products

Social

Employee volunteerism fuels CMS' 'Doing Good & Building Sustainable Communities' programme

Supporting Sarawak's Progressive Growth for over **40 years**

Welcome to CMS' 2019 Sustainability Report which aims to provide concise insights into the Group's sustainability endeavours whilst underscoring our efforts to champion the agenda of sustainability across our organisation and the State of Sarawak.



CAHYA MATA SARAWAK



Cover Rationale



The year 2019 was a highly challenging one characterised by sluggish economic growth made worse by external and domestic headwinds. Despite the year’s tough operating conditions, Team CMS delivered a resilient performance.

Adapting quickly to marketplace changes, our people maintained a steadfast focus on their targets and the Group’s strategic direction to ensure CMS remained relevant to its market segments. We also streamlined our Top Management to give it more clarity and direction. At the same time, we raised the engagement levels across all our audiences, speaking at length about the positive developments within CMS and the strategic measures we are bringing into play to secure the future of the Group. By fine-tuning our strategies and strengthening our fundamentals, CMS has been laying solid foundations that will result in the creation of future value for the Group.

The cover design of our 2019 Sustainability Report seeks to conceptually convey the idea of expansion, growth and progress emanating from a single source. With CMS representing that source, the Group is seen to be creating diverse spheres of value as we expand upwards and outwards into the marketplace. Today, CMS is well-primed to create future value as we leverage on a three-pronged strategy. The first prong of this strategy calls for us to reposition and fortify all traditional core businesses; the second prong mandates that we fully implement and grow our strategic businesses; while the third prong dictates that we work to reposition and strengthen the CMS brand.

Moving forward, CMS remains one the best proxy investments for Sarawak’s accelerating economic growth. We are well-positioned to benefit from the key economic growth drivers within the State. These include the energy-intensive industries under SCORE; impactful infrastructure development projects; upcoming water and electricity grid projects; as well as the rollout of Sarawak’s Digital Economy initiative. By leveraging on our three-pronged strategy, continuously reinvesting into our core competencies, and capitalising on the State’s key economic growth drivers, we are confident that we will continue to create good value for our stakeholders, as well as establish a long-term, sustainable growth pathway for both CMS and Sarawak.

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This icon tells you where you can scan or go through more information online.

About This Report

Welcome to Cahya Mata Sarawak Berhad's (CMS or the Group) Sustainability Report 2019. This, our fifth Sustainability Report (Report), serves as a tool to demonstrate to our stakeholders and other interested parties how CMS continued to undertake its operations in a responsible and sustainable manner throughout 2019.

This Report discloses our sustainability achievements in a transparent and objective manner in line with the Global Reporting Initiative or GRI Guidelines among other standards. Together with our Integrated Annual Report 2019, which features the financial and non-financial aspects of our business, as well as our strategies and value creation efforts in line with the International Integrated Reporting Council or IIRC's International <IR> Framework, these two reports provide a clear, comprehensive and transparent account of our performance in managing the Economic, Environmental and Societal (EES) aspects of our operations.

There have been no changes to the boundaries of this Report from the previous Sustainability Report 2018. That Report saw us disclosing substantial new content most of which sought to fulfil the requirements of the FTSE4Good Bursa Malaysia Index. As a result of the new information that we disclosed, our FTSE4 Good rank shifted upwards by 0.7 points from 2.2 (as at July 2016) to 2.9 (as at July 2019).

Today, we continue to report on CMS' sustainability achievements in a comprehensive and factual manner which we trust will go down well with our stakeholders. Outlined on the right is detailed information on the scope and criteria used in the preparation of this Report.

1 Reporting Period

1 January to 31 December 2019 (Financial Year or FY 2019), unless specified.

2 Reporting Cycle

Annually

3 Scope

- CMS' Departments and Divisions:
 - Head Office Departments
 - Cement Division
 - Construction Materials & Trading Division
 - Construction & Road Maintenance Division
 - Property Development Division
 - Samalaju Development Division

* *Note that the scope of this Report only covers the abovementioned Departments and Divisions that CMS has full management control over and which we are able to apply our Sustainability Agenda to.*

The activities of the Group's Associate Companies are not covered in this Report due to the fact that at the Associate level, CMS' influence is at Board level only. At each Associate Company, the respective Management teams are responsible for implementing their own sustainability agenda.

- The scope of this Sustainability Report aligns with that of the Integrated Annual Report to ensure consistency by way of reporting and financial statements.

4 References and Guidelines

- Global Reporting Initiative (GRI) Sustainability Reporting Guidelines
- Bursa Malaysia's Sustainability Reporting Guide
- Association of Chartered Certified Accountants (ACCA) Malaysia
- Sustainability Reporting Awards (MaSRA) Guidelines for Malaysian Companies
- International Organisation for Standardisation (ISO) 26000:2010 Guidance on Social Responsibility

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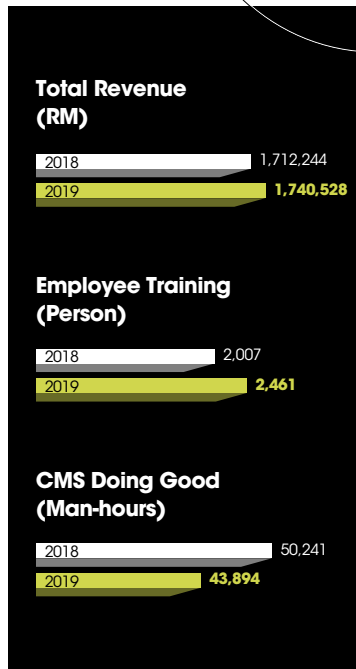
ADOPTING THE GRI STANDARDS FOR GREATER TRANSPARENCY



Who We Are Today

VISION
To be the PRIDE of Sarawak & Beyond

STAKEHOLDERS
Our Shareholders, Staff, Customers & Community



WHO WE ARE

“ — ”

Cahaya Mata Sarawak Berhad (CMS or the Group) is Sarawak’s leading infrastructure facilitator and a prime mover in the State’s growth story. Our roots go back to 1974 when we began supporting the State’s rapid growth as its first cement manufacturer. Having steadily grown from strength to strength, we are today a listed entity on the Main Market of Bursa Malaysia with an enlarged and diversified portfolio. Our portfolio encompasses our Core Businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development businesses; as well as our Strategic Investments which centre on export-oriented industries within the Sarawak Corridor of Renewable Energy (SCORE) and also the telecommunications industry.

As the State moves into a new era of growth with SCORE, CMS’ expansion path too is moving into a new trajectory to take advantage of the business investment opportunities in energy-intensive industries and their infrastructure and related needs. Given the vast business potential within SCORE and throughout the State, we continue to leverage on our healthy balance sheet, local knowledge, an experienced management team, proven strategies, and a synergised portfolio of Sarawak-based businesses, to maximise our participation in the Sarawak growth story.

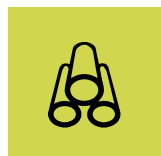
BUSINESS OVERVIEW

CMS’ solid progress over the last 45 years mirrors Sarawak’s own dynamic progress. Today, our operations encompass more than 34 companies across 6 business segments, and a workforce of over 2,186 people in 40 offices throughout the State.

CORE BUSINESSES



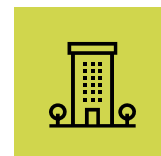
Cement



Construction Materials & Trading



Construction & Road Maintenance



Property Development



Samalaju Development Division



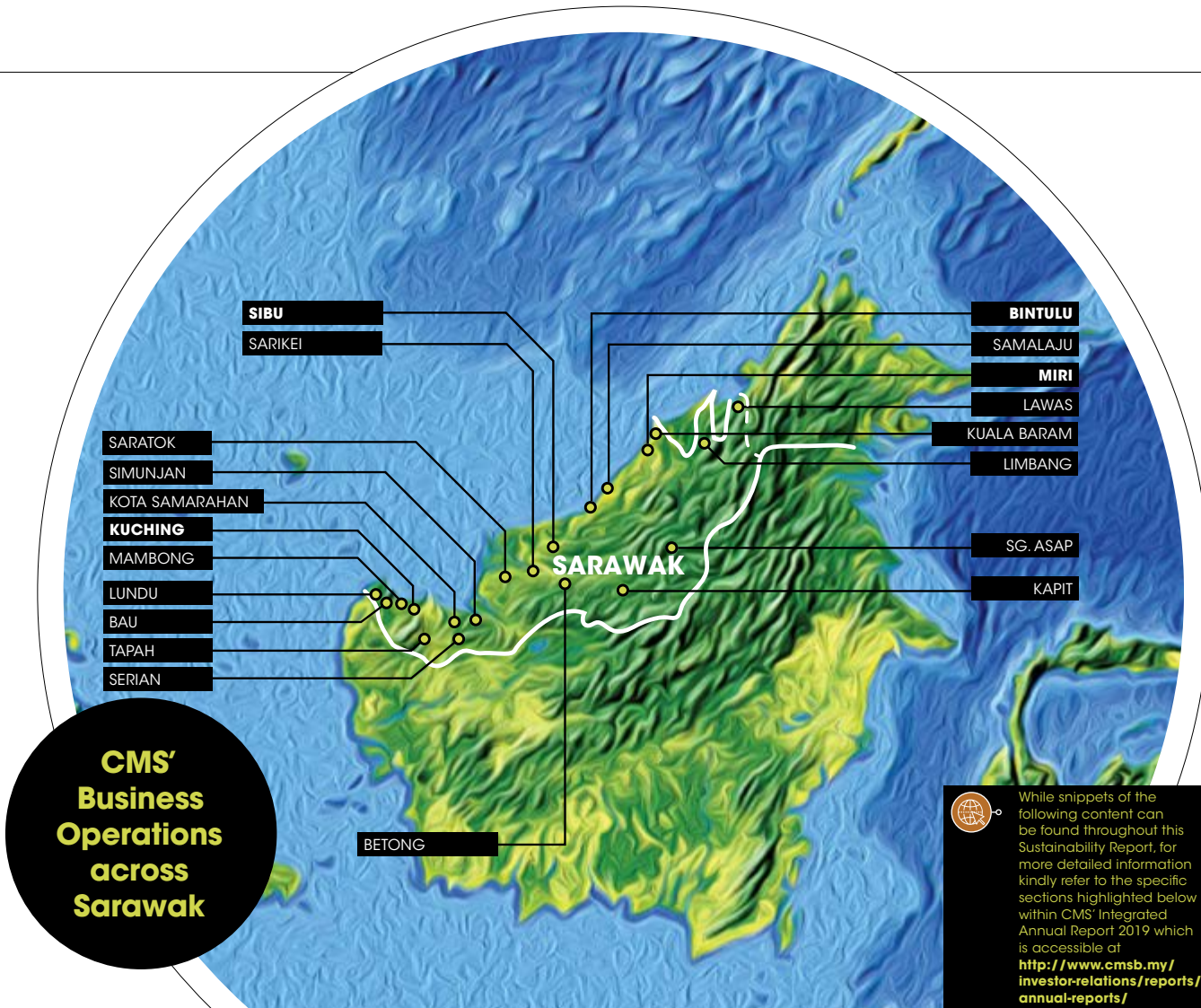
STRATEGIC INVESTMENTS

Our Strategic Investments

- Ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak) Sdn Bhd
- Integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Information and Communication Technology business under SACOFA Sdn Bhd
- Kenanga Investment Bank Berhad
- KKB Engineering Berhad

Other Investments

- COPE Private Equity Sdn Bhd
- COPE-KPF Opportunities 1 Sdn Bhd
- COPE Opportunities 2 Sdn Bhd
- HELP IBRACO CMS Sdn Bhd



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<p>Our Performance</p>	<p>Weathering external and internal headwinds, CMS turned in a resilient performance in FY 2019. We registered revenue of RM1.74 billion and a profit before tax (PBT) of RM247.90 million, a marginal 2% increase in revenue and a dramatic 33% drop in PBT in comparison to revenue of RM1.71 billion and PBT of RM372.32 million previously. This softer performance was due to the significant decrease in the aggregate contribution from our associate companies, as well as lower operating profits from our traditional core business divisions. Our profit after tax and non-controlling interests too dropped by 39%. This led to a lower return on shareholders' equity and earnings per share.</p>	<p>For more information please refer to Group Chairman's Message, Strategic Review by the Group Managing Director and Financial Overview sections.</p>
<p>Our Targets</p>	<p>We aspire to achieve the following targets within a five-year timeframe:</p> <ul style="list-style-type: none"> • To double the annual profit after tax and non-controlling interests or PATNCI to RM500 million; and • To be the most admired Sarawak public-listed company. 	<p>For more information please refer to Strategic Review by the Group Managing Director.</p>
<p>Our Strategy</p>	<p>We have evolved our strategy from a two-pronged one into a three-pronged in response to the increasingly challenging political and business landscape. This calls for us to:</p> <ul style="list-style-type: none"> • Reposition and fortify our traditional core businesses; • Fully implement and grow our strategic businesses; and • Reposition and strengthen the CMS brand. 	<p>For more information please refer to Strategic Review by the Group Managing Director and Creating Future Value section.</p>
<p>Our Commitment to Growing Our Diverse Businesses</p>	<p>We remain very clear about our plans for our core and strategic businesses. We intend to continue extracting value from our traditional core businesses by bolstering their overall operations and optimising efficiencies. We are also looking into re-focusing and growing our strategic businesses by expanding the market base of our strategic businesses beyond Sarawak, among other things.</p>	<p>For more information please refer to Strategic Review by the Group Managing Director, Operational Review and Creating Future Value sections.</p>
<p>Our Commitment to Responsible Operations</p>	<p>Our four-stakeholder group model guides us in the running of our business. We measure performance by using financial and non-financial performance indicators related to our strategic objectives. We leverage on good governance practices and stringent risk control measures to ensure our operations at the Group, divisional and subsidiary levels are run in a responsible and transparent manner.</p>	<p>For more information please refer to Strategic Review by the Group Managing Director, Top Business Risks and Mitigation Strategies, as well as Governance & Risk Management sections.</p>
<p>Our Commitment to Sustainability</p>	<p>We continue to embed a strong sustainability culture in all our businesses. Our aim is to create a vibrant performance-driven workplace, be a leader in good environmental practices, and serve as a model for giving back to the community. Moving forward, we have begun to take our sustainability efforts up to the next level by engaging PwC to review our practices and incorporate sustainability in a more effective manner within our day-to-day operations.</p>	<p>For more information please refer to Determining What is Material to CMS, Nurturing People, Sustaining Communities, as well as Tapping Innovation to Preserve Our Environment sections.</p>



Our 2019 Performance Highlights and Achievements

“ — ”

As Sarawak’s leading infrastructure facilitator and a prime mover in the Sarawak growth story, CMS continues to make advances on several fronts. The following are some of our performance indicators and achievements for 2019.

2019 FINANCIAL HIGHLIGHTS

Revenue

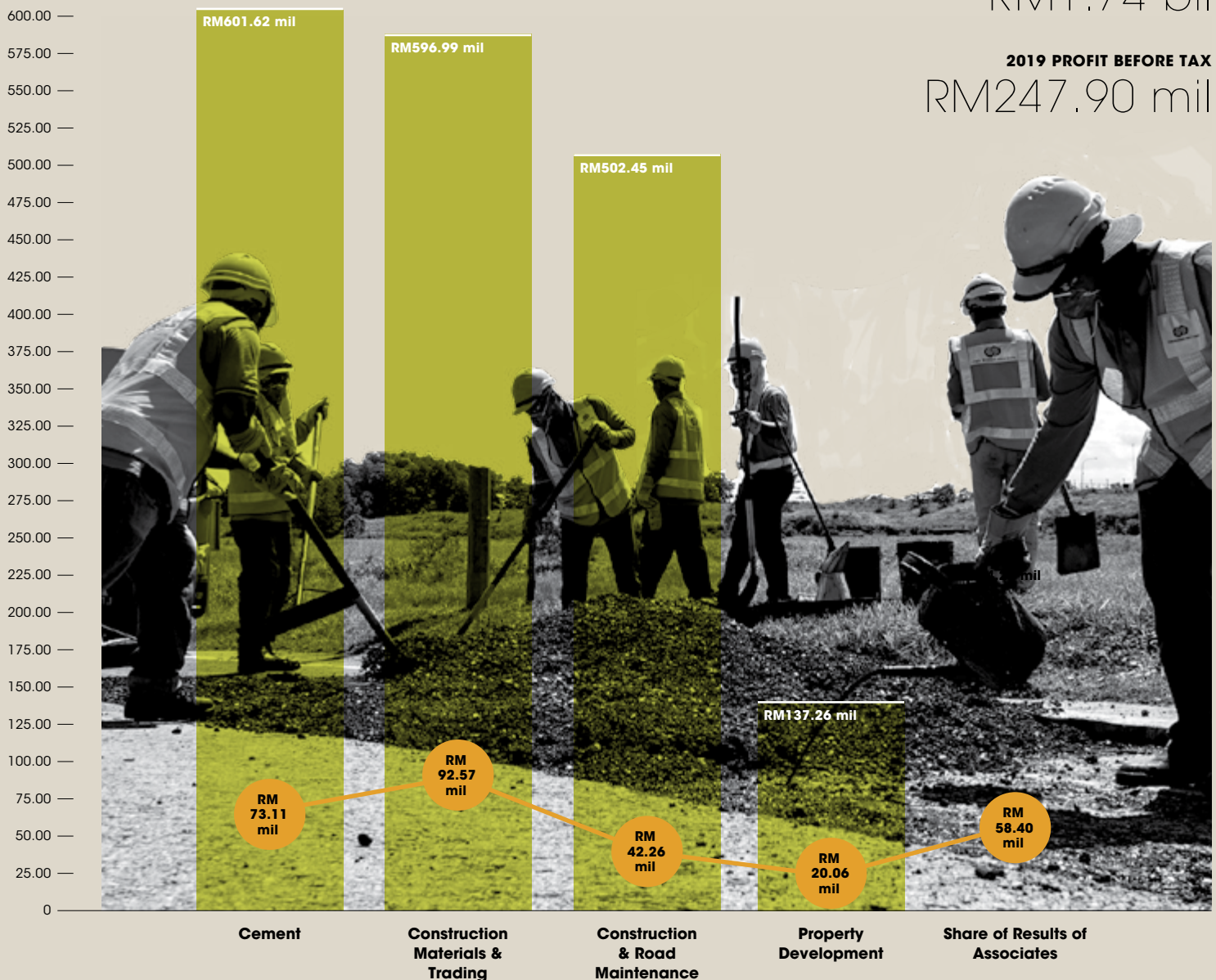
Profit Before Tax

2019 GROUP REVENUE

RM1.74 bil

2019 PROFIT BEFORE TAX

RM247.90 mil



2019 ACHIEVEMENTS

CMS continued to be honoured for its commitment to excellence in the year under review, even as the Group and its subsidiaries made good progress on several fronts.

1 MARCH 2019 COPE NAMED ONE OF TOP 3 'EXIT OF THE YEAR' WINNERS

COPE Private Equity Sdn Bhd's exit from Serba Dinamik was hailed as one of the Top 3 Exits of the Year by global publication, Private Equity International.

13 MARCH 2019 CEMENTING POSITION AS SARAWAK'S LEADING INFRASTRUCTURE FACILITATOR

In March 2019, the PPES Works-CCCC joint venture was awarded the RM466.68 million Package 5 contract pertaining to the proposed construction and completion of the Bintulu-Jepak Bridge Crossing which makes up a part of the Sarawak Coastal Road project. In November 2019, CMS' Construction & Road Maintenance Division was awarded a contract to maintain 3,343 km of State roads thus solidifying CMS' position as a dominant player in the State's road connectivity programme.

1 APRIL 2019 PUBLICATION OF FOURTH STANDALONE SUSTAINABILITY REPORT

CMS' commitment to embedding sustainability within the Group and undertaking good Economic, Environmental and Social measures was underscored through the publication of its 2018 Sustainability Report, its fourth standalone report.

4 APRIL 2019 CMS WINS GOLD AT 11TH GLOBAL CSR SUMMIT AND AWARDS 2019

CMS clinched Gold in the CSR Leadership Category at Asia's most prestigious CSR recognition awards programme. Over the tenure of the CMS 'Doing Good' programme, CMS employee volunteers have invested 363,926 man-hours across 393 different projects.

30 OCTOBER 2019 TUAN SYED HIZAM ALSAGOFF NAMED BEST CFO FOR INVESTOR RELATIONS (MID-CAP) IN MALAYSIA

CMS' Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, was named the Best CFO for Investor Relations (Mid Cap) at the Malaysian Investor Relations Association's Investor Relations Awards 2019 event. This win reflects the Group's IR unit's aim to ensure transparent and timely communications among the investment community.

Dato Isaac Lugun and Mr Sahil Singh Dev were also nominated as Best CEO and Best IR Professional respectively.

1 AUGUST 2019 CMS REMAINS A CONSTITUENT OF FTSE4GOOD BURSA MALAYSIA (F4GBM) INDEX

As testament to its strong Environmental, Social and Governance (ESG) practices, CMS maintained its position as a constituent of the F4GBM Index for the fourth consecutive year. CMS' F4GBM rank shifted upwards by 32% from 2.2 points (as at July 2016) to 2.9 points (as at July 2019). It is the only Sarawak public-listed company on the F4GBM Index to date.

28 JUNE 2019 CMS RECOGNISED FOR BEST PRACTICE REPORTING AT 2019 ARA

CMS received Silver and Bronze awards for its sustainability reporting and annual reporting endeavours respectively at the 2019 Annual Australasian Reporting Awards event in Melbourne. The Group's reports were benchmarked against ARA's world best practice criteria.

9 APRIL 2019 CMS RANKED AMONG TOP 10 EMPLOYERS OF CHOICE

CMS bagged fourth place on JobStreet's Top 10 Employers of Choice 2019 online survey thus attesting to its good HR practices.

31 OCTOBER 2019 CMS AWARDED THE BRANDLAUREATE - CONGLOMERATE AWARD 2019

CMS was awarded the BrandLaureate - Conglomerate Award 2019 at the BrandLaureate World Best Brands Awards 2019 event in Singapore. This prestigious accolade saw CMS fulfilling stringent criteria to qualify as a brand that impacts communities and represents the best-of-the-best in its respective segments.

21 NOVEMBER 2019 CMS WINS 2019 GLOBAL ROAD ACHIEVEMENT AWARD 2019

CMS Roads Sdn Bhd was one of 12 elite road industry companies globally that was recognised by the International Road Federation (IRF) for its commitment to excellence. The company received the IRF's prestigious Global Road Achievement Award for Quality Management for long-term management and maintenance of State Roads in Sarawak.

FULL YEAR 2019 CMS QUALIFIES FOR BURSA MALAYSIA'S GREEN LANE POLICY

CMS remains the only Sarawakian company to qualify as a member of Bursa Malaysia's Green Lane Policy due to its good track record of public disclosure.

UPHOLDING A STRONG EMPLOYEE VOLUNTEERISM CULTURE

In 2019, CMS' employees raised a total of RM86,535.00 and clocked up 43,894 man-hours for CSR activities under the CMS 'Doing Good' banner.

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Message from Our Group Managing Director

Group Managing Director

Y Bhg Dato Isaac Lugun



Dear Stakeholders,

It is my pleasure and privilege to present the 2019 Sustainability Report of Cahya Mata Sarawak Berhad (CMS or the Group) which underscores our efforts to champion the agenda of sustainability across our organisation and the State of Sarawak. This, CMS' fifth Report to date, aims to provide concise insights into the Group's sustainability endeavours for the financial year ended 31 December 2019 (FY 2019).

As CMS goes about its daily business of helping shape economies, society and businesses through its myriad activities, we acknowledge the need to create long-term shared value for our various stakeholders and to secure our future. One of the tangible manners in which we continue to create value for our stakeholders is via upholding the agenda of sustainability within CMS. By keeping an unwavering focus on responsible business practices and sustainable growth, we continue to create tangible stakeholder value and ensure the Group's long-term success.

In FY 2019, the Group's commitment to sustainability was evident in the steadfast progress that we continued to make on the Economic, Environmental and Social or EES fronts.

→ UPHOLDING GOOD MARKETPLACE PRACTICES

In recognition of our EES achievements, CMS continues to be included as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index. This international recognition for the fourth consecutive year validates CMS' commitment to implementing robust environmental, social and governance (ESG) practices and entrenches us in the international market as a progressive and ethical company that is upholding a sustainability-based (and thus safer) business model. I am pleased to say that as a result of the substantial new content that we disclosed in our 2018 Sustainability Report (to align with the F4GBM Index), our rank shifted upwards by 32% from 2.2 points as at July 2016 to 2.9 points as at July 2019. We are delighted with this result and will continue to undertake the necessary measures to ensure we remain an attractive value proposition to financial institutions who have set down strict ESG criteria for their investments.

CMS also maintained its position as one of the Qualifying Companies under Bursa Malaysia's Green Lane Policy thereby entitling us to specific privileges including the ability to issue circulars without having to seek Bursa Malaysia's approval. This recognition attests to our high standards of corporate governance conduct and good disclosure practices. For our effective and transparent reporting practices, we went on to win a Silver award for our Sustainability Report and a Bronze for our Annual Report at the 2019 Annual Australasian Reporting Awards (ARA).

We also bagged the BrandLaureate – Conglomerate Award 2019 at the BrandLaureate World Best Brands Awards 2019; and were voted among the Top Four companies in JobStreet's 'Top 10 Employers of Choice' survey – an affirmation of our progressive human capital practices.

On top of this, CMS Roads Sdn Bhd was one of 12 elite road industry companies from around the world to be recognised by The International Road Federation (IRF) for its excellence in maintaining and developing State roads in Sarawak. The company received the IRF 2019 Global Road Achievement Award for 'Quality Management – Long-term Management and Maintenance of State Roads in Sarawak'. This speaks volumes of the Group's commitment to maintaining the best roads team in the State with a highly trained and completely dedicated staff who possess a level of experience that is second to none.

The finer details of these and other developments, including that relating to CMS' revamped three-pronged business strategy to drive our second wave of growth, our risk management and governance efforts, as well as other initiatives to strengthen our businesses and the State, can be found in the Economic section of this Report.

→ IN SUPPORT OF EFFECTIVE ENVIRONMENTAL PRACTICES

As a good steward of the resources we have been entrusted with, we continue to apply innovative operating strategies, technologies and best practices to our operations in a manner which mitigates our carbon footprint whilst preserving the environment for future generations. The year in review saw us focusing our energies on improving our environmental practices, tapping innovation, and sharing our best practices as part of our efforts to safeguard the environment.

Where it makes sense to do so, we are open to sharing our best practices and insights in an effort to elevate the industries and markets in which we operate. At a knowledge sharing session organised by the Institution of Engineers Malaysia (Sarawak Branch) in collaboration with Swinburne University of Technology (Sarawak Campus), CMS imparted detailed knowledge of its construction methods on peat and organic soils to over 100 professional engineers. Such initiatives underscore our willingness to share our wealth of information with our industry peers

to ensure that real and consistent State-wide growth is delivered with absolute quality.

In FY 2019, we continued to undertake research and development (R&D) activities, as well as introduce innovative environmental-friendly methodologies and technologies to treat scheduled wastes and by-products within the Samalaju Industrial Park (SIP). One of the biggest issues within the SIP centres on the management of scheduled wastes of new by-products by new industries. Recognising that many of these by-products from new industries within the SIP can be recycled and used to replace the typical raw materials or traditional fuel used in clinker, cement and concrete operations, we continue to leverage on our cement and premix laboratory facilities, as well as dedicated teams to manage and recycle waste and by-products. Our efforts on the waste management and product development front, as well as our other environmental-friendly endeavours, are outlined in the Environmental section of this Report.

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Message from Our Group Managing Director

→ SAFEGUARDING AND BUILDING SUSTAINABLE COMMUNITIES

As the agenda of sustainability continues to gain good momentum within the Group, it continues to be embedded within the mindsets of our employees and our work culture in a greater manner. Our people have come to understand the importance of sustainable growth and are doing their best to deliver true and sustainable value to our key stakeholders whilst building enduring ties with them.

We acknowledge that the Group’s success to date is owing to the strong ties that we enjoy with our employees whom we regard as part and parcel of the CMS Family. As always, CMS remains deeply committed to nurturing the well-being of the CMS Family through according them the warmth and camaraderie of a family environment, coupled with the professionalism of a well-run meritocratic listed company. We continue to look for the best talent, retain them, nurture them within a conducive environment, as well as work together with them to explore new and innovative ways to deliver ever-increasing value to our stakeholders. As we do so, we are leveraging on a host of employee engagement activities that engender unity, positivity and commitment within our Family.

As part of our efforts to enrich communities, we launched the CMS ‘Doing Good’ programme back in 2007. Twelve plus years into the programme and our employees continue to generously come forward to invest their time, effort and resources to help those in need. In FY 2019, CMS’ employees raised a total of RM86,535.00 under this initiative. The funds were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children’s homes to assist them in their day to day expenses. The year under review also saw our employees dedicating a total of 43,894 man-hours for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more. For our long-standing efforts on this front, CMS clinched Gold in the CSR Leadership Category at the Global CSR Awards and Summit 2019 event, Asia’s most prestigious CSR recognition awards programme.

Our long-term goal is to build sustainable communities throughout Sarawak and we continue to look for ways to enrich communities and strengthen ties with them while helping fortify CMS’ position as a friend to them. In January 2019, we launched a pilot corporate social responsibility (CSR) project at Kampung Murud Plaman in Serian under our ‘Doing Good & Building Sustainable Communities’ banner. This involved several CMS volunteers and locals coming together to collectively undertake refurbishing activities that benefited the entire village. Our long-term engagement initiatives with communities in the vicinity of Mambong too have proven fruitful. Initiatives such as these serve as proven models for the good things we can do with other communities across Sarawak. We will leverage on the ‘Doing Good & Building Sustainable Communities’ platform to work with communities where we can truly make a long-term difference by way of elevating lives and creating growth opportunities.

We also organised the fifth annual CMS Tribal Run in Miri and Kuching on 7 July and 4 August 2019 respectively which collectively drew over 3,700 participants and raised registration fees totalling RM154,800. All proceeds were divided equally among 12 charitable bodies. Barring unforeseen circumstances, come August 2020, the ever-popular CMS Tribal Run is scheduled to return for the sixth consecutive year.

Moving forward, employee volunteerism will feature strongly in our efforts to impact and strengthen communities across Sarawak for the better and in a more sustainable manner. The finer details of our workplace and community building efforts can be found in the Social section of this Report.

WHAT WE ACHIEVED IN 2019

CMS’ employees raised

a total of

RM86,535



The funds were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children’s homes to assist them in their day to day expenses.

Our employees dedicated

a total of

43,894 man-hours



for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more.

→ EMBEDDING SUSTAINABILITY WITHIN CMS IN A GREATER MEASURE

Several developments have taken place which highlight that the agenda of sustainability is being embedded in a greater measure within CMS. One of these is greater involvement by the Group's leadership in sustainability matters. With stronger Board and Management oversight in the area of sustainability today, the agenda of sustainability at CMS has gained a stronger momentum and is being cascaded down across the organisation in a reinvigorated manner. Moreover, a new Sustainability Blueprint is in the pipeline that will provide us the impetus to move forward and build upon the many impactful sustainability initiatives already in place. As we work on strengthening our sustainability leadership position by embedding a stronger sustainability culture, as well as a host of other measures within our business, these will enable us to continue creating value while meeting growing investee company compliance criteria.

Moving forward, we remain resolute about creating long-term shared value for our stakeholders. We will achieve this by making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As we set our sights on integrating sustainability into every level of our organisation, we will continue to prioritise excellence and innovation throughout our operations to bolster efficiency and our competitive edge. In all that we do, we remain committed to building upon our existing programmes and implementing new ones so that we will truly achieve meaningful long-term, sustainable growth and create good stakeholder value.

ACKNOWLEDGEMENTS

Many parties have supported us in our journey of sustainable long-term growth and we wish to acknowledge them for their worthy contributions. Our sincere gratitude to our valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners and associate companies, for their resolute trust and confidence in us.

Our utmost appreciation also goes to our Board of Directors for their guidance and wise counsel which helped us navigate through the year's challenges and to stay on course. To the dedicated and diligent CMS family of employees, our heartfelt appreciation for your resilience and commitment to excellence.

To the diverse communities that we operate in and which in turn support us, our sincere gratitude for your unwavering trust in us. We look forward to your staunch support as we work closely together to see the development and the progression of your communities and our State.

Today, the building blocks that are in place to ensure the sustainable growth of the Group's business for the long-term are steadily being strengthened. As we venture forth to secure the future of the Group and create long-term shared value for our stakeholders, our stakeholders can rest assured that CMS remains committed to upholding the agenda of sustainability through responsible practices and good EES performance. We call upon all our stakeholders to continue lending us their untiring support as we work towards enhancing our sustainability initiatives and our sustainability disclosure. I trust that you will find CMS' Sustainability Report 2019 an informative and interesting read. Thank you.

Yours sincerely,

Y Bhg Dato Isaac Lugun
Group Managing Director

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Our Four Stakeholder Group Model

A defining feature of CMS as a conscientious corporate citizen is that the Group is primarily run for our four key stakeholders, namely our employees, our customers/suppliers, the communities in which we operate, and our shareholders.

Within our organisation, our employees clearly understand that given the leading role we play in Sarawak's economy, we are obliged to adopt a long-term perspective, as well as ensure we remain responsible and accountable in every aspect of our business. These responsibilities range from delivering quality on spec and on time, to treating all stakeholders with respect and integrity (which includes for example paying our suppliers, consultants and contractors on a timely basis), to ensuring we innovate so that we are continuously staying ahead of the competition.

For our staff, this is further manifested internally via our commitment to upholding their well-being and through implementing meaningful CSR activities at several levels. By way of employee volunteerism, our employees continue to immerse themselves in community projects as they feel a strong sense of duty to fulfil their responsibilities to the people they work among. At the Divisional level, we emphasise sustainable, ethical and honourable operational performance to uphold our obligations to the *rakyat* (the citizens).

STAKEHOLDER ENGAGEMENT

While CMS upholds a four-stakeholder group model, it does not mean that we do not consider the needs and perspectives of our other stakeholders. Our stakeholders are defined as individuals, interest groups or organisations who are impacted or influenced in one way or another by our business activities

Stakeholder Engagement at CMS



Shareholders




Employees



Customers/
Suppliers

Through systematic and regular engagement with our various stakeholders, we aim to garner insights into their perspectives, as well as better understand their needs. The results of these engagement activities are essential as they may influence our Management's decision-making process.

We continually endeavour to strengthen our engagement methods and practices to ensure that the quality of these engagements is constantly enhanced. Above all, we are continuously improving our engagement initiatives to ensure that CMS remains a respected and integral part of the fabric of society.

	Method(s) of Engagement	Frequency
	<ul style="list-style-type: none"> • AGM presentation by Group Managing Director • Quarterly results briefings • Media statements • Investor presentations • Meetings or telephone calls with (potential) investors • Comprehensive investor relations portal 	<ul style="list-style-type: none"> • Annually • Quarterly • Regularly • Regularly • Regularly • 24/7
	<ul style="list-style-type: none"> • Koffee Talk sessions • Town Hall sessions • Management/Senior Management retreats • Employee Satisfaction Surveys • Departmental meetings • <i>OurCMS</i> Magazine • CMS intranet • E-blasts • Annual dinners • CMS Friendly Games • Safety Month • Family Day • Bowling games/birthdays • Festive open houses • Employee engagement initiatives • Incentive trips 	<ul style="list-style-type: none"> • Biennially • Annually • Annually • Biennially • Regularly • Tri-annually • Daily • Regularly • Annually • Biennially • Annually • Annually • Ad hoc • Annually • Ad hoc • Regularly

The various platforms and processes that we have brought into play to engage with our stakeholders are covered in the Group's *OurCMS* digital magazine which is available for viewing 24/7 on our corporate website. *OurCMS* magazine

and/or presence and vice versa. We may influence them through several ways i.e. via our role as a private sector corporation, an employer, or a business that generates revenue and helps to boost local economies.



Media



Department of Environment



Various Government Agencies



Communities

In order to ensure that we maintain our reputation as an accountable and conscientious corporate citizen, it is imperative that we hear the voices of the communities that surround us. As such, we continue to explore different ways by which we can improve our engagement methods and practices so as to provide the best and most feasible platforms for communication with our stakeholders.

The following section highlights the diverse stakeholder engagement practices that the Group undertook in 2019 and the frequency of these activities.

	Method(s) of Engagement	Frequency
	<ul style="list-style-type: none"> • Customer surveys • Customer training within the respective Divisions • Code of Ethics and Business Conduct • Dialogue with customers/dealers 	<ul style="list-style-type: none"> • Annually • Quarterly • Regularly • Regularly
	<ul style="list-style-type: none"> • Press releases • Meet & Greet the Media sessions • Media get-togethers 	<ul style="list-style-type: none"> • Ad hoc • Regularly • Ad hoc
	<ul style="list-style-type: none"> • Meetings • Progress updates • Compliance reports 	<ul style="list-style-type: none"> • Regularly • Regularly • Quarterly
	<ul style="list-style-type: none"> • Meetings • Project progress updates • CMS Friendly Games 	<ul style="list-style-type: none"> • Regularly • Regularly • Regularly
	<ul style="list-style-type: none"> • Sponsorships and donations • Employee volunteerism • CMS Friendly Games • Corporate Social Responsibility activities • Dialogue sessions 	<ul style="list-style-type: none"> • Regularly • Regularly • Regularly • Regularly • Regularly

reports all events, corporate news and feature stories about CMS and is released on a tri-annual basis. The magazine serves as an easily accessible and comprehensive source of information for our stakeholders.

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Materiality Mapping

DETERMINING WHAT IS MATERIAL TO CMS

To guide us in our sustainability endeavours for financial year 2019 (FY 2019), we reviewed the material matters determined in FY 2018 and found that these were still valid. These material matters stemmed from a materiality assessment exercise that we undertook in November 2018 via an independent consultant. The exercise entailed engagement with both internal and external stakeholders to garner feedback and insights into the sustainability topics that were important or material to both CMS and our stakeholders.

Material topics were defined as those which had a direct or indirect impact on our ability to create, preserve or erode EES value for CMS, our stakeholders and the community. The exercise also involved a review of our materiality matrix to identify the elements which influenced our delivery of value. It provided independent insights to help us validate the issues identified, whilst uncovering new matters of significance to our stakeholders and our business.

METHODOLOGY AND FINDINGS

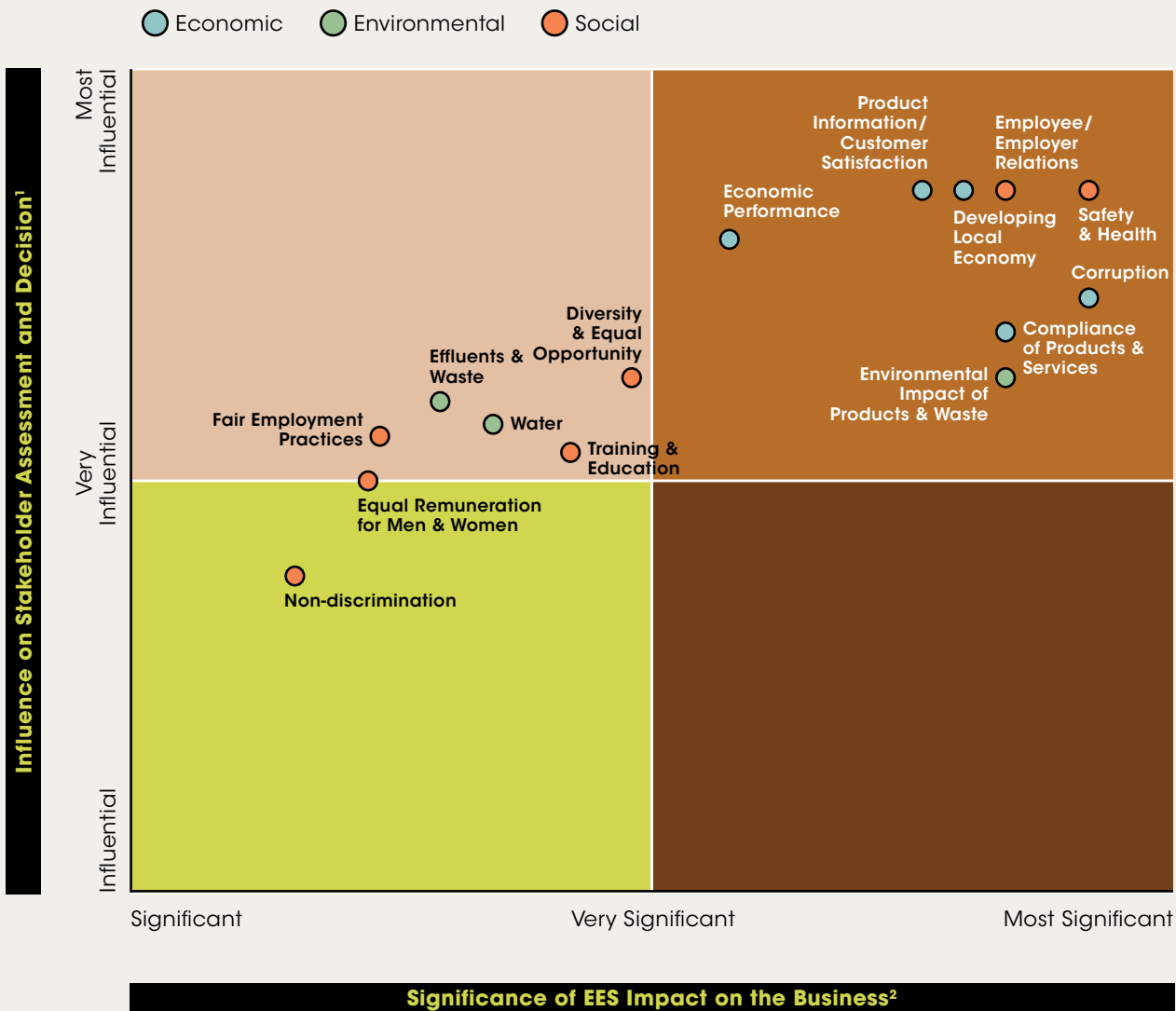
The online materiality survey that was developed back in November 2018 was made available to groups of internal and external stakeholders that included employees, local communities, suppliers and vendors, as well as customers, investors and analysts. Our Board of Directors and members of our Senior Management team also participated in the survey with their responses representing the views of CMS. Respondents were requested to indicate how important each criterion was to them on a scale of 1 (least important) to 5 (most important). A 5-point Likert Symmetric Scale was chosen so respondents could specify their level of agreement with 3 being neutral.

Our stakeholder scores ranged from 4.41 to 4.58. As all issues were important to some degree, scales from 'Influential' to 'Most Influential' and 'Significant' to 'Most Significant' were adopted and a materiality matrix was developed.

The issues that could impact our ability to create value are presented in the diagram on the right. As per the diagram, the topics that are most relevant to our stakeholders are plotted towards the top of the matrix; with those towards the right being the most important to CMS. The issues in the top right quadrant are material to both stakeholders and CMS and will be prioritised moving forward. These issues have also been mapped to the EES pillars in line with the holistic approach we have adopted in formulating our business strategies.

MOVING FORWARD INTO 2020

As we embrace a new year, the Group will be refining its sustainability efforts based on the findings of our 2018 materiality assessment and any ongoing materiality analysis by the Sustainability Working Committee as they fine-tune the Sustainability Blueprint.



As per the matrix, the top five material matters for the 2018/2019 period were as follows:

- Product Information/ Customer Satisfaction
- Developing Local Economy
- Safety & Health
- Employee/Employer Relations
- Economic Performance

Axes Definitions
¹ "Influence on Stakeholder Assessment and Decision" is defined as the importance of a sustainability matter to a stakeholder
² "Significance of EES Impact on the Business" is defined as the importance of a sustainability matter to CMS

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With the new findings in hand and the blueprint to guide us, we will be in a better position to ensure that future reports provide a more balanced, accurate and comprehensive assessment of our strategy, performance and prospects in response to material matters.

Our aim in all this is to present a holistic and clear-cut view of our strategic thinking and responses to the issues that are most significant to our stakeholders and which have the most influence on our long-term value creation efforts. As we make good progress in these areas, we are confident of cementing CMS' position as a progressive and ethical company that is continually creating tangible, and sustainable value for its diverse stakeholders.



Pillar:

1

Economic



For more information about the Economic aspects of CMS' business, scan the QR code or log on to <http://www.cmsb.my/csr/>

GROWING IN A RESILIENT MANNER

Being Sarawak's leading infrastructure facilitator and a prime mover in the State's growth story, we continue to leverage on our healthy balance sheet, local knowledge, experienced management team, proven strategies and a synergised portfolio of Sarawak-based businesses to reinforce our position of strength, particularly amidst the headwinds buffeting us on diverse fronts. Over the years, we have grown steadfastly through our focus on extracting value from our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development divisions, as well as our strategic investments which centre on export-oriented industries within the Sarawak Corridor of Renewable Energy (SCORE) and the telecommunications industry.

"When we consider the Economic dimension of sustainability, we are referring to the capacity of a company to generate steady, improving growth in relation to its economic indicators."

We view this economic dimension of sustainability as a fundamental component of our business for a strong, stable and sustainable financial and economic system upholds not just CMS but a variety of other activities essential to our business. These include our ability to continually create good shareholder value, to look after the well-being of our workforce and the communities across Sarawak in a sustainable manner, to continuously improve our product and service

quality, as well as to safeguard our environment. These and other economic activities are critical to the Group's make-up as a conscientious corporate entity and underpin our absolute commitment and focus on delivering long-term sustainable economic growth.



Our First Wave of Growth (2009-2015)

As a business, things really began turning around for CMS in financial year 2009 (FY 2009) when we began to experience our first wave of growth. During that phase, we repositioned and rationalised our businesses to focus on our key competencies in Sarawak. FY 2009 saw us posting revenue of RM874.60 million and a profit after tax and non-controlling interests (PATNCI) of RM40.98 million. Thereafter, our performance kept on strengthening year-on-year until we hit a hurdle in FY 2016 due to market and operational challenges. Nevertheless, we picked ourselves up and kept on going.

Fast-forward to FY 2018 where we posted revenue of RM1.71 billion and PATNCI of RM262.14 million – double FY 2009’s revenue and six times its PATNCI! The year’s commendable performance came on the back of the good performance of our traditional core businesses and an increase in the share of results of associates, namely OM Materials (Sarawak) Sdn Bhd (OMS), SACOFA Sdn Bhd (Sacofa), KKB Engineering Berhad (KKB) and Kenanga Investment Bank Berhad (Kenanga). The main contributor to this performance was OMS which displayed an impressive turnaround and became the Group’s biggest PATNCI contributor after the Cement Division.

However, in FY 2019 our growth momentum was once again interrupted – this time by highly challenging market and operating conditions that included lacklustre economic conditions and political challenges. Amidst a barrage of internal and external headwinds, the Group registered revenue of RM1.74 billion and PATNCI of RM159.46 million – a marginal 2% increase in revenue and a dramatic 39% drop in PATNCI in comparison to FY 2018’s results. The year’s softer performance was mainly due to the significant decrease in the aggregate contribution from our associate companies, as well as lower operating profits from our traditional core business divisions such as the Cement, Construction & Road Maintenance, as well as Property Development divisions. Only the Construction Materials & Trading Division posted higher results.

Where in FY 2018, our associate companies had provided the Group a bumper contribution of RM105.34 million, in FY 2019, however, our share of profits from associates dropped noticeably by 45% to RM58.40 million. OMS in particular, was impacted by weak commodity prices at the onset of FY 2019. Although OMS’ prospects over the immediate-term remain challenging due to macro-economic factors, we remain cautiously optimistic of the company’s longer-term prospects.

We are also hopeful that our strategic investments in the Group’s other associate companies, including Sacofa, KKB and Kenanga, will all continue to deliver decent growth. These companies remain integral components of our growth strategy and are set to drive the next wave of growth for CMS.

Under the Group’s growth strategy, our traditional core businesses together with our strategic investments will counter-balance each other over the long-term to equally contribute towards doubling the Group’s earnings capacity in the next five years. Having said that, in view of the economic impact of the Covid-19 pandemic and the prolonged Movement Control Order (MCO) enforced by the Federal Government on 18 March 2020, we are unable to fully estimate how these very recent developments will affect the Group’s businesses moving forward. Rest assured, however, that we are implementing the necessary measures and will continue to adapt and fine-tune our strategies to safeguard the sustainability of our business for the long-term.

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OUR TARGETS

As we prepare to embrace CMS' second wave of growth, we aspire to achieve the following targets within a five-year timeframe barring unforeseen circumstances:

To double PATNCI to RM500 million

To be the most admired public listed company in Sarawak

A THREE-PRONGED STRATEGIC RESPONSE

We have evolved our initial two-pronged strategy into a three-pronged strategy in response to the increasingly challenging political and business landscape. This will entail the following:

Our first strategic prong will see us continuing to strengthen and defend our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance, and Property Development businesses. By making these businesses more efficient, we aim to realise more value from them. If all goes as planned, our traditional core businesses are expected to generate 50% of our PATNCI or RM250 million per year in five years' time.

#1

Reposition
and fortify our
traditional
core
businesses

OUR THREE-
PRONGED
STRATEGY

Fully implement
and grow our
strategic
businesses

#2

Our second strategic prong mandates that we ramp up our efforts on the strategic investment front even as some of these businesses begin to bear fruit. Barring unforeseen circumstances, we expect these businesses to contribute the other 50% of PATNCI or RM250 million per year in five years' time.

Reposition and
strengthen the CMS
brand

#3

Our third strategic prong in response to the changing political landscape, calls for us to reposition the CMS brand by undertaking specific initiatives.

These entail the strengthening of the Group's agenda of Sustainability; a solidifying of employee volunteerism efforts and the momentum of the 'CMS Doing Good & Building Sustainable Communities' programme; as well as ensuring corporate donations are redirected in a manner which truly impact beneficiaries for the better while enhancing CMS' reputation.

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Strategy #1 Reposition and Fortify Our Traditional Core Businesses

Our first strategic prong will see us continuing to strengthen and defend our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance, and Property Development divisions. By making these businesses more efficient, we aim to realise more value from them. Barring unforeseen circumstances, our traditional core businesses are expected to generate 50% of our PATNCl or RM250 million per year in five years' time.

To reposition and fortify the Group and our traditional core businesses, these are the measures that are being undertaken:

Group-wide	Status/Ongoing Measures
Across the CMS Group	<ul style="list-style-type: none"> • CMS remains the largest company in Sarawak due to its strong balance sheet and cash position. Going forward, it will focus on collaboration with the Government and various stakeholders to maximise business potential and ensure mutually beneficial relationships. • CMS has also embarked on a Group-wide Digital Transformation exercise to operate on a single unified platform which will improve productivity, cost efficiency, accessibility and digital security in the long-term.

Traditional Core Business Segment	Status/Ongoing Measures
Cement Division	<ul style="list-style-type: none"> • Once the extended MCO is lifted, the Division will focus on improving its clinker plant production capacity to maximise production as: <ul style="list-style-type: none"> - The price of imported clinker continues to crimp the margin; and - There is a need to mitigate the high maintenance costs especially in relation to the aging clinker plant. • Barring unforeseen events, we are hopeful that the unprecedented spike in major infrastructure projects in Sarawak in the run-up to the 2021 State elections will increase demand and revenue for the Division.
Construction Materials & Trading Division	<ul style="list-style-type: none"> • Post-MCO, the Division will leverage on a second 1.3 MTpa line at the Sibanyis quarry and a 1-MTpa production line from the recently acquired Borneo Granite operations to significantly increase production. • A plan is underway for the Division to develop its own quarry sand supply source. • Barring unforeseen events, we are hopeful that the unprecedented spike in infrastructure projects in Sarawak in the run-up to the 2021 State elections will result in increased demand and revenue.
Construction & Road Maintenance Division	<ul style="list-style-type: none"> • Although the Division has lost half of its road maintenance contract, it will still continue to play a dominant role on the State road maintenance front. Today, it is well-positioned to bid for future road maintenance contracts due to its vast experience and inventory of cutting-edge equipment and technology. • The Division continues to undertake works on the RM466.68 million Coastal Road package (Bintulu-Jepak Bridge) project which was awarded to the PPES Works-CCCC joint venture in March 2019. • If all goes as planned, the unprecedented spike in infrastructure projects in Sarawak in the run-up to the 2021 State elections will present more work opportunities.



LAYING STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

Strategy #2 Fully Implement and Grow Our Strategic Businesses

Our second strategic prong mandates that we ramp up our efforts on the strategic investment front even as some of these businesses begin to bear fruit. If all goes as planned, our expectation is that these businesses contribute the other 50% of PATNCI or RM250 million per year in five years' time. We are hopeful that our ferrosilicon and manganese alloys smelter operations under OMS will generate RM100 million upon realising its second phase by 2022; the integrated phosphate complex under MPAS will contribute RM100 million when both Phase 1 and 2 are completed by 2023; and Sacofa will turn in RM50 million in PATNCI to CMS by then. On top of this, both Kenanga and KKB will provide us additional upside potential.

To fully implement and grow our Strategic Investments, these are the measures that are being undertaken:

Strategic Business Segment	Status/Ongoing Measures
OM Materials (Sarawak) Sdn Bhd (OMS)	<ul style="list-style-type: none"> The prospects for OMS are challenging and in the immediate term will be impacted by: <ul style="list-style-type: none"> - The trade war between China and the US; - The recent weak commodity prices; and - The uncertainties brought on by the Covid-19 pandemic which have taken a heavy toll on the global economy and also caused supply chain disruptions to OMS. However, the Group remains confident of OMS' longer-term prospects owing to its strong underlying fundamentals due to its position in the first quartile of the global production cost curve and its strong global presence. With its initial expansion plans having taken off, OMS is working on the design and preparation for Phase 2 of the project which is targeted for completion by 2022.
Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS)	<ul style="list-style-type: none"> Work on Phase 1 commenced on 1 September 2018 and is scheduled for completion and commissioning in 4Q 2020. Full production is targeted to take place by 1Q 2021 barring unforeseen circumstances. The plant has secured 60% of long-term commitments for both raw material supply and product offtake.
SACOFA Sdn Bhd (Sacofa)	<ul style="list-style-type: none"> While competitors have emerged in the tower construction business, the company is confident of maintaining its dominance due to its first-mover advantage. Barring unforeseen events, the prospects for the company remain positive as it capitalises on the State's push to fully embrace the Digital Economy with a State allocation of RM1 billion for the development of telecommunications infrastructure. Today, despite the MCO, Sacofa continues to operate as it is deemed to be providing essential services.

Meanwhile, the Group's associates, Kenanga and KKB, continue to perform well. Aside from its water grid-oriented capabilities which puts KKB in a very competitive position with regard to the State Water Grid project, it continues to enjoy the higher revenues from both its Engineering and Manufacturing businesses especially on the steel pipes manufacturing front. KKB turned in a record revenue and stellar 181% hike in PBT in FY 2019 and we are benefiting from our 20.05% equity stake in the company.

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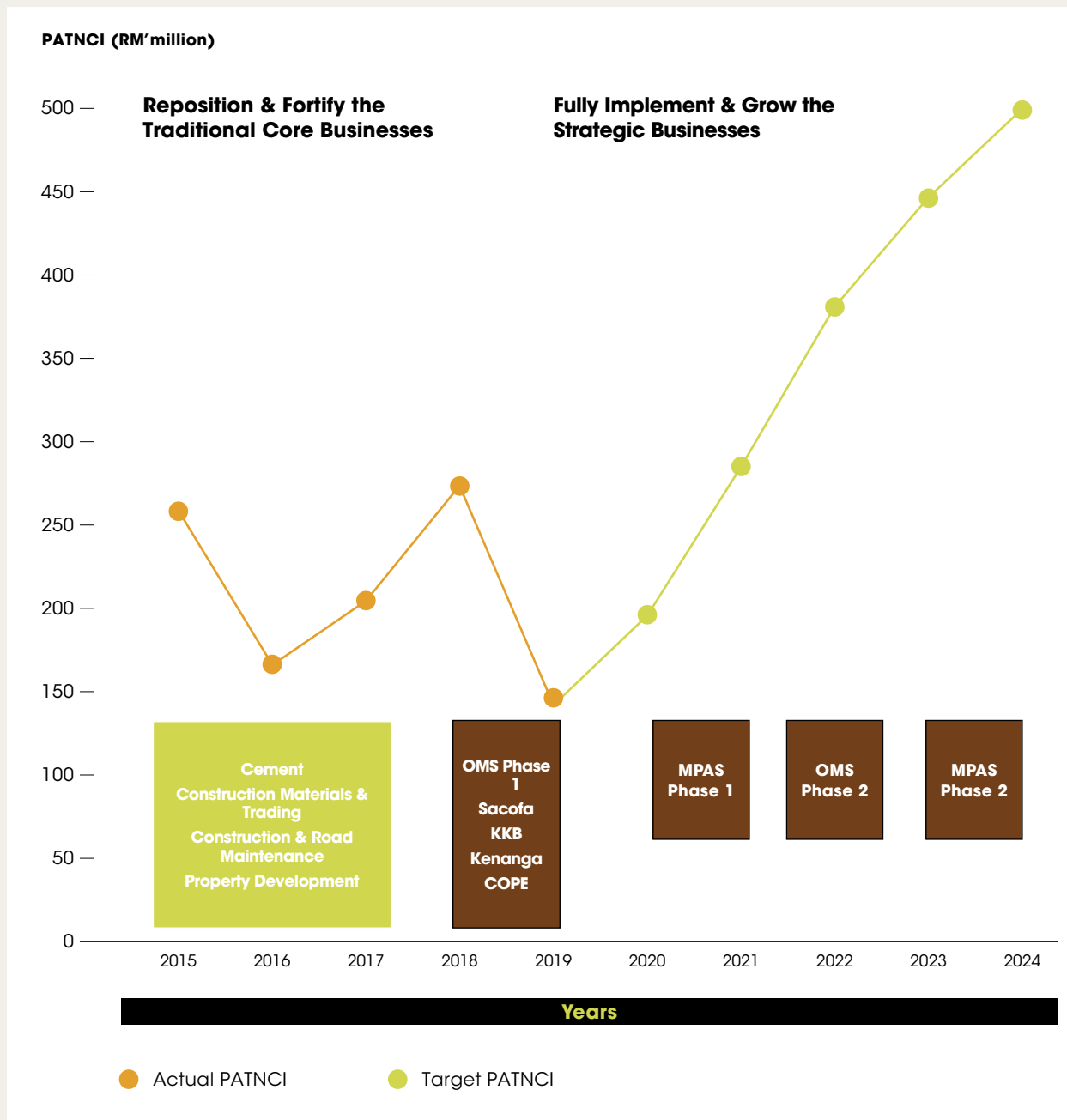
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Strategy #3 Reposition and Strengthen the CMS Brand

Last but not least, in response to the changing political landscape, our third strategic prong calls for us to reposition the CMS brand by undertaking specific initiatives.

Following the Board's endorsement of a strategic plan to strengthen the CMS brand, FY 2018 saw the Group's in-house Corporate Communications unit renamed the Corporate Reputation and Communications Unit and expanded. The unit went on to undertake a variety of brand building activities to bolster CMS' reputation.

It was also decided to reposition the CMS brand by strengthening the Group's agenda of sustainability. To this end, several measures were rolled out which reflect the Group is on track with its sustainability endeavours. Among these is greater involvement by the Group's leadership in sustainability matters. With stronger Board and Management oversight in the area of sustainability today, the agenda of sustainability at CMS has gained a stronger momentum and is being cascaded down across the organisation in a reinvigorated manner.

In late February 2019, we held a Sustainability Awareness Session for all the Group's Directors and Senior Management including our associate companies to review and update the Group's Sustainability Blueprint. The session was run by a team from PricewaterhouseCoopers' (PwC) South East Asian Consulting Services Sustainability and Climate Change Leader, who are also helping to develop Bursa Malaysia's Sustainability framework. This was followed by the formation of a Sustainability Working Committee in November 2019 which was provided a budget of RM270,000 to move things forward. The committee was given the responsibility for both aligning and integrating our business and sustainability priorities based on the United Nation's Sustainable Development Goals (SDGs), as well as fostering cooperation, collaboration and information sharing pertaining to sustainability across all divisions.

Today, CMS' Sustainability Working Committee continues with its efforts to flesh out the Sustainability Blueprint. In developing the blueprint, the team is concentrating their efforts on processing data and analysis revolving around three key components, namely comparative analysis and sustainability awareness; materiality assessment and stakeholder engagement; as well as sustainability initiatives. As the team works out these matters, we are engaging with PwC to help guide us in our efforts.

On 10 February 2020, PwC conducted a Sustainability Awareness Session comprising CMS' Project Steering Committee helmed by the Group Managing Director and involving the Heads of Divisions and Heads of Departments. Interview sessions are currently underway with all departments and divisions within CMS to understand their views on the existing sustainability metrics. A gap analysis will then be conducted and recommendations made by the target date of April 2020 with a view to strengthening the Group's overall sustainability framework including our sustainability strategy, practices and reporting processes, among others.

The renewed measure in which we are viewing the Group's overall sustainability efforts is evident in the cover of our standalone Sustainability Report 2019 which complements our Integrated Annual Report 2019. All these years, the covers of our Sustainability Report have mirrored that of our Annual Report. This year's Sustainability Report features its very own cover underpinning the fact that the agenda of sustainability has become an increasingly important area of focus at CMS. In essence, sustainability at CMS has definitely come into its own.

To further reinforce the CMS brand, we are also solidifying employee volunteerism and the momentum of the 'CMS Doing Good & Building Sustainable Communities' programme. Engagement efforts are underway on a Group-wide basis to foster employee volunteerism in a manner in which our people take strong ownership of CMS 'Doing Good' projects that are relevant to their communities. At the same time, as part of efforts to strengthen our brand, we will ensure corporate donations are redirected in a manner which truly impact beneficiaries for the better while enhancing CMS' reputation.

We believe that by setting all these measures in motion and keeping a laser-focus on the outcomes, we can and will move on to the next phase of CMS' growth.



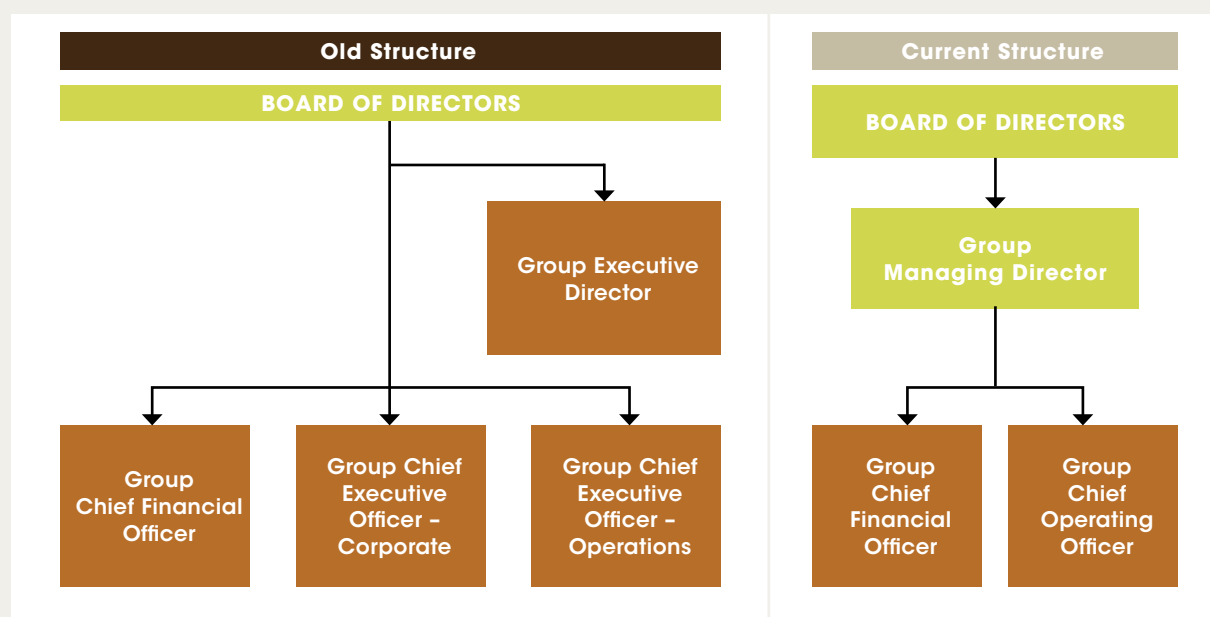
IN SUPPORT OF CMS' THREE-PRONGED STRATEGY

To intensify the Group's business growth, we have brought and are bringing several supporting initiatives into play:

Strengthening CMS' Leadership Bench

The history of CMS has shown that growth can only happen if there is a sustained, dynamic, cohesive and engaging leadership in place. To maintain the momentum that we want to achieve, it is very important to have a very stable team in place for the long-term. To this end, we continue to strengthen leadership across the Group. This exercise also serves to reflect the true shareholding of CMS and dispel the myth that it is a family-owned and controlled company. To date, all executive positions and the subsidiary Boards are filled by professionals who bring a wealth of expertise and experience to the table.

Our new, simpler structure aims to provide the top leadership structure with more clarity and focus. To this end, a new top leadership structure was introduced on 18 October 2019 to provide clarity and focus with a single Group Managing Director (GMD), appointed to the Board.



The reorganisation streamlines the top leadership structure and key positions and simplifies the reporting lines. We are confident that the reorganised and streamlined top leadership structure will help to steer the progress and growth of the CMS Group to the next level.

Bolstering Digitalisation and Innovation

To further strengthen the Group, we are also embracing digitalisation and innovation in a more robust manner. To this end, we have embarked on a Group-wide Digital Transformation exercise which will eventually see all our businesses operate on a single unified platform.

CMS' Digital Transformation initiative, which will span the period of 2019 to 2023, was rolled out in 2019. This key initiative is making waves across our organisation and is doing much to increase the Group's efficiency, agility and communications, in particular within support functions such as our finance, human resources and procurement departments. Making full use of new technologies, in particular Information Computing Technology (ICT), we have begun building a more sustainable and energy efficient future. By embracing these new elements, we are keeping with the times, future-proofing our infrastructure, and lowering our ICT running costs.

IN SUPPORT OF CMS' THREE-PRONGED STRATEGY

Under the Digital Transformation initiative, the Group is adopting cloud computing to deliver communications, project management and enterprise resource planning (ERP) applications.



Cloud computing's on-demand delivery of virtual ICT resources over the internet through a browser, with pay-as-you-go pricing, means that instead of buying, owning, and maintaining physical data centres and servers, we will access technology services, such as computing power, storage, and databases, on an as-needed basis from ICT providers. Following the initial capital outlay and implementation fees, we will pay an ongoing subscription fee to the providers. As our business grows, we can scale dynamically to add more users or computing resources on-the-fly, without the need to invest in new hardware. We will also be able to expand to new geographic regions and deploy globally in minutes in multiple physical locations.

CMS' move to embrace 'all things digital' aligns with the State's own Digital Economy aspirations and we are confident that this will do much to strengthen productivity, cost efficiency, accessibility and digital security across our organisation for the long-term. In line with the Sarawak Digital Economy Strategy 2018-2022, the State Government has committed RM1.15 billion to strengthen the State's digital economy infrastructure in support of the digital industries, commerce and investment that it intends to draw in. The digital economy will be the key enabler of economic transformation. It will involve the creation of a comprehensive digital ecosystem and entrepreneurship culture, as well as investment-driven economic growth, with a focus on higher value-added activities in the manufacturing and services sectors and resource-based industries such as oil and gas, agriculture, biotech, and timber processing.

In our pursuit of innovation, we have also expanded the capabilities of our R&D laboratories in the cement and premix areas and are making good inroads on the product innovation front. Innovation will undoubtedly be a game changer for CMS and we are committed to pursuing this wholeheartedly.

Reviewing Participation in Certain Businesses

The Group continues to review its participation and stakes in certain businesses (including businesses with links to the Government) to ensure we derive the best return on investment. We are also shoring up our 'Achilles heels' or the weakest links within CMS by reducing our reliance on government contracts which we have been working on over the years. To augment our efforts in securing contracts through open tender, we are taking immediate steps to strengthen our tendering unit. We also continue to elevate our efforts to ensure we are in strict compliance with all laws and regulations.

REINFORCING THE GROUP'S POSITION OF STRENGTH

As a leading proponent of the Sarawak growth story, CMS continues to identify and implement strategies that are helping build and strengthen linkages between markets, businesses and communities, as well as creating real value for our diverse stakeholders. To strengthen CMS' position and prepare us for the second wave of growth, we continue to rollout several initiatives.

Enlarged Quarry Operations

In line with the State's growing infrastructure needs, the Group is continually seeking opportunities, including strategic investment opportunities, to strengthen, improve and expand our businesses. Back in November 2018, CMS Resources Sdn Bhd (CMSR), a 51%-owned subsidiary company of CMS, acquired a 56% equity stake in Borneo Granite Sdn Bhd (BGSB) for a total cash consideration of RM31 million. Through this acquisition, CMS gained access to a granite quarry (a very limited natural resource in the State) and now has control over a reliable and immediate source of granite stone for the Group's existing and impending projects. Granite is required in large quantities for the construction of the Pan Borneo Highway project and this investment positions us as the key supplier of granite for this project.

Following the assimilation of this granite quarry into the Group's growing asset portfolio, we have strengthened our quarry operations and are well-positioned to meet growing market demand throughout the State. The quarry occupies approximately 139 hectares of land with two hill reserves. It is readily operational and has a logistical advantage for outbound delivery through a waterway. This has enabled us to immediately solve the present shortage of stones instead of acquiring a greenfield granite reserve, which would otherwise take a minimum of two years to be operational.

The BGSB quarry is targeting an annual production of 1.0 million MT. This, coupled with our second production line at Sibanyis Quarry with its annual production output of 1.3 million MT, provides our quarry operations a significantly enhanced capacity. This is particularly timely as

demand for stone materials for the Pan Borneo Highway project (particularly the requirement to use granite stones for the premix wearing course) is anticipated to peak between 2019 and 2021. On top of this, a plan is underway for the Division to develop its own quarry sand supply source.

The Group is also well placed to benefit from other projects such as the pending implementation of the Coastal Road and the Second Trunk Road projects by the State Government. In addition, more infrastructure projects are already in the pipeline to be implemented by the State Government through open tenders. These projects are expected to create huge demand for stones and quarries during the construction period, even after the Pan Borneo Highway project's completion.

Expanded Footprint in SCORE

In January 2019, the Group enlarged its footprint in SCORE, by increasing its stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd or MPAS to 60% from 49.94% previously. This exercise saw wholly-owned subsidiary Samalaju Industries Sdn Bhd or SISB subscribing for 64,242,800 new ordinary shares in MPAS for a total cash consideration of RM64.24 million. With this enlarged stake, CMS now has Board and Management control of MPAS and Southeast Asia's first integrated phosphate complex, while joint venture partners, Malaysian Phosphate Venture Sdn Bhd and Arif Enigma Sdn Bhd, hold a 27.17% and 12.83% stake respectively. In view of the urgent need by MPAS to hire employees with a petrochemical background, 20 carefully selected candidates underwent comprehensive training (between December 2019 and April 2020) before their potential recruitment.

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While Sarawak will not be spared the effects of external headwinds buffeting the global and domestic economies, there are certain plans underway that will keep the State busy and on course for growth over the near-term. These include the continued implementation of major projects and substantial spending on infrastructure.

Some RM21.67 billion in State funds has been set aside for the implementation of various mega infrastructure projects. The bulk of this allocation will go towards the Sarawak Second Trunk Road project (RM6 billion), upgrading of the Coastal Road network (RM5 billion), Sarawak Water Supply Grid Programme for stressed areas (RM2.8 billion), rural electrification projects and other rural transformation initiatives (RM2.37 billion), and the construction of 300 telecommunication towers (RM1 billion).

The State Government has also allocated RM4.5 billion to fund infrastructure development and amenity projects under three development agencies created with the expansion of the SCORE area into the interiors. These agencies, namely the Upper Rajang Development Authority (URDA), Highland Development Authority (HDA) and Northern Regional Development Authority (NRDA), have been allocated RM1.5 billion each to carry out their mandates. The other mega infrastructure project, the Pan Borneo Highway, is being funded by the Federal Government at an additional cost of RM16.48 billion. These projects would act as stimuli to cushion the impact of the global economic slowdown.

Even as the global economy is set to face economic and geopolitical turbulence and uncertainties, the State intends to maintain its resilience by balancing short-term counter cyclical policies with prudent fiscal management and a steadfast focus on strengthening medium-term growth. In line with the State's agenda to transform rural areas and ensure that no one is left behind, the 2020 Development Budget will continue to be rural-biased to further stimulate economic progress. A budget of RM9.9 billion has been brought into play with RM6.6 billion allocated for development expenditure and RM3.3 billion for operating expenditure.

Being Sarawak's leading infrastructure facilitator, the CMS Group continues to explore multiple avenues to assist the State Government to implement projects at lower cost and with enhanced efficiency. Our efforts include the development of concrete roads, high-performance concrete and various new types of cement, among other things.

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Improving Connectivity within the State

CMS continues to create value for the State through our involvement in the highly anticipated Miri-Marudi Road Rehabilitation Project. Connecting towns and people, the project is not only on track but progressing ahead of its original 30-month schedule. It is also directly tackling one of Sarawak's biggest challenges – that of reducing the development gap between the rural and urban areas, not only in terms of infrastructure, but also by way of improving access to markets and lifting the level of income among Sarawak's rural communities.

In carrying out this project, CMS Roads Sdn Bhd continues to strengthen its working relationship with the Public Works Department (Jabatan Kerja Raya or JKR) and deliver on its responsibilities in an effective manner. The company's contract with JKR is a "Performance-Based" one and is the first of its kind in Malaysia. Unlike a normal "Quantity Based" contract (QBC), this Performance-Based Contract (PBC) is results-oriented and focuses on quality and outcomes. It dictates that CMS Roads attain a predetermined performance indicator for each category of work before payment is issued. PBCs are widely used in developed countries and are recommended by the World Bank for the preservation and maintenance of road assets.

At the time of writing, the Construction & Road Maintenance Division continues to undertake works on the RM466.68 million Coastal Road package (Bintulu-Jepak Bridge) project which was awarded to the PPES Works-CCCC joint venture in March 2019. The 48-month contract which commenced on 3 April 2019 is scheduled for completion by 2 April 2023. It signals the State's commitment to seeing the Sarawak Coastal Road initiative take off. With a slew of bridges expected to feature in

both the Sarawak Coastal Road and Second Link Road, CMS will also benefit as the sole cement and major building materials supplier within the State.

On 6 December 2019, PPES Works (Sarawak) Sdn Bhd or PPES Works (the Group's 51%-owned joint venture with the Sarawak Economic Development Corporation or SEDC), signed a Letter of Acceptance from the State Government for a Performance-Based Contract for the long-term management and maintenance of State roads. This contract covers Package 1 encompassing the Kuching, Serian, Samarahan, Kapit, Sibul and Sarikei divisions for a duration of 10 years effective 1 January 2020. Under the new contract, the original 6,262 km road length which PPES Works had previously managed has been reduced to 3,343 km of State roads. Although we have lost half of our road maintenance contract, we will continue to play a dominant role in terms of State road maintenance activities. Given our wealth of experience and immense inventory of leading-edge equipment and technology, we are well-positioned to bid for future road maintenance contracts. We applaud the State for their move because competition in any market naturally breeds competitive efficiency which can only be good for the public and road users. On our part, we remain committed to giving of our best and delivering excellent results.

As we work diligently to fulfil our obligations under the contracts in hand, we are also ramping up the CMS machinery to capitalise on the unprecedented spike in infrastructure projects in Sarawak that is expected to arise in the run-up to the 2021 State elections. If all goes as planned, this will present more work opportunities for the CMS Group in time to come.

Cementing Our Position as Sarawak's Leading Infrastructure Facilitator

Awarded

RM466.68 million**Bridge Construction Contract**

In March 2019, the PPES Works-CCCC joint venture was awarded the Package 5 contract for the construction and completion of the Bintulu-Jepak Bridge Crossing, thereby underscoring the State's commitment to seeing the Sarawak Coastal Road project take off.

Awarded

3,343 km**State Roads Maintenance Contract**

In November 2019, CMS' Construction & Road Maintenance Division was awarded a contract to maintain 3,343 km of State roads thus reinforcing CMS' position as a dominant player in the State's road connectivity programme.

IN SUPPORT OF THE STATE'S ECONOMIC PROGRESS

In Support of Fair Cement Prices

On 17 June 2019, CMS Cement Industries Sdn Bhd was issued with a notification under the Price Control and Anti-Profitteering Act 2011 to provide information pertaining to the Group's supply of cement for the period 2016 until May 2019. In line with this, officers of the Ministry of Domestic Trade and Consumer Affairs (MDTCA) visited CMS Cement's Pending and Bintulu Plants to collect and review documents (e.g. sales invoices, customer lists, material invoices, costing sheets, etc.) to facilitate the investigation.

In the discussions held with MDTCA officers during the visits, it became clear that the investigation was actually part of a bigger operation, triggered by reports of impending price increases in Peninsular Malaysia, which then broadened to cover all cement plants in the country, and was focused on determining whether any acts of profiteering has been carried out by cement suppliers. On 23 June 2019, the then Finance Minister made a statement that there was a need to examine cement prices in Sarawak as the prices were higher than prices on the Peninsula. The Minister was reported to have said that the investigation was necessary to determine whether the pricing was due to monopolistic practises.

On 25 June 2019, the MDTCA Enforcement Unit for Sarawak announced that after doing spot-checks and inspections across the State, they had found that cement prices had not undergone drastic hikes. It was actually found that prices had remained unchanged for the past several years. CMS was in fact found only to have increased cement prices back in 2011, 2014 and 2016 upon securing the appropriate approvals.

The MDTCA officers upon reviewing CMS Cement Industries Sdn Bhd's documents and making comparisons based on their formulas, showed that the company's margins and mark-ups had not exceeded the allowable limits. The fact that we had not increased prices since January 2016 reflected that the improvements in margins were not due to price adjustments (where we supposedly passed on the burden to consumers) but were due to better efficiencies and cost management (which stemmed from more effective internal practices). It was concluded that CMS Cement had not been involved in any profiteering whatsoever.

For the record, the Group unequivocally states that with cement and concrete constituting a significant part of total construction costs for the State's development, CMS supports and will continue to support fair pricing for these products for the benefit of all our stakeholders.

On another note, CMS is not and has never been a cement monopoly. While other industry players are welcome to establish cement operations in Sarawak, they have simply chosen not to venture into Sarawak because the initial start-up costs for development of infrastructure and haulage make it non-viable for them. CMS on the other

hand, has been able to offset and spread our cement operational costs for over 40 years through effective operational efficiencies and cost management activities. Even as MDTCA enforcement officers carry on their duties and make enquiries from time to time, CMS will continue to cooperate openly and transparently with them as per our commitment to operating at the highest levels of business and retail integrity.

Helping Showcase Sarawak's Rich Culture and Heritage

Back in 2014, upon receiving the green light for the museum design-and-build project, PPES Works with its partner architect AKDI, got down to designing and creating the unique 30,000 m² Green Building Index (GBI) certified museum complex. On 9 August 2019, PPES Works completed and handed over of the Sarawak Museum Complex to Jabatan Kerja Raya (Sarawak) and Jabatan Muzium Sarawak. This marked a truly historic milestone in Sarawak's efforts to showcase the State's rich, diverse, multicultural heritage and culture to the world.

Today, the Sarawak Museum Project, which includes the conservation of the historic Old Sarawak Museum building built in 1891, is a landmark in its own right. It stands as an eye-catching icon that will excite local and international visitors and allow them to be part of an immersive and absorbing exposé of Sarawak's history. Being the largest in Malaysia and second largest in Southeast Asia, this truly world-class museum will open its doors to the public with a new 6,000 m² interactive and engaging exhibition by the end of 2020. A well-curated selection of unique artefacts and specimens will take visitors on a journey while telling them stories about Sarawak's history and the lives of its communities.

For decades, CMS and PPES Works have worked hand-in-hand to design and build many of the State's most iconic buildings. The Sarawak Museum Project stands as one of the most important undertakings we have ever undertaken. Sarawak's unique heritage and culture are what makes it the great State that it is and we are both elated and humbled to have played a part in creating its most important showcase.



ROBUST RISK MANAGEMENT AND GOVERNANCE MEASURES

The Board of CMS is dedicated to upholding and implementing robust risk management and internal control measures, as well as strong standards of corporate governance. These fundamental components are helping ensure the sustainable, long-term growth of our businesses, strengthening investor confidence, safeguarding our corporate reputation, and ensuring continued shareholder value creation.

Zero Tolerance Towards Bribery and Corruption

The year saw us reiterating our commitment to upholding high standards of ethical, moral and legal business conduct. In December 2019, as one of Sarawak's largest corporations, we took definitive and decisive steps against corruption and bribery by hosting an engagement session with hundreds of the Group's vendors, suppliers and partners. At this session, we declared an absolute 'zero tolerance' approach to bribery and corruption and urged all in attendance to do their part in stamping out these practices. In line with this, we expect our directors, employees, vendors and third-party representatives, as well as stakeholders to uphold the same high standards of legal, moral and ethical business conduct.

Ramping Up for MACC's New Corporate Liability Provision

Over the course of FY 2019, we worked closely with PwC Malaysia in preparation for the introduction of the Corporate Liability Provision under Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act. This follows the passing of the MACC (Amendment) Bill 2018 by Parliament which makes companies, their boards and management teams liable for corruption in comparison to when only the perpetrators were held liable previously. Any infringement of this upcoming law can result in severe penalties, be it in the form of significant fines, of a maximum 10 times the sum of gratification involved, or RM1 million, whichever is higher, and/or imprisonment up to 20 years.

With the deadline for implementation of this piece of legislation fast approaching, CMS is staying ahead of the curve and has taken early steps to address the new anti-corruption law. To this end, the Group has engaged PwC to analyse and overhaul every area of potential risk within the Group, as well as implement new procedures and protocols before the deadline of 1 June 2020.

We have even implemented an anonymous reporting process where any employee, representative, supplier or contractor can be reported if they are in breach of CMS' Code of Conduct or Ethics Policies in any way. We take pride in the fact that we are the first Sarawakian company to carry out this exercise with our vendors and other third parties.

Maintaining Our Stance as an Independent, Profitable Business

Today, CMS continues to maintain its stance as an independent, profitable business on several levels. With some 52% of the Group's equity being held by institutional and foreign shareholders and investors and the remainder by scores of individual shareholders, we are answerable to the larger investing community, as well as individual shareholders.

In line with the enhanced Malaysian Code of Corporate Governance 2017 (MCCG), as at 31 December 2019 more than 50% of our Board members comprised independent directors reflecting our commitment towards balanced decision making and equitable outcomes. We also continue to work towards implementing the MCCG criteria concerning gender diversity and the tenure of independent directors.

Preserving Our Position as a GLP Qualifying Company

CMS continues to maintain its status as one of the Qualifying Companies under Bursa Malaysia's Green Lane Policy (GLP) thus entitling us to specific privileges. Under the GLP, we are able to issue circulars without having to seek Bursa Malaysia's approval, while our more complex circulars will be fast-tracked. CMS is the only Sarawakian company to qualify as a member of Bursa Malaysia's GLP. This recognition underpins the high standards of corporate governance conduct and the good disclosure practices that the Group has been upholding.

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UPHOLDING SUSTAINABLE PROCUREMENT

The CMS Group is deeply committed to upholding transparent, ethical and fair procurement practices. Procurement procedures across the Group are transparent, held at arm's length and conducted with a high level of professionalism. Transactions must be struck with standard commercial terms that are not more favourable to related parties than those generally available to the public.

We are committed to leading with integrity and conducting business relationships with high ethical standards. We insist that directors, owners, employees and vendors (contractors, suppliers or consultants) abide by the terms of our Code of Ethics and Business Conduct (the Code) at all times. Compliance with the Code is also mandatory for vendors to maintain their registration.

On top of this, we expect our suppliers to compete honestly, fairly and ethically for all business opportunities. We expect their statements and representations to be true and accurate in all respects. Suppliers and consultants are forbidden from engaging in any of the following activities:

- Manipulating the tendering process with other parties or entities;
- Engaging in any anti-competitive conduct including tender rigging and entering into any arrangement with other parties that will compromise the genuine competition of those tendering; and
- Submitting more than one tender through other parties i.e. with common shareholders, directors, management and/or operating premises; or with shareholders or directors as their close family members.

CMS' tendering framework incorporates specific processes, as well as checks and balances. These elements stem from many years of experience in preventing the abovementioned issues from occurring. Over time, these measures have resulted in tenders being recalled and suppliers and their managers being banned as vendors.

We see the implementation of Section 17A of the MACC Act as a positive move for all of Malaysia because all businesses will award contracts based solely on meritocracy which means standards will rise, quality will increase, and competitiveness will be the halo effect that customers and end users will enjoy. The implications are to be embraced because the playing field will be fair and open. If CMS is the most qualified, experienced and capable company, we will win the tender and likewise our partners and vendors, have the assuredness of fairness and business equality.



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RECOGNISED FOR OUR COMMITMENT TO BUSINESS EXCELLENCE

In FY 2019, CMS continued to receive recognition for exhibiting excellence on several fronts.



CMS Solidifies its Position on the FTSE4Good Bursa Malaysia Index

As testament to our strong ESG practices, we maintained our position as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index for the fourth consecutive year. CMS' F4GBM rank shifted upwards by 32% from 2.2 points (as at July 2016) to 2.9 points (as at July 2019). We are the only Sarawak public-listed company on the F4GBM Index to date.



CMS Recognised for Best Practice Reporting at 2019 Australasia Reporting Awards

We received Silver and Bronze awards for our sustainability reporting and annual reporting endeavours respectively at the 2019 Annual Australasian Reporting Awards (ARA) event in Melbourne. The Group's reports were benchmarked against ARA's world best practice criteria.



CMS Receives the BrandLaureate - Conglomerate Award 2019

CMS was awarded the BrandLaureate - Conglomerate Award 2019 at the BrandLaureate World Best Brands Awards 2019 event in Singapore. In picking up the prestigious accolade, we fulfilled stringent criteria to qualify as a brand that impacts communities and represents the best-of-the-best in our respective business segments.



CMS Clinches Gold at the Global CSR Awards

CMS clinched Gold at the 11th Global CSR Summit & Awards 2019 for the CSR Leadership Category. The award recognises the contributions of an organisation in all aspects of CSR regardless of environment, sustainability, community partnerships and education. Since the introduction of the CMS 'Doing Good' programme, we have contributed 363,926 man-hours across 393 different projects.



Tuan Syed Hizam Alsagoff named Best CFO for Investor Relations (Mid-Cap) in Malaysia

CMS' Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, was named the Best CFO for Investor Relations (Mid Cap) at the Malaysian Investor Relations Association's Investor Relations Awards 2019 event. This win reflects the Group's IR unit's aim to ensure transparent and timely communications among the investment community.



CMS Ranked Among Top 10 Employers of Choice 2019

We bagged fourth placing for JobStreet's Top 10 Employers of Choice 2019 online survey thus attesting to our good HR practices.



CMS Wins Global Road Achievement Award 2019 for Quality Management

CMS Roads Sdn Bhd was one of 12 elite road industry companies globally that was recognised by the International Road Federation (IRF) for its commitment to excellence. The company received the IRF's prestigious Global Road Achievement Award for Quality Management for long-term management and maintenance of State Roads in Sarawak.



CMS Wins Big Win at SHEDA Excellence Award 2019

CMS Property Development Sdn Bhd continued to prove to be a leading force in the Sarawak property market, winning the prestigious SHEDA Excellence Award in the Strata Development (High Rise) category for its Rivervale Condominium development at the Sarawak Housing and Real Estate Developers' Association's gala dinner event.



COPE Named One of Top 3 'Exit of the Year' Winners

COPE Private Equity Sdn Bhd's exit from Serba Dinamik was hailed as one of the Top 3 Exits of the Year by global publication, Private Equity International. CMS, via CMS Capital Sdn Bhd holds a 51% stake in COPE Private Equity Sdn Bhd, a successful private equity firm based in Kuala Lumpur.



Pillar:

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Environmental



For more information about the Environmental aspects of CMS' business, scan the QR code or log on to <http://www.cmsb.my/csr/>

“The Environmental performance of a company relates to the impact of its operations on living and non-living natural systems such as plant and animal ecosystems, as well as land, air and water.”

CMS is committed to being a responsible industry player and a conscientious steward of the resources we have been entrusted with. We are focused on building legacy by operating in a manner which mitigates our carbon footprint whilst preserving the environment. To this end, we continue to apply innovative operating strategies and technologies, as well as best practices to minimise our environmental footprint.

ENERGY MANAGEMENT

Energy management measures are essential to an organisation's sustainability efforts as these promote long-term savings through minimising costs while mitigating the negative impact of electricity generation on the environment. Here at CMS, we are continually exploring and devising new ways in which we can integrate energy-saving measures into our operations to achieve optimum energy utilisation across all our business divisions. FY 2019 saw us rolling out many of our proven energy management initiatives while introducing new ones.

To date, we have focused our efforts on fine-tuning our environmental practices by developing more robust and integrated energy, air, materials, waste and water environmental strategies that go beyond meeting basic compliance standards. We also continue to rollout KPIs, policies and various measures to ensure that we safeguard the environment and leave a legacy for the enjoyment of future generations. The year in review saw the Group further build upon its innovation-based environmental efforts.



Implementing ISO 50001 throughout CMS' Cement Division

The Cement Division has embraced the ISO 50001 standard pertaining to energy management systems (EnMS) throughout its operations. This standard provides a framework which helps organisations to:

	<p>Develop a policy for more efficient use of energy</p>		<p>Measure the results</p>
	<p>Set targets and objectives to meet the policy</p>		<p>Review how well the policy works</p>
	<p>Use data to better understand and make decisions about energy use</p>		<p>Continually improve energy management</p>

Today, a committee is in place to monitor the ISO 50001 implementation and ensure its success within the Cement Division's respective companies. The committee members include the Division's Chief Executive Officer (acting as advisor), the General Manager of Production and the respective plant managers as management representatives. It also comprises engineers, energy managers and other positions of influence in order to ensure the success of this initiative within the Division.

May 2019 saw the clinker plant at Mambong (which attained full ISO 50001:2011 certification in May 2016) being upgraded to ISO 50001:2018 by SIRIM QAS International Standard Sdn Bhd. To date, an internal audit for the plant has been completed and corrective actions are now underway to closeout all non-conformities and observations, with finalisation targeted for FY 2021.

We will follow suit with certification for our Bintulu grinding plant in FY 2020. As the plant prepares for certification, all the relevant data for the system such as electrical energy usage data and data on reduction programmes through mill output optimisation from FY 2014 onwards have been collated.

Today, the implementation and upgrades of ISO 50001:2011 certification at the Mambong and Pending plants are being carried out by the Energy Committee which consists of a group of sub-committees namely the Energy Performance & Efficiency Team, Document Control Team, Communication & Training Team and Internal Audit team. The Energy Committee reports to the Management Review Team.

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- Materials Management
- Waste Management
- Air and GHG Emissions, Dust, Noise and Vibrations Management
- Biodiversity
- CMS Eco Wall Panel
- Environmental Compliance

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Since the implementation of the ISO 50001 standard, power consumption at the Mambong clinker plant has improved. In FY 2019, the plant's power consumption reduced from 100.16 kilowatts per tonne (kW/t) in 2018 to 95.91 kW/t (based on data collated as at November 2019 using an energy usage baseline of 100.24 kW/t). The following table provides a breakdown of the specific sources of energy used in clinker operations at the Mambong Integrated Plant:

Sources of Energy Utilised at the Mambong Clinker Plant

Energy Usage	2018 (%)	2019 (%)
Coal	90.76	90.05
Electrical	8.88	9.63
Diesel	0.36	0.32
Total	100.00	100.00

The Cement Division has plans to apply for an energy management grant which will enable it to be appointed as an Energy Audit Company registered with the Energy Commission (Suruhanjaya Tenaga Malaysia).

Improving Energy Efficiency at the Cement Division

The Cement Division continues to explore ways and means to curb its energy utilisation. Among the many measures it has adopted to date is the use of Sika 874, a chloride-free liquid cement grinding aid that has performance-enhancing properties. Sika 874 is used when there is a grindability issue due to hard clinker or low-quality clinker. This product has been specifically designed to increase the output of cement grinding plants and to obtain improved early strength development for cements with a high amount of clinker replacement. However, as this product was not utilised continuously throughout the year, it is difficult to gauge the actual amount of electricity saved.

The Division has attained savings by way of heat consumption since it started using low calorific valued Mukah coal. In FY 2019, energy consumption reduced by 125.62 megajoules per tonne (MJ/tonne) of clinker as compared to the preceding year. For FY 2019, the Division's average heat consumption of 851.24 kilocalories per kilogram (kcal/kg) was lower than the 884 kcal/kg recorded in FY 2018 but this was still above the target of 800 kcal/kg due to plant reliability issues and low plant-specific output.

The Cement Division's plants continue to leverage on a variety of energy-efficient technologies to reduce energy consumption. These include:

- The installation of a POLYCOM pre-grinder at the Pending grinding plant to improve mill throughput from a mere 70 tonnes per hour (tph) to 125-150 tph. Electricity consumption has dropped from 46 kW/t in FY 2012 to 32-35 kW/t in recent years;
- The installation of vertical roller mills for raw mix and coal grinding at the Mambong Integrated Plant;
- The replacement of the pneumatic conveying system with bucket elevators for kiln feed at the Mambong Integrated Plant;
- The deployment of static grates and modular grates for a more efficient heat recuperation thus lending to reduced coal usage for the calciner;
- The use of a high momentum kiln burner gun which enables more effective primary air mixing and thereby more efficient coal burning; and
- Higher residence time within the calciner thus enabling more efficient coal burning.

In October 2019, the Mambong Integrated Plant replaced its existing kiln outlet seal with a new design Sinoma inverted lamella seal. The high-tightness characteristic of the inverted seal reduces false air intake, prevents hot gas leakages from the kiln discharge hood, and reduces clinker dust spillage. By reducing heat consumption to a minimum of 15 kcal/kg clinker, overall fuel efficiency for the kiln has improved.

By April 2020, the Mambong Integrated Plant will replace its LVT kiln inlet seal with an ITECA inlet seal thus reducing false air intake into the kiln by some 20%. This is set to improve fuel efficiency even as heat consumption is reduced at a minimum of 50 kcal/kg clinker and power consumption for the preheater ID fan is reduced by a minimum of 1,000 kilowatt-hours (kWh).

In FY 2019, the Pending grinding plant's power consumption increased from 34.75 kilowatt-hours per tonne (kWh/t) in FY 2018 to 35.58 kWh/t - an increase of 0.83 kWh/t.

At the Mambong Integrated Plant, power consumption increased from 43.27 kWh/t in FY 2018 to 44.62 kWh/t in FY 2019 - an increase of 1.35 kWh/t.

Though the Bintulu cement mill is still in the preparatory stage for ISO 50001 certification, owing to the recent throughput optimisation measures and higher cement sale volume, the mill was able to reduce its specific power consumption from 40.72 kWh/t in FY 2018 to 39.41 kWh/t in FY 2019 - a reduction of 1.31 kWh/t.

The Cement Division continues to explore a variety of measures to enhance kiln line reliability and performance factors so as to further improve power consumption.

Use of Energy-Efficient Lighting throughout the Group

In line with measures to reduce the negative effect of toxic chemicals on the environment while minimising operational costs, many of the Group's companies have been converting to energy-efficient lighting. Light emitting diode (LED) lighting has been brought into play and has proven to be the most feasible option as it is energy efficient, has a long life and is free of toxic chemicals.

The Cement Division has employed LED lighting at its grinding plant in Pending and is replacing the high mast spot lighting at Jetty No.2 in accordance with International Ship and Port Facility Security Code (ISPS Code) criteria. Following the plant's conversion of its motors from DC to AC power, the plant implements strict control over the operation of its 6kV motor, choosing to kick-start the motor after a 30-minute lapse from the previous tripping or stoppage.

The Mambong Integrated Plant continues its conversion to energy-efficient lighting by replacing faulty fluorescent light bulbs with LED lighting. It is also substituting old electric motors with energy-efficient motors for blowers and the kiln feed area. During times of low demand, the mill starts up during the off-peak period (12 am to 7 am) to lower costs. It also uses grinding aids whenever necessary to improve grinding and to maintain

or intensify the production rate. Its office building maximises natural lighting by using skylights and glass windows. At the same time, it has installed LED lighting which requires less power and solar panels which save on electricity consumption and the depletion of non-renewable resources.

In FY 2018, the Bintulu grinding plant upgraded its screw conveyor to two new units of Schenck weigh feeders. Plans are in place to install solar lighting at the car park when funding is made available. Meanwhile, the spotlights at the Sibul and Miri Bulk Terminals have been replaced by high performance IPVLED lights. The existing incandescent lights will all be replaced in stages by LED lights over time.

Meanwhile, the Construction Materials & Trading Division is utilising LED lighting for its main buildings having switched from 40-watt fluorescent tubes to 18-watt LED tubes and from 18-watt LED energy-saving lights to 9 and 12-watt LED bulbs. The 400-watt lights at its wires factory will be replaced with 110-watt LED lights.

The premix operations business under the ambit of the Construction Materials & Trading Division made the switch to LED lights in FY 2018 and registered a 58% reduction in energy consumption. The FY 2018 results of this initiative are presented here again this year to indicate the cost savings achievable.

Type	BEFORE			AFTER			
	Light Saving			LED			
	40-Watt Tube (Qty)	18-Watt Bulb (Qty)	18-Watt Light (Qty)	20-Watt Tube (Qty)	18-Watt Bulb (Qty)	12-Watt Bulb (Qty)	110-Watt Light (Qty)
1. Premix Sibul	12	9	-	12	-	9	
2. Premix Sarikei	8	27	-	8	27	-	
3. Premix Bintulu	18	-	-	18	-	-	
4. Wires (Workshop)	-	-	8	-	-	-	8
Total Watts:	1,520	648	3,200	760	486	108	880
Grand Total (Watts):	5,368			2,234			
Total Reduction:				3,134			
% of Watt Reduction:				58			

The Property Development Division is tapping LED lighting in the common areas of many of its new properties such as the ongoing niche Rivervale Residences project and The Isthmus' river pontoon project. We expect 30-40% less energy consumption from these LED lights in line with the product manufacturer's literature. The Division also uses LED bulbs in its general landscaping lighting and sodium lamps (which reduce energy) at its construction sites.

CMS' efforts to implement energy-efficient lighting across the Group extend beyond just changing light bulbs. This is especially evident at our Samalaju Resort Hotel which was built with a green concept in mind. The architectural design of the building at Samalaju employs substantial amounts of tempered glass panels to allow indirect natural lighting into the premises. The hotel site was also deliberately designed to face the South China Sea to allow the wind off the sea to naturally cool the premises and to reduce the solar heat.

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To facilitate long-term savings, energy-efficient lighting fixtures have been planned for the hotel right from the onset. The use of LED lighting to light up the hotel has garnered costs savings amounting to some 50% in comparison to conventional lighting. A total of 34 units of 80-watt LED street lights have been installed at the Samalaju Eco Park Apartments, while 12 units of solar lighting have been installed for compound lighting, as well as to illuminate the landscaping features. In the future, the plan is for solar lights to be installed whenever the landscaping is refreshed.

Electricity Consumption at CMS

As per GRI requirements for Sustainability Reporting, the Group is required to submit its total energy consumption for the last three years. This data is presented in the following table:

Electricity Consumption (kWh)

Division/Company	2017	2018	2019
Cement	128,054,580	123,397,662	126,299,305
Construction Materials & Trading	5,136,685	4,576,074	5,650,778
Construction & Road Maintenance	761,480	750,612	1,236,009
Property Development	215,368	200,477	174,507
Samalaju Properties Sdn Bhd	1,226,612	1,788,606	1,927,037
Malaysian Phosphate Additives (Sarawak) Sdn Bhd			84,257
Total	141,549,940	130,713,391	135,371,893

In FY 2019, the Cement Division's consumption increased by 2.4% due to the increase in cement and clinker production at the Mambong Integrated Plant. Meanwhile, the 7.6% increase in electricity consumption for the Construction Materials & Trading Division came on the back of new plant gensets usage, the added Sibanyis Quarry operations line, machine upgrades and the higher production volume, as well as new operations at Kuala Baram. The Construction & Road Maintenance Division's consumption increased by 65% due to higher activities at various Road Maintenance Units (RMUs), as well as the inclusion of the Sarawak Museum project site readings. The Property Development Division on the other hand posted a 13% reduction in electricity consumption on the back of the various energy-efficiency measures undertaken, whereas electricity consumption at Samalaju Properties Sdn Bhd was higher by 7.7% due to higher tenant occupancy at the Lodges.

Electricity Consumption (kWh) by CMS' Business Divisions

Cement Division

2.4%
increase

in FY 2019 due to the increase of cement and clinker production at the Mambong Integrated Plant.

Construction Materials & Trading Division

7.6%
increase

in FY 2019 due to additional operations at Sibanyis and Kuala Baram, higher production volume, etc.

Construction & Road Maintenance Division

65%
increase

in FY 2019 due to higher activities at various RMUs, as well as the inclusion of the Sarawak Museum project site readings.

Property Development Division

13%
reduction

in FY 2019 due to effective energy-efficiency measures.

Samalaju Properties Sdn Bhd

7.7%
increase

in FY 2019 due to higher occupancy by tenants at the Lodges

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WATER MANAGEMENT

Water is an indispensable and precious commodity and good stewardship is needed to maintain the long-term sufficiency of this valuable resource that is fundamental to both economic and environmental stability. We have made it our goal to reduce water wastage through optimal planning, development, distribution and management of our water resources. Some of the Group's water-saving initiatives to date include a reduction in the usage of treated water from the water board by using an alternative source, as well as the maintenance and regular inspection of the water circulating system.

Water Consumption at CMS

Water consumption by the Group's Business Divisions over the last three years is presented below:

Water Consumption (m³)

Division/Company	2017	2018	2019
Cement	125,430	329,075	270,812
Constructions Materials & Trading	59,971	55,920	119,879
Construction & Road Maintenance	4,135	5,958	5,329
Property Development	1,082	1,342	1,373
Samalaju Properties Sdn Bhd	262,950	654,695	519,215
Malaysian Phosphate Additives (Sarawak) Sdn Bhd			2,337
Total	453,568	1,046,990	918,925

In FY 2019, there was a significant decrease in water consumption at the Cement Division compared to the amount of water used in the previous year. A number of coordinated actions taken during the year to reduce incidents of inlet pipe blockages, as well as inefficiencies within the water-cooling towers and heat exchangers in the bearings cooling systems all yielded significant savings. We are looking to further reduce water consumption and improve efficiency in the long-term by undertaking the following investments and maintenance activities:

- **Replace the old cooling tower with a larger sized tower for more effective cooling efficiency;**
- **Replace/maintain/repair leakage of water pipes, pumps and tanks;**
- **Replace the fins/honey combs for improved heat exchange;**
- **Place water pipes above ground instead of underground;**
- **Undertake scheduled maintenance of the cooling tower;**
- **Arrange for use of underground water; and**
- **Undertake closer monitoring of monthly water usage.**

At the Pending grinding plant, a number of badly leaking underground pipes (due to the age of the plant) were identified and repaired. This has significantly reduced water consumption at the plant. Identification and rectification works are ongoing.

At the Mambong Integrated Plant, a portion of the old existing underground cooling black pipeline was upgraded and is now above ground. This will enable easier maintenance and prevent corrosion. The underground portions of the pipeline have also been replaced with better quality ductile iron pipe to mitigate water leakage. The plant has its own dedicated water supply operation and maintenance team for the underground tube well. The team is also able to carry out repairs and undertake replacements in the event of leakages. Under the existing water-cooling process, the supply of water comes from the plant's own five underground wells via a closed loop system with the cool water supplied to the machinery recycled back to the cooling tower.

The increase in water consumption by the Construction & Materials Trading Division was due to the commencement of a new production line at the Sibanyis Quarry.



WATER MANAGEMENT

Throughout the operations of Samalaju Properties Sdn Bhd, there was a significant decrease in water consumption compared to the amount of water used in the previous year as a result of the following measures taken to conserve water during the year:

- **A centralised laundry established to optimise and reduce water usage;**
- **Periodic checks on the water mains, water tanks and pumps carried out to detect potential leakages;**
- **Relocation of meters and the installation of sub-meters to more accurately track water consumption;**
- **Routine checks undertaken to mitigate wastage of water, especially at washrooms; and**
- **Rainwater and recycled water from natural ponds used to water plants.**

The change of location of the water meter at Samalaju Lodges was to identify suspected instances of water leakage along the pipeline. The effectiveness of this initiative will be monitored in FY 2020.

The quantity of water consumed by the Group's operations is closely monitored to detect any spikes in water consumption. This will enable investigations to be carried out to determine the root cause so remedial action can be carried out.

Using Recycled Water to Cool Machinery

Water at the Bintulu grinding plant is supplied by the water authority, LAKU. The water from the receiver tank is circulated in a 100% closed loop system between the process equipment and cooling tower. A modification is planned for FY 2020 which will realign the underground hydrant pipe so that it is above ground for easy monitoring of any leaks.

CMS Quarries Sdn Bhd recycles water to cool its machinery. The company has two water ponds for this purpose that can store 2.4 m³ and 3.3 m³ of water respectively.

Rainwater Harvesting Programme

Rainwater harvesting involves the collection of rainwater with the intention of reusing it onsite. At the Pending grinding plant, two rain harvesting systems have been installed which are used for the purposes of gardening and washing. The Bintulu grinding plant plans to install one rain harvesting system for similar purposes.

The rainwater harvesting programme at the Mambong Integrated Plant began in FY 2010 but was then suspended. It was subsequently relaunched in FY 2016. Rainwater is now collected for general use at the plant including for flushing toilets and watering plants.

The Sibul and Miri Bulk Terminals control water consumption by ensuring that the water sprinklers are only turned on during working hours or in the afternoon. The quantity of water usage is monitored through utility bills from the local water boards.

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WATER POLLUTION

In monitoring water quality, the Construction & Road Maintenance Division goes beyond regulatory requirements to reduce or avoid pollution and ensure its projects do not impact the environment. Water samples are taken from project sites at fixed coordinates and sent immediately for analysis. Samples are sent in separate sterile bottles placed in a cooler containing ice to maintain the temperature at less than 5°C during transportation to the laboratory. For in-situ investigations, portable water quality testing equipment is properly calibrated before use. Samples are also handled with the necessary precautions to prevent contamination and deterioration prior to laboratory analysis.

The Division ensures that the locations (coordinates) of water sampling points are recorded as per the following example:

Locations of Water Sampling Points

Sample	Coordinates	Date	Hours	Samples
W1 Before the project site	N 01°33'24.9" E 110°20'15.9"	11/9/19	-	NA
W2 Near the project site	N 01°33'19.0" E 110°20'14.6"		0911	Taken

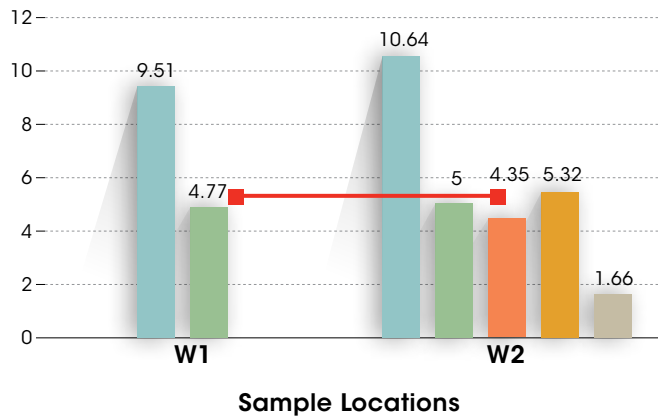
The water monitoring results are presented in tables and graphs and are then compared with the following: the previous results, the baseline data recorded for the Environmental Impact Assessment (EIA) and the Interim National Water Quality Standards (INWQS) for Malaysia compliance limits. The following are some examples of the tabulated findings and the graphs relating to water monitoring before the project site (W1). Each environmental monitoring result (EMR) according to the parameters are reflected in the table for monitoring sessions 5 to 17.

Sample Water Quality Monitoring Results

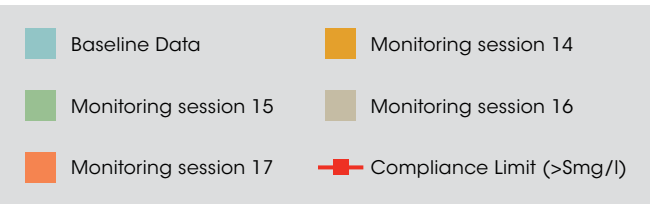
Parameter	Units	NWQSM (Class II B)	Baseline Data	W1												
				5	6	7	8	9	10	11	12	13	14	15	16	17
Temperature	°C	Normal	28.5	30.97	29.89	27.82	NA	28.1	27.3	27.5	27.73	NA	27.36	NA	NA	NA
Dissolved Oxygen	Ppm	5-7	9.51	5.6	5.1	5.0	NA	5.0	5.1	5.0	5.60	NA	4.77	NA	NA	NA
pH	-	6-9	6.13	9.00	6.47	7.28	NA	6.15	6.5	6.24	8.41	NA	8.52	NA	NA	NA
Turbidity	NTU	50	65.3	40.8	50.7	49.7	NA	51.7	49.8	47.2	1000.00	NA	7.8	NA	NA	NA
COD	Mg/l	25	75.4	31	89	24	NA	62	59	59	34	NA	51	NA	NA	NA
BODs	Mg/l	3	2.0	6	17	4	NA	12	12	12	7	NA	10	NA	NA	NA
TSS	Mg/l	50	14	27	16	25	NA	18	19	115	3,606	NA	41	NA	NA	NA
TDS	Mg/l	-	69	544	426	442	NA	504	538	311	177	NA	80	NA	NA	NA
Lead (as Pb)	Mg/l	0.05	0.04	N.D. (<0.06)	N.D. (<0.06)	N.D. (<0.06)	NA	N.D. (<0.06)	N.D. (<0.06)	N.D. (<0.06)	N.D. (<0.06)	NA	N.D. (<0.06)	NA	NA	NA
Ammoniacal Nitrogen (as NH3-N)	Mg/l	0.3	0.12	0.74	0.42	0.41	NA	0.48	0.45	0.11	0.24	NA	0.38	NA	NA	NA
Oil & Grease	Mg/l	Nil	4.0	N.D. (<1)	N.D. (<1)	N.D. (<1)	NA	N.D. (<1)	N.D. (<1)	N.D. (<1)	N.D. (<1)	NA	N.D. (<1)	NA	NA	NA
Total Aerobic Plate Count	CFU/ml		1.0 x 10 ⁵	2.2 x 10 ⁵	2.8 x 10 ⁵	4.4 x 10 ⁵	NA	1.5 x 10 ⁵	2.3 x 10 ⁵	6.9 x 10 ⁵	9.6 x 10 ⁵	NA	240	NA	NA	NA
Total Coliform Count	MPN/100 ml	5,000	350	350	350	920	NA	≥1,600	23	<2	≥1,600	NA	2,600	NA	NA	NA
Total Faecal Count	MPN/100 ml	400	350	8	240	130	NA	350	<2	<2	1,600	NA	2.5 x 10 ⁵	NA	NA	NA

WATER POLLUTION

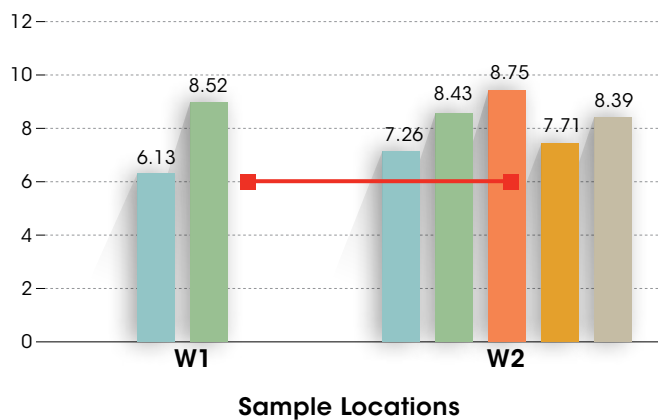
Comparison of Dissolved Oxygen (DO) level with Baseline Data



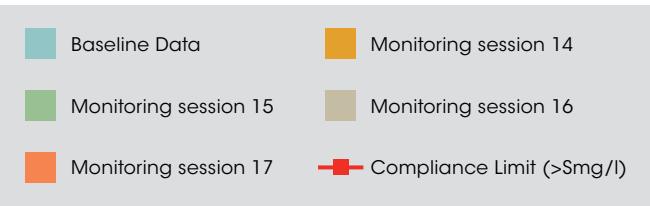
The DO level for W2 dropped significantly to 1.66 mg/l. A stream must have a minimum of DO level of 3 mg/l for the survival of aquatic species.



Comparison of pH level with Baseline Data



The pH is within the compliance limit of pH 6-9 with reading of 8.39 (W2).



A typical positive summary of the water quality results would read as follows:

- Lead, oil and grease were not detected. Surface water was observed without any visible oil sheen.
- Bacteria count as stipulated in the results of Bacteria Counts Analysis showed that both Total Aerobic Plates Count (TAPC) and Total Coliform Count (TCC) were below the critical allowable level by the Ministry of Health with compliance limits of 400MPN/100mL and 1,600MPN/100mL.

Water Quality Classification

As mentioned earlier, the Division's water quality data at project sites are compared to the Malaysian Interim National Water Quality Standards or INWQS in order to make a qualified declaration about the quality of sampled water. The INWQS criteria outlines six classes of water quality as follows:

- **Class I** - representing water bodies of excellent water quality, most suitable for water extraction for human consumption. This type of water is typically encountered in uninhabited areas without anthropogenic discharge;
- **Class II A** - representing water bodies of good quality. Most existing water supply sources in Sarawak come under this category;
- **Class II B** - water which is suitable for recreational use with body contact. If used for water supply for human consumption, excessive treatment is required which incurs relatively high costs;
- **Class III** - representing polluted water. Water under this classification may be used for water supply with extensive/advance treatment;
- **Class IV** - representing heavily polluted water, which is used for irrigation purposes; and
- **Class V** - representing heavily polluted water, which should not be used for any of the above purposes.

MATERIALS MANAGEMENT

When it comes to the management of materials, the Group aims for zero wastage. As we focus our efforts on reducing the use of natural resources in our operations wherever possible, we continue to proactively undertake R&D and explore new ways in which to replace raw and natural resources with recycled materials.

Ongoing R&D Efforts

To ensure more sustainable operations and to maintain our competitive edge, we continue to engage in R&D activities. These have been in place for some time now and is evident in the solid progress that the Cement Division has made by way of managing scheduled wastes from industries within the State, especially those located within the Samalaju Industrial Park (SIP). The scheduled wastes or by-products generated by these industries provide us with alternative sources of materials that serve as substitutes for the typical raw materials or fuels currently used in the Group's clinker, cement, and concrete production activities. They are also transformed into useful products with added performance attributes.

Currently the R&D efforts within our Cement Division focus on three main areas:

Product Development

This entails the use of supplementary cementitious materials (SCM) or additives such as slag, silica fume, fly ash, limestone and other materials to replace clinker resulting in new products with enhanced characteristics or which are used in other applications.

Alternative Raw Materials

This includes the use of waste/by-products from other industries to replace the typical raw materials used in clinker, cement and concrete operations.

Alternative Fuels

This encompasses the use of waste/by-products with suitable calorific value to replace the traditional fuel used in clinker burning.

These three areas of R&D are certainly going a long way in helping the Cement Division improve cost efficiencies, strengthen product quality, increase product selection, and support sustainable development in line with the Division's objectives.

Innovative Use of Scheduled Wastes and By-Products

The following are some among the many innovative initiatives related to scheduled wastes and by-products that are being implemented by the Group's subsidiaries:

Use of limestone materials in the production of Portland Limestone Cement (PLC)

In November 2018, we launched our new eco-friendly PLC. Taking almost two years to develop, PLC is an eco-friendly product, manufactured by grinding a special blend of clinker, gypsum and high-quality limestone under stringent quality control. As limestone material is readily available and cheaper in price, the production of PLC with more than 20% limestone addition is reducing overall operational costs, thereby, increasing profit margins. Ground to a higher fineness, the resulting PLC is a highly versatile product that gives users multiple benefits such as better workability, smoother finishing, improved cohesiveness, reduced bleeding, easy mixability, improved slump retention and good flowability.

The production of PLC began in August 2017. The following are the quantities of PLC generated over the last three years:

Quantity of PLC Generated (metric tonnes or MT)		
2017	2018	2019
402.1 MT	2,616.93 MT	23,125.39 MT

To make PLC, less clinker is consumed as compared to Ordinary Portland Cement (OPC), the most common type of cement. With less clinker consumed, the more friendly PLC generates a lower carbon footprint.

In FY 2019, in partnership with Universiti Malaysia Sarawak, we tested PLC as a potential binder for soft soil conditions. The trials indicated that PLC has certain properties which make it ideal for Sarawak's soft soil conditions, thus addressing a huge challenge the local construction industry has been facing.

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**Use of silica fume for the production of Portland Composite Cement (PCC) and for use in concrete**

Silica fume is an ultrafine powder collected as a by-product of silicon and ferrosilicon alloy production. Comprising of spherical particles with an average particle diameter of 150 nm, it is supplied by OM Materials (Sarawak) Sdn Bhd and Pertama Ferroalloys Sdn Bhd who obtained approvals from the Department of Environment (DOE) in FY 2019 for the onsite recovery of Silica Fume (scheduled waste) to generate Microsilica (which is not scheduled as waste). Adding Microsilica to produce blended PCC or using it in concrete, strengthens the performance of the cement and lends to higher durability. In FY 2019, CMS Concrete Products Sdn Bhd consumed 124.79 MT of Microsilica in concrete production. However, there was no consumption of Microsilica in cement production at the Bintulu Plant due to some operational issues relating to quality at the plant.

Use of Tyre-Derived Fuel (TDF) as an Alternative Fuel

Since FY 2015, CMS Cement Industries Sdn Bhd has been burning small quantities of shredded tyres purchased from a local-based supplier to manufacture clinker. TDF fuel produces the same energy as petrol and holds approximately 25% more energy than sub-bituminous coal. In FY 2018, CMS Cement Industries Sdn Bhd was given approval by the DOE to proceed with the trial of 300 metric tonnes (MT) of TDF which it hopes will eventually lead to the commercial production of TDF. In FY 2019, the Mambong Integrated Plant co-processed 104.75 MT of TDF for trial purposes and it plans to co-process another 154.25 MT in FY 2020.

**Use of furnace slag/yellow phosphorous slag to partially replace clinker in the production of Portland Cement**

Furnace slag is one of the by-products from Malaysian Phosphate Additives (Sarawak) Sdn Bhd which can be used to substitute clinker in cement production or as Alternative Raw Material in clinker production.

In collaboration with University Malaya, we have been conducting research using yellow phosphorous slag (YPS) from Malaysian Phosphate Additives (Sarawak) Sdn Bhd as a replacement for clinker in cement production. To date, our R&D Department has conducted several tests on YPS together with the operational team. Trials on cement of strength classes 32.5N and 42.5N were produced by the replacement of clinker with 5% and 10% YPS respectively via inter-grinding. The results were compared against internal quality control specifications. The findings were that both cement strength class 42.5N and 32.5N showed lower early and late strength. The setting time was significantly longer as expected due to the low clinker content and the presence of P₂O₅ in YPS. However, for cement with strength class 32.5N which has 27% limestone content, the setting time was only longer by 25 minutes. Further studies will be conducted.

At the same time, CMS Cement Industries Sdn Bhd is in the midst of applying to the Department of Standards Malaysia to allow the inclusion of YPS as one of the constituents in cement under MS EN 197-1 (the Malaysian cement standard).

We are also continually looking into additional sources of sludge from within the industry. Following extensive laboratory research into using phosphogypsum as a replacement for limestone, our clinker plant has concluded that the waste material is viable as a material replacement. The next step is to ramp research up to the industrial level with sample waste material from an identified source.

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Use of yellow phosphorus slag in concrete production

Our R&D Department has also conducted several tests together with the operational team replacing cement with 10% and 15% of YPS to produce Grade 30 (G30) and G45 concrete. The findings were that both G30 and G45 concrete showed lower early strength of 15-30% and slightly higher late strength of 1-2% as compared to the control sample. YPS particle size is on the coarse side with 70% between 2 to 5 mm. Again, further studies will be conducted on the potential for using YPS in concrete production.

Use of silicon manganese as a replacement for coarse or fine aggregates in concrete

Silicone manganese has the potential to be used as an aggregate replacement in concrete. A by-product of the ferrosilicon smelting plants of OM Materials (Sarawak) Sdn Bhd and Pertama Ferroalloys Sdn Bhd, it is available in two types – the coarser and glossy air-cooled type and the sandy water-cooled type. Tests have shown that a 50% replacement of coarse aggregate with silicon manganese has resulted in stronger concrete.

CMS Concrete Products Sdn Bhd has also been running tests to determine the material's suitability as supplementary cementitious material for subbase, roadbase and Cold-in-Place recycling. The tests have shown positive results and an application to the Department of Engineering Sarawak has been approved. CMS Pavement Tech Sdn Bhd too has been running field trials on pavements after which post-construction monitoring will be carried out.



Granulated blast furnace slag for production of slag cement

Blast furnace slag is formed during the production of hot metal in a blast furnace. When the liquid slag is directed into a granulator where it is rapidly cooled by large amounts of water, it results in a glassy/amorphous granular or sand-like product. This can be used as supplementary material in the production of slag cement. To date, laboratory tests using 30-50% slag replacement of clinker have shown a significant increase in strength. A total of 20 MT of the material has been imported from China for more trials to be conducted by CMS Concrete Products Sdn Bhd.

Leveraging on Cold-in-Place recycling technology

A specialist provider of pavement works covering construction, rehabilitation and maintenance, CMS Pavement Tech Sdn Bhd promotes sustainable engineering and construction using locally-sourced, alternative materials. The company uses cement stabilisation technology in the form of the Wirtgen WR2500S, WR250 and WR240 machines to reconstruct and rehabilitate pavements. This method is more eco-friendly and more cost-efficient than the traditional methods of pavement rehabilitation. Under the Cold-in-Place Recycling method, existing pavements are recycled, stabilised with cement and enhanced with a higher strength, new bounded base. The company is also capable of performing stabilisation works using other agents such as lime, emulsion, bitumen and soil stabilisers. The company's technology features higher cost savings, quicker construction times, as well as improved pavement performance and design life. In FY 2019, the company continued to conduct significant amounts of Cold-in-Place recycling.



MATERIALS MANAGEMENT

Natural Resources for Clinker and Cement Production

The natural resources utilised for clinker and cement production include limestone and gypsum (industrial gypsum and phosphogypsum). The following tables depict the types and volume of raw materials used in clinker and cement production, as well as other relevant metrics.

Natural Resources for Clinker and Cement Production (MT)

Product	2017	2018	2019
Clinker	935,652	962,895	1,461,646
Gypsum	38,333	38,616	70,147
Anhydrite	14,182	15,280	15,587
Limestone	875,533	770,231	862,791
PA	1,532	3,060	8,552
Sandstone	80,537	63,028	58,798
Shale	142,600	138,438	155,392
Cu Slag	24,065	21,730	22,705
Gy	24,393	24,987	-
Total	2,136,827	2,038,265	2,655,618

Clinker Production Capacity (MT)

Product	2017	2018	2019
Cement	1,025,997	1,517,160	1,639,825
Clinker	653,111	575,007	624,653

Clinker to Cement Ratio (%)

Product	2017	2018	2019
Cement Division	61	61	89

Natural Resources for Quarry Production

The natural resources for quarry production include crushed aggregates (granite, microtonalite and limestone). These are suitable for road construction and buildings. The following table depicts the volume of production at the various quarries under CMS Quarries Sdn Bhd:

CMS Quarries Sdn Bhd's Production (MT)

No.	Location	Type of Stone	2017	2018	2019
1.	Stabar	Microtonalite	719,827	569,283	436,823
2.	Penkuari	Microtonalite	-	-	-
3.	Sibanyis	Microtonalite	956,811	986,455	1,389,070
4.	Akud	Limestone	441,957	330,830	432,584
5.	Sebuyau	Granite	394,691	499,256	767,826
Total			2,513,286	2,385,824	3,026,303

Raw Materials for Premix Production (MT)

The natural resources utilised in premix operations are presented in the following tables:

Company: CMS Premix Sdn Bhd**Operation: Kuching, Sibul, Sarikei, Saratok**

Raw Materials	2017	2018	2019
Bitumen	21,248	28,350	23,482
Actual	-	-	-
3/4" Agg	137,441	180,063	145,480
3/8" Agg	44,727	37,015	8,811
Quarry Sand	301,215	347,658	299,459
DCR 1.5"	21,914	65,510	87,896
Hydrated Lime	49	339	52
Cement	-	1,716	1,452
River sand	22	3,864	244
Total	526,617	664,515	566,876
Production	506,088	628,782	533,409
Wastages	20,507	35,733	33,442

Diesel Usage (Litres)

	2017	2018	2019
Plant	3,997,729	4,145,866	4,190,468
Machinery	114,468	280,152	205,895
Total	4,112,197	4,426,018	4,396,363

Company: CMS Premix Sdn Bhd**Operation: Kuching plant only**

Year	2019
Eco Light Fuel Oil (ELFO) Litres	311,600

Note: Eco Light Fuel Oil (ELFO) is recovered fuel oil that is certified eco-friendly.



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Company: CMS Premix (Miri) Sdn Bhd
Operation: Miri, Bintulu, Samalaju, Limbang

Raw Materials	Total Tonnes		
	2017	2018	2019
Bitumen	9,508	9,302	7,453
Actual	-	-	-
3/4" Agg	54,897	66,683	51,536
3/8" Agg	26,300	13,679	9,744
Quarry Sand	133,301	120,986	104,063
DCR 1.5"	22,744	21,942	18,824
Hydrated Lime	-	4	29
Cement	-	-	-
River Sand	-	-	-
Total	246,751	232,597	191,649
Production	228,639	208,739	68,055
Wastages	18,112	23,858	7,344
Diesel Usage (Litres)			
Plant	2,421,222	2,347,557	789,438
Machinery	94,311	129,815	82,613
Total	2,515,533	2,477,372	872,051

Company: Betong Premix Sdn Bhd
Operation: Betong

Raw Materials	Total Tonnes		
	2017	2018	2019
Bitumen	590	567	3,178
Actual	-	-	-
3/4" Agg	3,958	2,186	8,183
3/8" Agg	1,907	2,078	167
Quarry Sand	5,614	5,079	33,114
DCR 1.5"	45	518	43,931
Hydrated Lime	-	4	-
Cement	-	-	-
River Sand	-	-	-
Total	12,113	10,431	88,573
Production	10,412	9,188	75,947
Wastages	1,702	1,244	12,626
Diesel Usage (Litres)			
Plant	127,910	150,287	839,136
Machinery	-	27,861	74,206
Total	127,910	178,148	913,342



MATERIALS MANAGEMENT

Raw Materials for Wire Production (MT)

The raw materials utilised for wire production and the relevant production volumes are presented in the following tables:

Company: CMS Wires Sdn Bhd

Operation: Miri, Bintulu, Samalaju, Limbang

Wire Rod Size (MT)	2017	2018	2019
5.5 – 10K	398	477	352
6.0 – 12K	200	538	904
6.5 – 12K	41	384	73
7.0 – 12K	579	461	760
7.5 – 12K	0	0	62
8.0 – 12K	641	1,185	1,322
9.0 – 12K	869	1,474	1,182
9.5 – 15K	21	0	0
10 – 12K	0	51	51
11 – 12K	424	677	545
Total	3,173	5,247	5,251

Production Volumes by CMS Wires Sdn Bhd (MT)

Item	2017	2018	2019
Wire Mesh	2,617	3,942	4,018
Drawn Wire	918	1,302	1,620
Total	3,535	5,244	5,638

**Alternative Fuels and Raw Materials Initiatives**

Over the course of the year, the Cement Division's Alternative Fuel and Raw Materials Committee held two meetings in which they focused mainly on the suitability of the conversion of waste into clinker or cement raw materials. In line with their discussions, all waste from Samalaju and Samajaya Industries has been tested and an allocation of RM300,000 applied to R&D activities.

Today, CMS is collaborating with the Natural Resources and Environment Board (NREB) Sarawak and Trienekens (Sarawak) Sdn Bhd on various recycling initiatives for Municipal Solid Waste or MSW. Of the many initiatives underway, one that stands out concerns the re-utilisation of Sludge Cake (SW320) as an Alternative Fuel. With regard to this, ongoing communication with Daiken on this process is underway. Oil sludge from PETRONAS and the ship yards are also undergoing tests and will be given further consideration in FY 2020. For now, the design of the feeding flow system for alternative fuel has been given priority status and the team is reviewing several proposals.

In collaboration with University Malaya, we are undertaking research on clinker substitutes using yellow phosphorous slag or YPS from Malaysian Phosphate Additives (Sarawak) Sdn Bhd targeting 3% Alternative Raw Material usage of 4,000 tonnes per month (tpm). The outcome will be presented to the Department of Standards Malaysia in our application to accept YPS under MS EN 197-1.

The DOE of Sarawak has granted an Offsite Recovery License to the Mambong Integrated Plant to utilise the following scheduled waste as alternative raw materials to be sourced from Samajaya Industries and PETRONAS. We are still in the midst of finalising the contracts with our counterparts.

Type of Scheduled Waste	Scheduled Waste Code	Approval date by DOE
Calcium Hydroxide	SW 427	Since 1 st Nov 2010
Spent Garnet	SW 104	Since 25 th Oct 2019
Silico Manganese Slag	SW 104	Since 25 th Oct 2019
Sludge	SW 204	Since 25 th Oct 2019
Silicon Sludge	SW 204	Since 25 th Oct 2019
Flouride Sludge	SW 207	Since 25 th Oct 2019

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The quantified targets, beyond regulatory requirements, to reduce or avoid natural resource use are as follows:

Short-Term (FY 2020-2021)	Medium-Term (FY 2020-2024)	Long-Term (FY 2020-2026)
<p>Objective: To reduce carbon dioxide emission by reducing the usage of clinker by 0.5% in cement production.</p> <p>Actions: 1. The strategy to reduce clinker consumption is through the production of blended cement whereby the ratio of clinker replacement is higher. In November 2018, CMS commenced commercial production of Portland Limestone Cement with 20% replacement of clinker. 2. Addition of Process Addition (PA) at Bintulu Plant.</p>	<p>Objective: To reduce carbon dioxide emission by reducing the usage of clinker by 1.5% in cement production.</p> <p>Actions: 1. Production of Blended Cement.</p>	<p>Objective: To reduce carbon dioxide emission by reducing the usage of clinker by 3% in cement production as per the DOE's current guidelines.</p> <p>Actions: 1. Increase the production of Blended Cement. 2. To reduce the usage of natural limestone raw materials by switching to the use of Alternative Raw Materials.</p>

Time-specific Targets to Reduce Natural Resources for Clinker Production (tpm)

Year	2020	2021	2022
Natural Resources	2,000	3,000	4,000

The Construction Materials & Trading Division's slag trial at Sakura Ferroalloy Sdn Bhd within the SIP was successful with the results meeting the Public Works Department's (Jabatan Kerja Raya or JKR) standard for road sub-base and road base as a quarry aggregate crusher run substitute. However, slag waste is still subject to DOE approval before it can be used on public roads. It will also be important to compare the cost of slag waste with local quarry products.

Reusing Waste in the Production of Clinker

In FY 2019, a total of 621.40 tonnes (FY 2018: 256.26 tonnes) of Calcium Hydroxide Ca(OH)₂ sludge was incorporated in the raw mix pile. Future volumes are subject to the availability of the sludge from various waste generators.

In FY 2020, we intend to close several deals with waste generators for Scheduled Waste codes SW427, SW207, SW204 and SW104 from several industrials in Sarawak. We are pressing for SW427 supplies from EOx Linde Kota Kinabalu, BIG Miri and Bintulu, Piasau Gas Miri and Sibul Gas. The additional quantity per month will be around 200 to 300 tpm.

We are also continually looking into additional sources of sludge from within the industry. Following extensive laboratory research into using phosphogypsum as a replacement for limestone, our clinker plant has come to the conclusion that the waste material is viable as a material replacement. The next step is to elevate research to the industrial level with sample waste material from an identified source. The plant is still considering replacing its Light Fuel Oil (LFO) with Residual Fuel Oil (RFO) and has held discussions with PETRONAS,

as well as sourced several recycled oil suppliers in the Kuching area. The plant is also looking to substitute its use of limestone by up to 3% by replacing this with sludge, old kiln bricks and ash.

In line with this initiative, our Cement Division's environmental team contacted the waste generators from the Samajaya Free Industrial Zone (namely LONGI (Kuching) Sdn Bhd, Linde EOx Sdn Bhd, HGST Malaysia Sdn Bhd, Tai Yo Yuden Sarawak Sdn Bhd) and the SIP (namely OM Sarawak, Pertama Ferroalloys Sdn Bhd and OCI Malaysia Sdn Bhd). During the year, R&D activities were conducted on waste generated within SIP in the laboratory and then on an industrial scale. Subsequently, the applications were submitted to and approved by the DOE in Putrajaya. Scheduled Wastes Transportation licences especially on the sea route are being negotiated with the DOE. The Cement Division's Alternative Fuel and Raw Materials Committee is working with the DOE and the plant teams to actualise the 3% substitution target. In FY 2020, alternative raw materials usage will increase significantly once approval to use waste from the waste generators at the SIP and the Samajaya Free Industrial Zone is granted.



MATERIALS MANAGEMENT

Tyre-derived Fuel

As part of the efforts to capture energy in a sustainable manner through the recycling of waste materials, CMS Cement Industries Sdn Bhd, under its clinker operation, began to process tyre-derived fuel or TDF in FY 2015 by burning small quantities of shredded tyres purchased from a local-based supplier to manufacture clinker. TDF fuel produces the same energy as petrol and contains approximately 25% more energy than sub-bituminous coal.

As the trials did not produce any significant negative effects at the clinker plant, the company is seeking the relevant approvals from governmental authorities, the Sarawak DOE and the NREB for the commercial production of TDF. The DOE of both Putrajaya and Sarawak have asked for the installation of a CEMS-Gas Analyser as a prerequisite for the trial burn. The CEMS-Gas Analyser was successfully installed in December 2017. As a trial, we used 104.75 metric tonnes in FY 2019 (FY 2018: 41 MT; FY 2017: 157.32 MT) under strict watch using the existing feeding system until such time as a new TDF feeding system is installed. The company has also established a long-term TDF supply contract with ZHA Sdn Bhd, a Sarawak based company.

Trials of Alternative Fuel: Tyre-derived Fuel (MT)

Location	2017	2018	2019
Mambong Integrated Plant	157	41	105

Manganese Slag Premix Aggregates Replacement for Road-based Materials

Our Construction & Road Maintenance Division has been researching the possibility of using the by-products of smelting plants within the SIP as material in its road base.

The initiative aims to recycle the waste material which would otherwise end up in landfills, while at the same time exploring a potentially cheaper source of input material. Silica fume is a by-product of producing ferrosilicon alloys in smelting plants and is commonly used to strengthen Portland cement due to its extreme fineness and high silica content.

In the latest stage of the project, the company recently completed a preliminary trial burn and stabilisation test at the Mambong Integrated Plant on silicon manganese furnace slag road base from OM Materials (Sarawak) Sdn Bhd and Pertama Ferroalloys Sdn Bhd. Laboratory test results to determine this material's suitability as supplementary cementitious material for subbase, roadbase and Cold-in-Place recycling were convincing and an application for approval to the Department of Engineering Sarawak was approved.

CMS Pavement Tech Sdn Bhd too has been running field trials on pavements after which post-construction monitoring will be carried out.

Manganese Slag Premix Aggregates Replacement for Road Base Material

Material	2017	2018	2019	Unit
Premix	27,877	34,660	108,770	Tonnes
Aggregates	35,250	29,640	11,092	Tonnes
Bitumen (Coldpave)	177,819	210,271	370,300	Litres

Other uses for slag waste such as in Ready-Mix Concrete are being undertaken by the respective divisions and companies within the Group. Although the waste will not be entirely free to us, it would be much better to use this waste material as road base if possible because there is not much hard stone in northern Sarawak. Even in the south, granite-type stones are in limited supply. The more we can recycle, the better we can help create a modern and environmentally-friendly society while at the same time, contributing to the economic development of the State.

Cold-in-Place Recycling

CMS Pavement Tech Sdn Bhd is a specialist provider of pavement works covering construction, rehabilitation and maintenance. Under its Cold-in-Place Recycling method, existing pavements are recycled, stabilised with cement and enhanced with a higher strength, new bounded base. In FY 2019, the company undertook Cold-in-Place Recycling amounting to 170,500 MT (FY 2018: 184,300 MT) and off-site pavement milling activities covering some 12.73 km (FY 2018: 6.0 km).

Revitalising the Industrialised Building System (IBS) business

Today, the Construction Materials & Trading Division is focusing its efforts on reinvigorating the Industrialised Building System (IBS) business. IBS construction underpins sustainable construction because it is able to address several prevalent issues in some parts of the industry such as poor quality of construction work, low productivity, a relatively long construction period and too much dependency on foreign labour.

IBS construction was introduced somewhere in the 1960s by foreign contractors for housing projects i.e. landed and multi storey buildings. However, several problems, especially jointing issues and leakage at the jointing, caused poor uptake by the local industry players. Over the years, with the advancement of technology some of these problems have been solved. Despite this advancement, the level of acceptance of IBS by local industry is still low.

IBS is the way forward for future construction projects. The Government has shown its commitment towards pushing the IBS agenda by making it mandatory for government projects to utilise at least 70% IBS components. One of the measures to facilitate the industry and to advocate IBS construction, which is where we will start, is to enhance the level of knowledge among the professional fraternity in construction.

WASTE MANAGEMENT

The Group's commitment to sustainable and ethical practices encompasses all our operations including our waste management practices. Among the measures taken to reduce the generation of waste is through inculcating environmental awareness, ensuring continuous improvement in maintenance and housekeeping activities, and acquiring better quality items such as conveyors and bag filters that have a longer operational life span.

We take the practice of collecting and disposing of waste and effluent produced in our plants very seriously as improper waste management can potentially have a negative effect on the community's health and the environment. By implementing positive waste management systems, we can avoid the negative impact that waste has on the environment. As a responsible industry player, CMS is committed to finding innovative and environmentally-friendly ways to re-utilise waste, as well as to dispose of it.

Solid Waste

The Cement Division is committed to disposing of all solid industrial waste that it produces throughout its annual production cycle in a responsible manner. In line with this, the Division is making every effort to discard the following items in ways that are deemed environmentally-friendly: wooden pallets, zinc and acrylic cladding sheets, old bag filters, empty cement bags, plastic containers, contaminated gloves and cotton rags, used personal protection equipment (safety helmets, safety shoes, dust masks), used industrial pollution control systems like filter bags, hoses, spent greases, lubrications, hydraulic oil, scrap conveyor belts and rollers, used and worn off slings, ducting, old kiln bricks, and hacked-off castables, among other items.

In undertaking solid waste disposal activities throughout the Group, the following parameters are applied:

- Only the weight of cement/clinker and scrap iron solid waste is recorded as the focus is primarily on minimising or eradicating waste;
- Industrial wastes which contain calorific value are co-processed at the calciner;
- Contaminated or mixed raw materials such as gypsum and limestone with cement or clinker (also regarded as waste), are put back into the operations mix;
- Old basic and alumina bricks are crushed at the limestone crusher and used later as alternative raw material;
- General waste is separated and sold to a third-party vendor for re-utilisation;
- Wood waste is donated to a nearby bricks manufacturing company;
- Some waste components, including spent oil, are incinerated during clinker production;
- Used bag filters, paper bags, torn jumbo and pre-sling bags and old metal plates, among other things are co-processed at CMS Cement Industries Sdn Bhd and sold as scrap; and
- The Bintulu grinding plant disposes of used pre-slings and used tyres to Fonsen Enterprise and ZHA Sdn Bhd.

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**WASTE MANAGEMENT****Recycling Capabilities for New Premix Plants**

As part of the Group's efforts to uphold environmental sustainability, we plan to incorporate recycling capabilities into the design of all new premix plants that we commission in the future.

Scheduled Waste

Scheduled waste is defined as any discarded solid, semi solid form (sludge), liquid or contained gas or material that can no longer be used. This type of waste is typically either highly flammable, corrosive or toxic and may easily react or cause an explosion when mixed with other substances. Scheduled waste is the most challenging waste to manage due to its potentially dangerous effects on human health and the environment.

As scheduled waste is hazardous and difficult to dispose off safely without special technologies and facilities, CMS ensures that all scheduled waste is discarded in compliance with operational regulations. In FY 2019, some 8,600 litres (FY 2018: 6,800 litres; FY 2017: 9,000 litres) of waste oil, spent lubricant and hydraulic oil (classified under SW421), which was generated and collected by the Cement Division, was sent to CMS Concrete Products Sdn Bhd. Here the used oil was used as separator material for isolating concrete materials with mould tools. Containers contaminated with chemicals and scheduled waste (classified under SW409 – IBC Tank) were sold to a DOE-Approved Scheduled Waste Contractor. All materials that had come in contact with the oil, such as contaminated gloves and used cotton rags were also properly disposed of.

CMS Cement Industries Sdn Bhd, in its clinker operations, produces relatively small volumes of scheduled waste. The types of scheduled waste generated and subsequently disposed of are summarised in the following tables:

Types of Scheduled Wastes within the Cement Division**Pending and Bintulu Grinding Plants**

Waste Code	Types of Scheduled Wastes
SW421	Used Oil
SW409	Disposed of containers contaminated with chemicals and scheduled waste
SW410	Rags, plastics, papers or filters contaminated with scheduled waste
SW430	Obsolete laboratory chemicals
SW102	Waste of lead acid batteries
SW110	Electrical waste
SW429	Spent chemical
SW408	Contaminated saw dust from cleaning up of a spill of chemical or scheduled wastes
SW305	Spent lubricating oil
SW306	Spent hydraulic oil
SW104	Dust, slag, dross, or ash containing aluminium, arsenic, mercury, etc.

Mambong Integrated Plant

Waste Code	Type of Scheduled Wastes
SW110	Fluorescent bulbs
SW305	Spent lubricating oil
SW306	Spent hydraulic oil
SW409	Disposed containers or glassware which are contaminated with chemicals and scheduled waste
SW410	Used gloves and rags
SW429	Spent chemicals

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The procedures for handling scheduled waste are summarised below:

1. The operator ensures all scheduled wastes generated are properly stored in appropriate containers;
2. Contaminated parts are cleaned with diesel before being disposed off at the scrap storage area;
3. Once the drum is full, it is transferred to the scheduled waste store. The total quantity of waste is recorded in a record book;
4. The Waste Management Team (WMT) leader submits the records to the DOE on a monthly basis;
5. The WMT calls for the disposal of waste 180 days from the date the waste was generated or when the quantity reaches 20 MT, whichever comes first.

The hazardous waste generated by the Cement Division's various operations between FY 2017 and FY 2019 is presented below:

Hazardous Waste Generation within the Cement Division

Locations	Types of Scheduled Wastes	2017	2018	2019
Pending Grinding Plant	SW421	9 MT	6.8 MT	8.6 MT
	SW409	0.0205 MT	0.028 MT	0.015 MT
	SW410	0.031 MT	0.105	0.335 MT
	SW430	0.035 MT	Nil	2.035 MT
	SW102	32 Units	Nil	22 Units
	SW110	100 Units	125 Units	100 Units
	SW429	0.1214 MT	0.3753 Units	0.3963 MT
Bintulu Grinding Plant	SW305	7.6 MT	5.4 MT	0.412 MT
	SW306	Nil	1.0 MT	0.125 MT
	SW104	Nil	Nil	0.048 MT
	SW409	3.8 MT	2.65 MT	0.075 MT
	SW410	1.0 MT	1.0 MT	36.8 MT
	SW430	Nil	Nil	0.2 MT
	SW102	Nil	1 MT	Nil
	SW110	0.2 MT	Nil	0.25 MT
SW429	0.2 MT	Nil	0.45 MT	
Mambong Integrated Plant	SW305	Nil	Nil	19.153 MT
	SW409	Nil	Nil	0.01 MT
	SW410	Nil	Nil	3.198 MT

Non-recycled Waste Generation (MT)

Locations	2017	2018	2019
Pending Grinding Plant	360	62	35
Bintulu Grinding Plant	No record	No record	No record
Mambong Integrated Plant	All generated wastes are being co-processed at the calciner		

Waste Recycled (MT)

Locations	2017	2018	2019
Pending Grinding Plant	5.5	3.9	0.93
Bintulu Grinding Plant	0.9	0.74	0.8
Mambong Integrated Plant	No Record	Less than 500	Less than 500

**WASTE MANAGEMENT**

The scheduled waste generated by the Construction & Road Maintenance Division is as follows:

Construction & Road Maintenance Division, Scheduled Waste (kg)

	2017	2018	2019
SW 410	257.16	410.6	458
SW 307	114.84	57.05	134.4
Total	372	467.65	592.4

Several factors contributed to the increase of scheduled waste in FY 2019. Following increased awareness of the requirement to protect the environment, contaminated personal protective equipment and other equipment were reported as scheduled waste. In comparison to the preceding year, there was an increase in the length of road output plus there were more defective areas that needed refurbishing. Activities for some scheduled waste that was due to undergo collection and disposal at the end of FY 2018 were brought forward to FY 2019.

In undertaking scheduled waste disposal activities throughout the Group, the following parameters are applied:

- At CMS Wires Sdn Bhd, old metallic parts, waste iron oxide and scrap iron are sold to a local steel manufacturer. In FY 2019, CMS Wires Sdn Bhd recycled 39.94 MT of these materials.
- Spent lubricants and hydraulic oil, classified under SW 305 and SW 306 respectively, are generated and subsequently collected by a licensed contractor. The following table highlights these activities:

Scheduled Waste (Litres)

Code	Items	CMS Premix Sdn Bhd	CMS Premix (Miri) Sdn Bhd	CMS Quarries	CMS Wires
SW 305	Spent Oil lubricant	1,263 Litres	60 Litres	9,313 Litres	164 Litres
SW 306	Spent Hydraulic oil	Nil	Nil	Nil	Nil
SW 312	Oily residue from workshop	Nil	Nil	Nil	Nil
SW 410	Oil filter	583 kg	Nil	170 kg	Nil
SW 430	Methylene Chloride	1,480 Litres	Nil	NIL	Nil

- Cotton rags and contaminated gloves are sent to Trienekens (Sarawak) Sdn Bhd, the operator of Sarawak's integrated waste management system, for proper disposal.
- All scheduled waste collected must be kept not more than 180 days as recorded from the first date of generation or as soon as reaching an inventory of 20 tonnes.
- Under the new DOE requirements, scheduled waste is recorded in the Electronic Scheduled Waste Information System (e-SWIS) for ease of visibility and so it can be monitored on a monthly basis.
- CMS' Property Development Division does not produce high quantities of scheduled waste and adopts a stringent scheduled waste practice which forms part of its Environmental Impact Assessment and Environmental Monitoring Programme.
- PPES Works (Sarawak) Sdn Bhd not only re-sells its leftover construction materials, it also reuses construction waste generated through site clearance, excavation and demolition, such as timber and formwork, as well as demolition waste or broken slabs. Used paper is recycled for internal photocopying and printing, while waste from land clearing is utilised as the base for an access road in a swampy area.
- For waste that cannot be recycled – generally municipal waste such as left-over food, cans, clothing, furniture, waste paper, bottles and other items – diligent housekeeping at the end of each day will ensure this rubbish is collected and stored inside the waste bin provided at site. A licenced contractor, Trienekens Sdn Bhd collects and disposes of the waste in the bin at least twice a week.

Overall, the CMS Group does not produce or transport any waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII.

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Dust Emissions Management

As part of our efforts to uphold good environmental practices and responsible business processes, the entire Group conducts regular environmental monitoring to ensure our practices comply with the regulatory standards pertaining to the prevention of industrial air pollution (defined as the presence of or introduction into the air of a substance which has harmful or poisonous effects). The Group's environmental objectives and targets for the short, medium and long-term are based on the Environmental Quality (Clean Air) Regulations 2014 which set a new ambient air quality standard.

New Ambient Air Quality Standard for Malaysia

The New Ambient Air Quality Standard was established in order to replace the older Malaysia Ambient Air Quality Guideline that has been used since 1989.

The New Ambient Air Quality Standard adopts six air pollutants criteria that include five existing air pollutants. These include particulate matter with a size of less than 10 micron (PM₁₀), sulphur dioxide (SO₂), carbon monoxide (CO), nitrogen dioxide (NO₂), and ground level ozone (O₃), as well as 1 additional parameter which is particulate matter with a size of less than 2.5 micron (PM_{2.5}).

The air pollutants concentration limit will continue to be strengthened in stages until FY 2020. Three interim targets have been set which include interim target 1 (IT-1) by FY 2015, interim target 2 (IT-2) by FY 2018, and the full implementation of the standard in FY 2020.

Ambient Air Quality Standard

Pollutants	Averaging Time	Ambient Air Quality Standard		
		IT-1 (2015) µg/m ³	IT-2 (2018) µg/m ³	Standard (2020) µg/m ³
Particulate Matter with the size of less than 10 micron (PM ₁₀)	1 Year	50	45	40
	24 Hours	150	120	100
Particulate Matter with the size of less than 2.5 micron (PM _{2.5})	1 Year	35	25	15
	24 Hours	75	50	35
Sulfur Dioxide (SO ₂)	1 Year	350	300	250
	24 Hours	105	90	80
Nitrogen Dioxide (NO ₂)	1 Year	320	200	280
	24 Hours	75	75	70
Ground Level Ozone (O ₃)	1 Year	200	200	180
	8 Hours	120	120	100
* Carbon Monoxide (CO)	1 Year	35	35	30
	8 Hours	10	10	10

The Cement Division has adopted the following general measures at all its three plants in its efforts to manage emissions:

Cement Division's Ongoing Programmes/Activities to Minimise Pollution

Air/Dust Pollution	<ul style="list-style-type: none"> • To carry out road wetting when the weather is dry and windy • To carry out regular housekeeping or road wetting • To undertake maintenance and servicing of air pollution control equipment
Noise Pollution	<ul style="list-style-type: none"> • To plant more trees around the boundaries of each plant. As trees can absorb and block noise and sounds, this will help to reduce the overall noise levels



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CMS Cement Industries Sdn Bhd is focused on controlling the environmental impact of its operations and has outlined the following emissions control goals:

Short-Term	Medium-Term	Long-Term
To improve the highly visible emissions from the clinker unloading/ discharging activities at Jetty No. 1 and the highly visible dust emissions on the top of the clinker silos at the Pending grinding plant	To reduce the stacks' emission to lower than 100 µg/m ³ for the clinker plant and below 200 µg/m ³ for the cement plant stacks	To reduce emissions from the main stacks to below the stipulated requirements under the guidelines of the Clean Air Regulation 2014 (i.e. clinker plants below 50 µg/m ³ and cement plants below 150 µg/m ³)

The Cement Division has planned the specific mitigation measures at each plant to minimise air pollution:

Pending Grinding Plant

The Pending grinding plant is implementing measures to control and reduce air and dust pollution by replacing its unloading equipment. This will help to reduce clinker spillage during loading and transportation. The plant is also modifying the bag filters de-dusting pipe to improve the dust collection on every conveyor transfer point. Ongoing works include attention to jetty filters and plans to convert electrostatic precipitators to baghouse dust collector filter types by FY 2020. The clinker and gypsum shed will be redesigned to control and confine dust inside the storage area.

The upgrading of the coal mill system at CMS Cement Industries Sdn Bhd in FY 2013 from a ball mill type (that was able to grind a maximum of 15 tonnes per hour) to a new coal mill (that has a capacity of 22 tonnes per hour) has led to lower specific power consumption and lower dust emissions.

The Continuous Emissions Monitoring System (CEMS) which is directly linked to the DOE in Putrajaya is relied on for continuous monitoring of dust emissions while regular scheduled service and maintenance activities are in place for all air pollution control equipment.

Mambong Integrated Plant

The Mambong Integrated Plant has rolled out an air pollution control equipment improvement initiative by installing two units of the Power Plus High Frequency Transformer-Rectifier (T/R) at its Waste Gas Electrostatic Precipitators (EP). The original waste gas EP with six chambers that was designed and installed in 1996 used a Conventional T/R set with a capacity of 66kV/1200 mA.

In FY 2012, the waste gas ESP was upgraded to the Power Plus High Frequency T/R set with a capacity of 83kV/1445mA. It also incorporated an enhanced controller and control panel but only for chambers 1, 2, 4 and 5, whereas chambers 3 and 6 still used the Conventional T/R set, controller and control panel. During its January 2018 maintenance shutdown, the plant installed another two units of the 83kV/1445mA Power Plus T/R together with a new controller and control panel at chamber 3 and 6 in order to improve the efficiency of the high voltage supplied to the ESP.

In FY 2019, Chamber 3 of the Cooler EP was refurbished for better efficiency. Upgrading and improvement works on the plant's dust filter system saw the bag filters at the Clinker Silo Top and Blending Silo Top converted from the mechanical shaker type to pulse-jet type for better efficiency. Under its capex budget for FY 2018 to FY 2019, CMS Cement Industries Sdn Bhd, which manages the Mambong Integrated Plant, allocated more than RM1 million for the upgrading and improvement of the plant's existing air pollution control equipment to ensure the protection and sustainability of the surrounding environment.

Bintulu Grinding Plant

The Bintulu grinding plant is using a new type of filter bag that is compatible with the process to avoid excessive dust emissions from the dust collector. Modification works on the de-dusting pipes at the clinker transport conveyors at Towers 1, 2 and 3 were completed in February 2019.

Works on the total replacement of the clinker and gypsum shed roofing have commenced. A concrete L-shape wall with flat sheet/rubber flashing will be installed at the edge portion to replace the existing design which is using corrugated roofing for the wall. To control the level of dust and noise, heavy duty doors have been installed at the mill building while the plant's bag filters are regularly monitored and serviced.

Based on ambient air monitoring activities at the Pending and Bintulu plants, as well as the Sibul Bulk Terminal, Miri Bulk Terminal and Mambong Integrated Plant, the average Total Suspended Particles or TSP for the Cement Division in FY 2019 was 110.8 $\mu\text{g}/\text{m}^3$ which was within the Malaysian Recommended Environmental Ambient Air Quality Standard of 260 $\mu\text{g}/\text{m}^3$.

Cement Division, Ambient Air Quality TSP Results ($\mu\text{g}/\text{m}^3$)

Location	2017	2018	2019
Pending Grinding Plant	66	51	50
Bintulu Grinding Plant	113	238	154
Sibu Bulk Terminal	68	130	139
Miri Bulk Terminal	164	88	72
Mambong Integrated Plant	37	48	69
CMS Concrete Products Sdn Bhd	125	192	181
Average Cement Division	95.5	124.5	111

Based on the ambient air monitoring activities at the Pending and Bintulu plants, Mambong Integrated Plant, Sibul Bulk Terminal and Miri Bulk Terminal, the average PM_{10} for the Cement Division for FY 2016 to FY 2019 was within the Malaysian Recommended Malaysian Air Quality Guidelines – Ambient Air Standards of 150 $\mu\text{g}/\text{m}^3$.

Cement Division, Average Ambient Air Monitoring (PM_{10}) Quality Results ($\mu\text{g}/\text{m}^3$)

Division	2017	2018	2019
Cement	58.64	57.87	57.50

Stack Emissions from Chimneys

Based on stack emission monitoring at the Pending, Bintulu and Mambong plants, the average stack emission level for the Cement Division was 23.26 mg/m^3 which is within the allowable emission limit of the Environmental Quality (Clean Air) Regulations 2014 (i.e. less than 150 Nmg/m^3). The internal target for stack emission is a maximum of 45 mg/Nm^3 (FY 2020-2022). For handling air pollution control equipment, the permissible limit as per the Environmental Quality (Clean Air) Regulations 2014 is less than 150 mg/m^3 and for process air pollution control equipment, the permissible limit is less than 50 mg/m^3 .

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Cement Division, Average Stack Emission Results (mg/Nm³, dry)

Division	2017	2018	2019
Cement Division	27.98	18.43	23.26

Nitrogen oxides (NO₂ and NO, referred to collectively as NO_x) are released when fuels are burned at high temperatures and when nitric acid is manufactured. Sulphur oxides (SO, SO₂, SO₃, referred to collectively as SO_x) are emitted when fossil fuels are combusted, and in the making of sulphuric acid. Although not direct greenhouse gases, NO_x and SO_x have other environmental impacts, such as air pollution. CMS is committed to reducing emissions of NO_x and SO_x across our plants.

NO_x emission (MT)

Location	2017	2018	2019
Mambong Integrated Plant	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm³

SO_x emission (MT)

Location	2017	2018	2019
Mambong Integrated Plant	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm³

Volatile organic compounds or VOCs are carbon-containing gases and vapours that are primary precursors to the formation of ground-level ozone and particulate matter which are the main pollutants contributing to the formation of smog.

Volatile Organic Compounds (VOC) emission (kg)

Location	2017	2018	2019
Mambong Integrated Plant	Not applicable as we do not measure VOC at our Mambong Integrated Plant	Less than 2 mg/Nm ³	Less than 2 mg/Nm³

CMS Quarries Sdn Bhd and CMS Premix Sdn Bhd

In terms of the Group's quarry operations, CMS Quarries Sdn Bhd has implemented a continuous monitoring emission system (CEMS) for the new bag filter systems and dust recovery systems for its premix plants. It secured a 2% improvement in dust recovery for its Kuching, Sibul, Bintulu and Miri premix plants after bag filter systems were installed. The dust is subsequently added back into the hot mix. A plan is underway to use reclaimed asphalt pavement (RAP) in the range of 10%-30% for the premix supply to the WPC05 project using the recycling system at the new premix plant in Betong. Aside from these measures, regular maintenance is being carried out on the water sprinkler systems at the quarries.

The tables below highlight the Air Quality results of CMS' various quarries and premix plants. These are within the Malaysian Recommended Environmental Air Quality Guidelines.

CMS Quarries Sdn Bhd, Ambient Air Quality Results (µg/m³)

Location	Average Total Suspended Particulate (µg/m ³)	Readings Taken
Quarry at 7 th Mile	43.0	1 st Half 2019
	60.5	2 nd Half 2019
Quarry at 9½ Mile	NA	1 st Half 2019
	NA	2 nd Half 2019
Gunung Sibanyis	39.5	1 st Half 2019
	50.5	2 nd Half 2019

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CMS Premix Sdn Bhd - Premix Plants Average Dust Load (2017-2019)

- Bag House Permissible Limit is $\leq 50 \mu\text{g}/\text{m}^3$
- Wet Scrubber Permissible Limit is $\leq 50 \mu\text{g}/\text{m}^3$

Kuching	2017	2018	2019
PPP Plant			
Bag house	N/A	N/A	N/A
Wet Scrubber	173	26	284
Almix Plant			
Bag house	29	27	64
Wet Scrubber	N/A	N/A	N/A
Lundu			
Bag house	N/A	26	N/A
Wet Scrubber	N/A	N/A	N/A
Sibu			
Bag house	N/A	N/A	14
Wet Scrubber	74	219	420
Sarikei			
Bag house	31	5	30
Wet Scrubber	N/A	N/A	N/A
Bintulu			
Bag house	N/A	N/A	6
Wet Scrubber	67	106	N/A
Samalaju			
Bag house	N/A	16	N/A
Wet Scrubber	N/A	N/A	N/A
Miri			
Bag house	N/A	N/A	36
Wet Scrubber	N/A	N/A	N/A

Remarks:

- The Lundu and Samalaju operations began in 2018.
- The Miri operations ended in 2016 due to a relocation requested by the Government authority.

Baghouse Dust Collector

Following a change in CMS Premix Sdn Bhd's pollution control system from a Venturi Scrubber to a Baghouse Dust Collector in FY 2015, it has been able to take advantage of these attributes:

- It does not require water to operate;
- Dust is recycled back into the asphalt rather than the dust and water sludge being discharged into the sediment pond; and
- It achieves zero emissions.



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Good Housekeeping Measures

The Group's businesses undertake the following measures as part of their efforts to ensure good housekeeping:

- Dust emissions at the Cement and Construction Materials & Trading Divisions are minimised by implementing regular sweeping of roads and plant compounds, as well as ensuring dampening by water sprinklers. We also ensure spillage of product/raw materials is reduced and that washing bays are in place for lorry tyres.
- All project sites under development by the Property Development Division are in full compliance with the Natural Resources and Environment Board of Sarawak or NREB guidelines. We present our data to the NREB via the quarterly monitoring and reporting updates submitted by our consultants. PPES Works (Sarawak) Sdn Bhd's effort to reduce dust emissions from its projects include washing through, watering and cleaning its project sites.

Air monitoring measurements of the current ambient air level are compared to the Environment Impact Assessment baseline data and the Malaysian Air Quality Standards currently available i.e. the Malaysian Recommended Air Quality Guideline.

The locations and result of the air quality measurements are outlined in the table below. These air measurements were taken during the haze period, thus the air pollutants recorded were relatively high. No significant source of airborne pollutants exists at the project sites apart from the moving vehicles at the adjacent roads. Other emissions are from machinery exhaust fumes and cumulative dust from nearby construction sites.

PPES Works (Sarawak) Sdn Bhd Ambient Air Quality Results ($\mu\text{g}/\text{m}^3$)

Locations	Point	Coordinates	Date	Total Suspended Particulate Monitored ($\mu\text{g}/\text{m}^3$)	EIA Baseline Data	Malaysian Recommended Environmental Air Quality Guideline ($\mu\text{g}/\text{m}^3$)
Within the Project Site	A1	N 01°33'18.5" E 110°20'18.6"	11-12/9/19	142.89	71.73	260
Near the commercial area	A2	N 01°33'21.8" E 110°20'09.7"	13-14/9/19	96.21	63.29	
General Clinic	A3	N 01°33'28.2" E 110°20'15.9"	17-18/9/19	172.85	67.51	
Merdeka Palace Hotel	A4	N 01°33'26.6" E 110°20'15.9"	18-19/9/19	160.51	54.85	
RTM	A5	N 01°33'18.0" E 110°20'18.7"	12-13/9/19	120.50	75.95	

Climate Change and Green House Gas Emissions Management

In defining Green House Gases (GHG), we refer to the sum of seven gases that have direct and indirect effect on climate change, namely carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), chlorofluorocarbons (CFCs), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

CMS demonstrates its support for climate change mitigation through membership of business associations such as the Federation of Malaysian Manufacturers (FMM), Quarry Association, as well as Cement and Concrete Association (C&CA). We also work closely together with industry partners like AF Condition Monitoring (M) Sdn Bhd (AFCM) and liaise with Non-Governmental Organisations (NGOs) on climate change.

The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'Scopes':

- Scope 1 emissions are direct emissions from owned or controlled sources.
- Scope 2 emissions are indirect emissions from the generation of purchased energy.
- Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both in upstream and downstream emissions.

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CMS reports on Scopes 1, 2 and 3 as follows:

Scope 1 - Direct GHG emissions from owned sources:

- a. Estimated emissions produced by manufacturing processes:
 - De-carbonation of limestone in kiln: about 525 kg CO₂ per tonne of clinker
 - Fuel combustion in the kiln: about 335 kg CO₂ per tonne of cement
 - Use of electricity: about 50 kg CO₂ per tonne of cement
- b. Emissions from the burning of diesel fuel in trucks:
 - No data
- c. Fugitive emissions, such as methane emissions from coal mines:
 - Not applicable, but minimum as CMS Cement Industries Sdn Bhd is using open cast coal mining not underground mining
- d. Production of electricity by burning coal:
 - Not applicable, but for general information Sarawak's energy supply stems from 70% hydro energy and 30% coal-fired power plants

Scope 2 - Indirect GHG emissions from purchased electricity, heat, or steam:

- a. Electricity use

Scope 3 - Indirect GHG emissions from sources not owned or controlled by company:

- a. Water use;
- b. Business travel; and
- c. Employee commuting: this data is typically extracted from 12-month receipts/monthly bills/distances/invoices/metre readings/quantity or units of goods purchased/amount spent on fuel and the average cost of fuel.

The following table highlights the Group's GHG's emissions over the FY 2016-2019 period. This is an initial attempt at gauging the Group's GHG emissions and covers the operations at our Head Office, as well as our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development Divisions. At the onset of FY 2019, we began including emissions from the integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd or MPAS into the mix.

	Scope 1 Emissions (tCO ₂ -eq)	Scope 2 Emissions (tCO ₂ -eq)	Scope 3 Emissions (tCO ₂ -eq)	Total
2017	4,234	94,752	476	99,462
2018	5,878	91,479	730	98,087
2019	5,729	95,080	828	101,637

Notes

1. Source of emission factors - World Resource Institute (WRI), GHG Emission Factors Compilation, 2017
2. Source of emission factors - GreenTech Malaysia Carbon Calculator, 2016

On average, it appears that the Group's total GHG emissions have been increasing year-on-year. However, given the inclusion of MPAS' emissions to the overall total at the start of FY 2019, the calculations should not be compared year-on-year. As we make a concerted effort to expand the scope of our data gathering efforts, as well as implement specific GHG emission management initiatives, we hope to be able to show more robust results in this area in time to come.

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The following examples provide an overview of the specific results and follow-on initiatives that are being undertaken throughout the Group:

Mambong Integrated Plant, CO₂ Emissions (MT/year)

Location	2017	2018	2019
Mambong Integrated Plant	342,883	301,878	327,942

The GHG released from raw materials mining extraction intensity (CO₂e per tonne) is a function of the number of machines and fuel consumption by specific equipment. The results above take into account the de-carbonation of limestone in the kiln.

Our target is to lower GHG emissions at our Mambong Integrated Plant by using more cementitious material in cement production plus we have plans in later years for the production of Portland Limestone Cement and Blended Cement using silica fume, iron slag and yellow phosphorus slag. Longer-term initiatives will include reviewing raw materials, processes and types of finished products. In FY 2012, we implemented an upgrading project that made an investment into a high momentum low NOx kiln burner.

Cement Division, Thermal Energy Intensity (MJ/MT CLK) per unit of output

Location	2017	2018	2019
Mambong Integrated Plant	3,613	3,702	3,576

Risk Analysis of Climate Change at Cement Division

Climate change is recognised as a relevant risk and/or opportunity. Following a risk analysis of the impact of climate change on our business, we have identified the following factors that need to be taken into account:

- Weather affecting the availability and/or transportation of materials and finished goods;
- Business continuity planning relating to flooding;
- Prolonged disruption due to weather; and
- The erection of strategy sheds and rectification of the plant drainage system to avoid flooding in the plant.

We intend to study the impact of climate-related risks and opportunities and evaluate the appropriate strategies for mitigation, new products, R&D, etc., as well as the impact on financial planning (OPEX, CAPEX, M&A, debt). We will closely analyse these issues and disclose a time horizon (short/medium/long-term) of the risk and/or mitigation plans. We are considering engaging a third-party climate change consultant to undertake this.

Noise Monitoring

Our respective businesses go to great lengths to mitigate the impact of noise from their operations. The Cement Division muffles and limits noise by:

- Planting more trees around its plants' boundaries as trees can absorb and block sounds thereby reducing noise levels;
- Installing heavy-duty doors at compressor rooms;
- Installing inlet silencers for high pressure blowers;
- Building enclosure walls surrounding the main bag filters;
- Hanging used conveyors in the mill compressor rooms and ball mill areas;
- Ensuring the ball mill and compressor rooms are closed at all times; and
- Providing ear muffs/ear plugs to workers working in the mill areas.

The average noise level for the Cement Division was calculated based on noise monitoring at the Pending and Bintulu plants, as well as Mambong Integrated Plant.

Cement Division - Average Boundary Noise Monitoring Results (dB (A))

Division	2017		2018		2019	
	(Day-time) (dB(A))	(Night-time) (dB(A))	(Day-time) (dB(A))	(Night-time) (dB(A))	(Day-time) (dB(A))	(Night-time) (dB(A))
Cement	63.0	56.6	63.6	56.3	64.2	57.4

The average noise level for the Cement Division in FY 2019 was 64.2 dB(A) for day-time and 57.4 dB(A) for night-time. The permissible noise level under the Malaysian Recommended Guidelines for Siting & Zoning of Industries for day time is 70 dB(A) and for night time 60 dB(A). To reduce noise, air compressors will be replaced with quieter machines where effective plus we plan to plant more trees along the perimeter to lessen boundary noise and reduce impact on the nearby community. Noise from blasting is covered in our vibrations section.

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A summary of the noise results at three of CMS Quarries Sdn Bhd's sites is presented below:

Construction Materials & Trading Division - Noise Monitoring results (dB(A))

Locations	1H 2018		2H 2018		1H 2019		2H 2019	
	Day-time (dB(A))	Night-time (dB(A))	Day-time (dB(A))	Night-time (dB(A))	Day-time (dB(A))	Night-time (dB(A))	Day-time (dB(A))	Night-time (dB(A))
Quarry at 7 th Mile	56.3	52.0	56.3	52.0	58.3	51.5	56.7	49.6
Quarry at 9½ Mile	NA	NA	NA	NA	NA	NA	NA	NA
Gunung Sibanyis	54.0	51.7	54.0	51.7	63.9	56.4	55.2	51.4

The permissible limits for the day-time noise level (Leq) is 60dB(A), whereas for the night-time noise level (Leq) it is 50dB(A) as stated in Schedule 1 of the Planning Guidelines for Environmental Noise Limit and Control under the Urban Residential (High Density) Areas, Designated Mixed Development Areas (Residential-Commercial) Land Use category. The noise level during the day-time was above the night-time limit mainly due to noise of the public vehicles moving along the main road.

At PPES Works (Sarawak) Sdn Bhd, noise is defined as any unwanted sound that can cause annoyance or irritability to people. A noise level of more than 85 dBA is considered an annoyance. As with the air quality measurements, noise level measurements have been carried out at five locations. All factors that affected the reliability or accuracy of noise level measurements were recorded with the sources identified. These included weather conditions storms/thunder/rain, wind speed/direction, site activities, vehicular movements and human activities. Results of the noise measurement shown in table below indicate that the noise level was well below the allowable limit of <85 dB.

PPES Works (Sarawak) Sdn Bhd - Noise Monitoring results (dB(A))

Locations	Point	Coordinates	Date	Minimum Level (dB)	Maximum Level (dB)	Average (dB)
Within the Project Site	A1	N 01°33'18.5" E 110°20'18.6"	11/9/19	49.5	51.1	50.30
Near the commercial area	A2	N 01°33'21.8" E 110°20'09.7"	13/9/19	53.3	58.4	55.85
General Clinic	A3	N 01°33'28.2" E 110°20'15.9"	17/9/19	52.6	54.3	53.45
Merdeka Palace Hotel	A4	N 01°33'26.6" E 110°20'15.9"	18/9/19	54.0	61.3	57.65
RTM	A5	N 01°33'18.0" E 110°20'18.7"	12/9/19	57.3	58.6	57.95

Vibrations

In the quarry business, ground vibrations are one of the risk factors for the surrounding landscape and infrastructure, as uncontrolled vibrations may cause severe damage to nearby utilities and pipelines. When undertaking blasting activities, CMS Quarries Sdn Bhd monitors its seismic vibrations in three directions at right angles to each other – radial, transverse and vertical.

In FY 2019, CMS Quarries Sdn Bhd recorded an average blasting vibration of 2.68 mm/s (FY 2018: 4.4 mm/s). At the Mambong Integrated Plant's limestone quarry, which comes under the Group's Cement Division, the recorded average vibration was below 0.92 mm/s (FY 2018: 0.74 mm/s) which is less than the Guideline Standard of 5 mm/s set by Jabatan Mineral dan Geosains (JMG).

Across all our quarries, all air blasts recorded were within the Malaysian Recommended Air Quality Guideline maximum of 12d BA.

BIODIVERSITY

“Biodiversity, also defined as enriching or restoring the natural world, is an integral part of our efforts to preserve the environment. At CMS, we are committed to not only protecting our environment but to cultivating it and seeing it flourish.”

The Cement Division has undertaken an Environment Impact Assessment (EIA) which covers critical clinker, cement plants and quarries. Under the EIA, time-specific targets have been quantified to address any biodiversity impact while a compensatory rehabilitation programme has been drawn up which covers activities such as tree planting or the refilling of pits with overburden materials.

CMS’ commitment to a net positive biodiversity impact (or compensation for negative impact) extends to potential new operations or projects. Where a quarry expands into a new area, we shall apply due diligence to gauge the effect of this expansion on flora and fauna in the vicinity. To further understand the impact of our operations on the environment, we may need to do a Land Surface Temperature (LST) study on second concessions.

The Cement Division’s contribution towards biodiversity includes tree planting activities at its Mambong Integrated Plant on a quarterly basis. A total of 100 tree saplings were planted between FY 2017 and FY 2018 and another 50 in FY 2019. A total of 50 trees were also planted around the Pending and Bintulu plants to beautify the environment.

In FY 2018, the Construction Materials & Trading Division planted 1,080 Pokok Ubah trees (FY 2017: 800 trees) at their sites as follows:

Site	No. of Trees
CMS Quarries	400
CMS Premix, Sibul	50
CMS Premix, Miri	130
Betong Premix	400
CMS Wires	100
Total	1,080

The year in review also saw us observing Earth Hour with all our offices switching off their lights between 8:30 pm to 9:30 pm. Several cycling enthusiasts from our offices also participated in an Earth Hour Night Ride.

We continue to work with regulatory bodies such as the JMG and NREB on biodiversity awareness. In the future, we may seek the assistance of biodiversity audit consultants for awareness training.



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Samalaju Eco Park

The Samalaju Eco Park Township, a 2,000-acre eco-themed township adjoining the Samalaju Industrial Park or SIP, has been the crown jewel of our Samalaju Development Division since the project was launched in FY 2015. Designed and developed with the future in mind, Samalaju Eco Park aims to provide a balanced, healthy and sustainable lifestyle to the thousands working at the SIP. The plan for the Samalaju Eco Park Township incorporates the natural semi-undulating terrain of the area and it is designed to preserve the natural landscape and gentle water features. Green and blue spaces in the form of parks and community gardens will dot the township and provide living spaces for the community once it is fully developed.

Samalaju Properties Sdn Bhd has also planned to landscape the township with trees that are indigenous to Sarawak. Thirty native tree species were selected for planting in the township. Species were selected based on their ornamental potential, usefulness and cultural significance. Their historical significance, local significance to the Bintulu area, endemism and current conservation status were also considered. Each species' natural habitat, ease of sourcing and planting were taken into account. The tree planting plan at the Samalaju Eco Park is encapsulated in the table below.

Tree Planting Plan at Samalaju Eco Park

Description	Land Size (AC)	Green Area (AC)	% of green area	No. of Trees	Trees/acre (green area)	Year of Planting
Samalaju Hotel Resort	23.1	18.1	78%	1100	61	2015 (complete)
160 Units Apartments	6.01	2.45	41%	123	50	2016 (complete)
96 Units Apartments	2.76	0.99	36%	50	50	2016 and 2017 (complete)
Service Centre - 34 Units	5	0.45	9%	9	20	2017 (complete)
96 Units Apartment	2.97	1.33	45%	67	50	Architect to do a site visit to plan the landscape (on-going)

Over the years, a total of 44 trees have been planted around 16 units of shophouses and 209 trees at Samalaju Ecopark Apartments. The types of trees that were planted are as follows: Park Alstonia Augustiloba, (Pulai) Ficus Lyrata (Fiddle Fig-Leaf), Eucalyptus Deglupta (Eucalyptus), White Bucida, Pheltophorum Pterocarpum, Plumeria Obtusa (Cempaka), Polyscias Sp (Polyscias White), Pseuderanthemum Jessica (Jessica plant), Axalypha Siamensis (small tea leaf).

Engkabang and Belian trees supplied by the Forestry Department Sarawak are also to be planted at the Samalaju area to preserve greenery in the area. Samalaju Properties intends to plant these trees at the Reserved Road near Samalaju Eco Park and also inside the apartment compound in Phase 1.

The detailed plan for Block 2 and Block 4 originally incorporated blue spaces in the form of a lake and canal. However, the project is no longer ongoing and Samalaju Properties Sdn Bhd is on the verge of re-planning the blue spaces.

Samalaju Properties is in the process of pursuing the BCA Green Mark Certification which is a benchmarking scheme incorporating internationally recognised best practices in environmental design and performance.

BIODIVERSITY

**Green Buildings at The Isthmus**

Another innovative project that our Property Development Division is currently developing is the 246-acre development called The Isthmus in Kuching. Poised to become the city's Central Business District (CBD), the award-winning development, has adopted the Green Building Index (GBI) accreditation standard for new projects where possible at The Isthmus.

The Green Building Index or GBI is Malaysia's green rating for buildings and towns, created to promote sustainability in the built environment and raise awareness of environmental issues amongst developers, architects, engineers, planners, designers, contractors, as well as the public.

Buildings are awarded with the GBI rating based on six key criteria:

1. Energy Efficiency – improves energy consumption by optimising building orientation, minimising solar heat gain through the building envelope, harvesting natural lighting and various other related measures.
2. Indoor Environmental Quality – achieves good quality performance in indoor air quality, acoustics, visual and thermal comfort.
3. Sustainable Site Planning & Management – successfully selects appropriate sites with planned access to public transportation, community services, open spaces and landscaping.
4. Materials & Resources – promotes the use of environment-friendly materials sourced from sustainable sources and recycling.
5. Water Efficiency – incorporates rainwater harvesting, water recycling and water-saving fittings.
6. Innovation – incorporates innovative design and initiatives that meet the objectives of the GBI.

One such development, Menara Sarawak Energy Berhad, the head office for Sarawak Energy Berhad (SEB), was completed in 2013. It is the first green building in East Malaysia and the first to be awarded the final GBI Silver Rating. In 2016, it was announced that the UCSI Campus and Hotel that is being undertaken by the UCSI Group would also have the GBI rating.

In 2017, CMS Properties Sdn Bhd went on to complete the development of two signature GBI-certified buildings at The Isthmus called The Gateway Towers, with each building serving as headquarters for the Land Custody & Development Authority (LCDA) and the Sarawak Economic Development Corporation (SEDC) respectively. As part of its biodiversity efforts, Raintree Square, the commercial development within The Isthmus, has started a tree nursery consisting of 100 white Bucida trees.

Sarawak Museum Project Attains GBI Status

In November 2019, our project, the Sarawak Museum Campus and Heritage Trail, was awarded Silver Provisional GBI certification.



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CMS ECO WALL PANEL

As part of CMS Concrete Products Sdn Bhd's endeavours to promote sustainable building materials, it continues to push Eco Wall Panel sales. The Eco Wall Panel is an eco-friendly alternative to the conventional brickmaking method which consumes more energy and causes more pollution. The amount of labour required is less and it utilises quarry products such as quarry dust that are in less demand. The Eco Wall is 30% lighter in weight due to its advanced hollow core design and it is equivalent to approximately 90 pieces of brick. Its compressive strength of 25 Newtons per square millimetre make it suitable as a load bearing wall.



In FY 2019, sales for the Eco Wall Panel declined to RM10,767 (FY 2018: RM16,000). While many public sector building projects involving the construction of clinics and the replacement of dilapidated schools have utilised the Eco Wall Panel, awareness and acceptance of the Eco Wall Panel and other IBS products within the private sector is still low. Due to the incompatibility of the Eco Wall Panel with most of the projects located in rural areas, clients and consultants tend to or prefer to adopt more lightweight products.

We note that the Federal Government is keen to continue to use Eco Wall and IBS in some schools in Sarawak. However, sales will very much depend on the magnitude of Federal funding. Today, we continue to tender actively for projects as and when there is demand.

ENVIRONMENTAL COMPLIANCE

The ISO 14001 standard sets out the criteria for an environmental management system. It maps out a framework that a company or organisation can follow to set up an effective environmental management system. The list of our subsidiary companies who have attained ISO 14001 certification is as follows:

Company	Certified since
CMS Cement Industries Sdn Bhd (Pending Grinding Plant)	April 2001
PPES Works (Sarawak) Sdn Bhd	2004
CMS Cement Industries Sdn Bhd (Bintulu Plant)	February 2008
CMS Cement Industries Sdn Bhd	September 2012
CMS Premix Sdn Bhd (Kuching)	November 2013
CMS Roads Sdn Bhd	2005

Fines

None of the businesses within the Group incurred any environmental fines or penalties over the FY 2019 period.

As CMS focuses its energies on preserving the environment that it operates in, the Group will continue to push the boundaries on research and innovation. This will certainly help bolster CMS' position as a responsible corporate citizen and a forward-thinking player in the segments that we operate in.



Pillar:

3

Social: Labour Practices and Decent Work



For more information about the Social aspects of CMS' business, scan the QR code or log on to <http://www.cmsb.my/csr/>

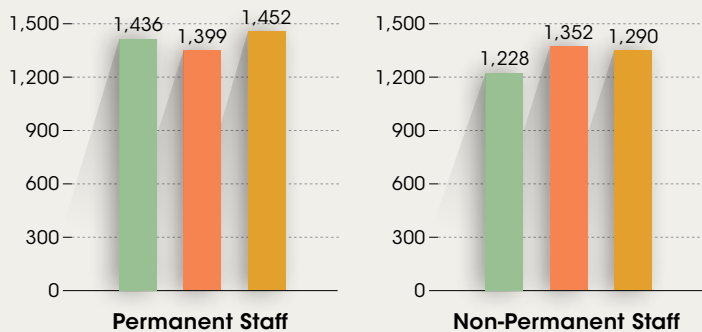
"CMS acknowledges that it owes its success to its diligent and loyal employees. As such, we are committed to creating a conducive working environment, as well as implementing wholesome and decent work practices that ensure the well-being of our employees. We also implement initiatives that aim to inspire camaraderie, trust, excellence, initiative and professionalism, as well as bolster the competencies of our workforce while giving us a competitive edge."

EMBRACING A DIVERSE WORKFORCE

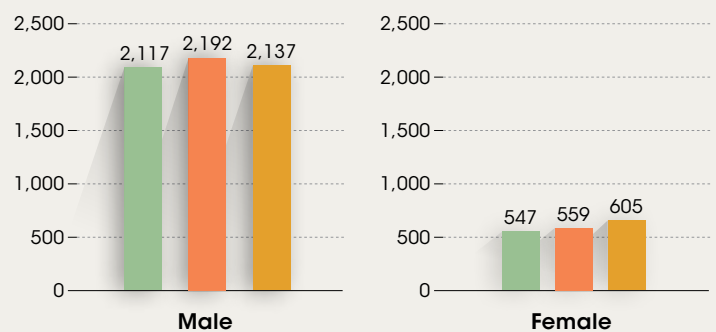
The State of Sarawak is renowned for its multi-cultural and close-knit society. With its diverse ethnic groups and at least 40 sub-ethnic groups, each characterised by its own distinctive language, culture and lifestyle, Sarawak is not only tolerant of diversity, but embraces it. As a homegrown company of the State, CMS aims to exemplify that same spirit and perspective when it comes to supporting a diversified workforce. We continue to nurture a work culture that values the unique perspectives and contributions of every employee, thus ensuring that we attract and retain a talented workforce that contributes to the Group's success. The charts below highlight the diversified workforce at CMS.

CMS' DIVERSIFIED WORKFORCE

Workforce by Employment Type



Workforce by Gender



2017 2018 2019

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- Competitive Benefits
- Employee Health
- Occupational Safety and Health (OSH)
- Training and Education
- Succession Planning

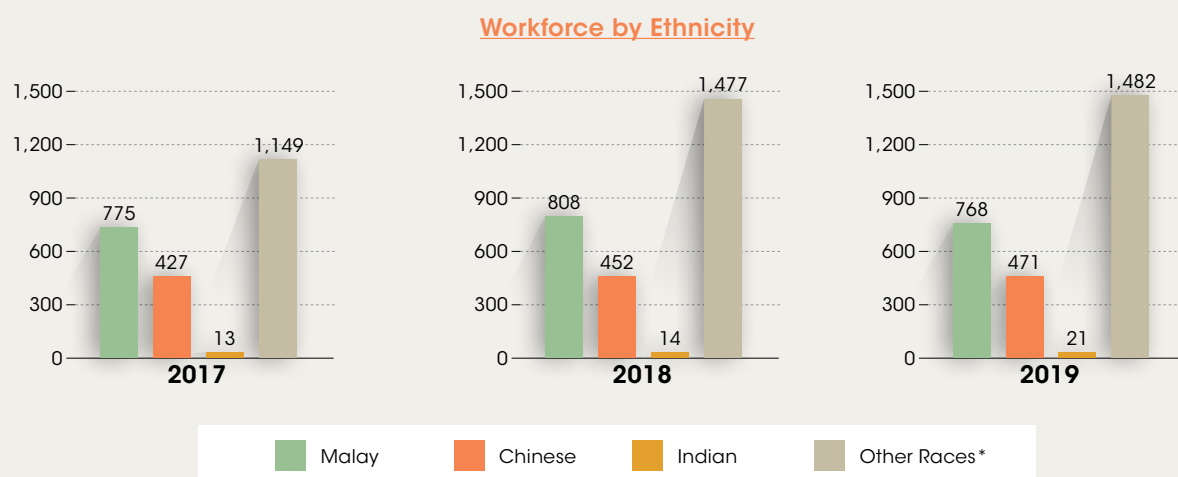
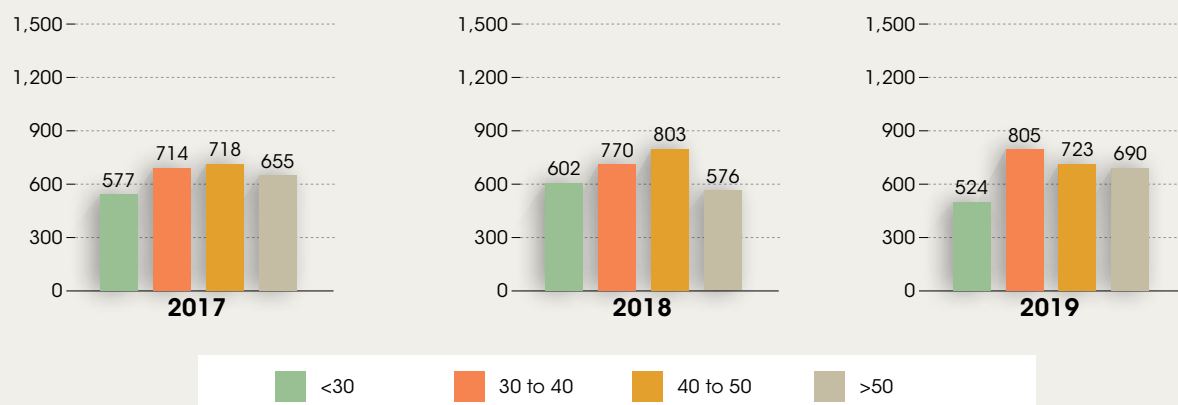
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CMS' DIVERSIFIED WORKFORCE

Workforce by Age Group



Note:

* The 'Other Races' category which makes up the majority of CMS' diverse workforce comprises employees of Iban, Bidayuh, Orang Ulu and Melanau descent, as well as other ethnicities from Sarawak's multiple ethnic groups.

Fair Treatment for All

When it comes to upholding workforce diversity, CMS is committed to providing equal employment opportunities and makes no discrimination based on race, religion, gender, age, sexual orientation, disabilities or nationality. The Group practises merit-based promotion regardless of gender. Currently, 77.94% of the Group's employees are male while 22.06% are female. For managerial positions and above, male employees account for 73.68% of our workforce while female employees make up the balance 26.32%.

The Group's employee-based initiatives have been founded on our goal to provide fair treatment to all our employees whilst achieving a balance between performance, pay and participation. We implement clear policies and processes which ensure that all candidates are recruited and assessed on merit, as well as rewarded based on their individual Key Performance Indicator (KPI) performance.

Employee Turnover

Our progress in the area of employee development is evident in the Group's moderate turnover rate (as per the table below) over the last three years.

Employee Turnover Rates

Turnover	2017	2018	2019
Total Turnover (%)	6.01	8.8	8.19
Female	32	57	45
Male	128	187	180
Total	160	244	225

**EMPLOYMENT PRACTICES**

CMS aims is to be an employer of choice in Sarawak by according our employees a value and goal-driven working environment that emboldens them to realise their full potential in their capacity as individuals and as part of the CMS Family.

Grievances

Grievances are defined as complaints by an employee that are not satisfactorily settled once brought to their immediate superior's or supervisor's attention. We have implemented a formal procedure to handle grievances transparently and fairly with the aim of according employees a solution to their problems in a discreet manner. During the year, no cases of grievances were reported.

Bullying and/or Harassment

We have zero tolerance towards physical or verbal discriminatory harassment in the workplace and have set in place a confidential reporting channel and whistleblowing system relating to such instances. Our managers receive informal training on handling of reports or instances of bullying or harassment.

All forms of sexual harassment are strictly forbidden throughout the Group's operations. These include making sexual gestures or requesting sexual favours which contain implied or overt promises of either preferential or detrimental treatment. Employees must not subject any other staff to any written or spoken language, or visual material of a sexual nature or with sexual connotations.

The Group's employees are encouraged to report improper behaviour that is either repeated on numerous occasions or is of such a significant nature that it is offensive and detrimental to a reasonable person. No cases of sexual harassment were reported in FY 2019.

Notice Period for Operational Change

Where changes in employees' roles or operational changes are deemed necessary, we take care to provide the appropriate notice to the employees affected in such instances. The amount of time given in the notice depends on the type of operational change being made. In instances of a significant operational change which involves a transfer or secondment to another location, the employee is given reasonable notice before he or she is required to move. On other occasions, a period of one week is considered adequate. A total of 308 inter-company transfers took place in FY 2019 with the majority of cases being a transfer within an employee's' home base. All cases were handled according to Group policy and procedures.

Local Hiring

CMS is committed to the development of the local infrastructure and economy of Sarawak in every aspect. In line with this, the employment of Sarawakians remains a priority under the Group's employment policy. This practice is most evident in our Cement Division, Construction Materials & Trading Division and Samalaju Development Division as all members of Senior Management have been hired from the local community. If we are unable to recruit locally, other Malaysians are considered before we look further afield.

New Employee Recruitment in 2019

	2018		2019	
	No. of employees	Percentage	No. of employees	Percentage
Sarawakians	325	94%	174	92.6%
Other Malaysians	15	4.5%	1	0.5%
Expatriates	5	1.5%	13	6.9%
Total	345	100	188	100.0%

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New Employee Deployment in 2019

Company/Division	Total Joining in 2019 (persons)			
	Overall	Sarawak	Peninsular Malaysia	Expatriates
Cement	43	42		1
Construction & Road Maintenance	21	21		
Construction Materials & Trading	19	19		
Head Office	11	9	1	1
Services (CMS Infra Trading & CMS Education)	39	29		10
Property Development & Samalaju Properties	14	14		
Malaysian Phosphate Additives (Sarawak) Sdn Bhd	22	21		1
PPESW BPSB JV Sdn Bhd	19	19		
TOTAL	188	174	1	13

The Group's employment practices also cover the following areas:

Minimum Wages

We comply with the Minimum Wages Order 2019. CMS commits to exceeding the minimum wage and offers remuneration for a living wage while complying with statutory requirements for calculating wages. The salary for an employee of CMS shall be based on the market rate, the profile of work experience and internal equity.

Fair Working Hours

CMS upholds fair working hours and does not deliberately practice working excessive hours. The Group's policy, principles, and the code addressing the elimination of excessive working hours are in compliance with local laws on working hours and overtime. The company also promotes flexible work hours (flexi-time) that enables employees to more effectively manage their work and other commitments. These are covered in the Group Human Resources Policies and Procedures Manual 2019.

Mechanisms to Engage with Management

Mechanisms or platforms are in place which enable employees and their representatives to engage with Management. These include an open-door policy, Koffee Talk sessions and Town Hall sessions, among other platforms.

Freedom of Association

CMS supports an employee's right to freedom of association in compliance with local laws on freedom of association.

Collective Bargaining

Group policy supports and respects the right to collective bargaining in compliance with local laws on collective bargaining.

Upholding Good Labour Standards


We take part in law conventions and seminars to keep abreast of labour standards and obtain updates on employment-related issues from the Malaysian Employers Federation (MEF). The Group policy on labour standards is communicated to employees through the Employee Handbook translated in the dual languages of English and Bahasa Malaysia. For FY 2019, there were no instances of non-compliance with labour standards.

UPHOLDING HUMAN RIGHTS – RESPECTING AND PROTECTING OUR WORKERS

The issue of human trafficking has gained more prominence in the global arena with many nations coming together to eradicate this. Some human-rights activists claim that the growing need for unskilled workers is attracting undocumented migrants to Malaysia. In this regard, CMS strictly bans the use of forced or compulsory labour. Employing some 2,186 people in Sarawak, we ensure our permanent and contractual employees are treated with dignity and respect.

Going forward we will review the UN International Bill of Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights with its two Optional Protocols, and the International Covenant on Economic, Social and Cultural Rights) and assess how best to adopt this. We are also exploring how best to adopt the UN Guiding Principles on Business and Human Rights. At the time of writing, these initiatives remain at the exploratory stage

There are several practices in place that underpin CMS' endeavours to uphold human rights. These include:

- **Prevention of child labour:** We strictly prohibit the employment of children below 18 years old and strive to prevent any occurrence of mistreatment of children. We are in full compliance with the Sarawak Labour Ordinance covering the prevention of child labour.
 - **Prevention of forced labour:** The Group strictly prohibits forced labour and fully complies with the Sarawak Labour Ordinance and the Employment Act covering the prevention of forced labour.
 - **Human rights impact or risk assessment for potential new operations or projects:** As part of our due diligence efforts, we evaluate the impact and risk for potential new operations or projects, as well as comply with the Sarawak Labour Ordinance and the Employment Act for existing Group operations and projects. An example of a risk assessment undertaken for a new operation is the one relating to our acquisition of Betong Premix Sdn Bhd.
 - **Stakeholder engagement to verify human rights risks and impacts:** CMS values the input of its stakeholders and consultation was sought for Betong Premix. We also engaged with employees through gatherings and followed up on this with an official announcement.
 - **Disclosure of actions taken following incidents of human rights violations:** Where this concerns any human rights violations relating to our employees, Group Human Resources (Group HR) has a mechanism in place to disclose the number of incidents and how it deals with those incidents.
 - **Participation in a recognised human rights related initiative or collaboration:** The Group continues to participate in workshops on relevant human rights issues.
 - **Being a formal member in an industry or topic-specific human rights related initiative:** CMS remains interested in joining human rights initiatives relevant to the industries we are involved in and where we could make a worthwhile contribution.
 - **Grievance mechanisms in place for individuals and communities impacted by business activities:** CMS' grievance mechanism, specifically our Whistleblowing Policy, covers human rights explicitly and is confidential/anonymous and available to internal and external stakeholders on the Group's website at  <http://www.cmsb.my/about-us/corporate-governance-2-2-2/whistle-blowing-2/>.
 - **Independent arbitration is confirmed:** Independent arbitration is elicited through engagement with the community via Village Heads (Ketua-ketua Kampung) or the Council of Village Heads (Jawatan Kuasa Ketua-ketua Kampung) particularly when it comes to preserving the employment rights of the community.
- Over and above this, Group HR also actively engages with the communities it works in and prioritises them for employment opportunities should such opportunities arise.

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In our efforts to develop a work environment that fosters unity, positivity and commitment, we continue to bring effective employee engagement activities into play. We endeavour to realise corporate growth together with a fuller life for all employees through our work-life balance programmes and various other forms of engagement.

Work-Life Balance

The Group encourages its employees to live in a responsible manner through the various annual work-life balance initiatives that are tailored to the needs of employees. These initiatives give weight to the importance of our employees' health and general well-being whilst ensuring that they remain motivated and purpose-filled in their career paths. These are among some of the work-life balance initiatives and programmes we have implemented to date:

- Safety awareness campaigns, briefings and the adoption of best practices;
- Employee engagement activities such as teambuilding and mentoring;
- Improved employee retention and satisfaction through job rotation, right fit, enhancement, empowerment and employee inclusion;
- Special programmes that help employees understand common goals, share a passion for success and take pride in their work;
- Health awareness of major diseases, recognising health symptoms, joining support groups, understanding healthy eating habits and the importance of exercising;
- Managing workloads and deadlines to avoid burn-out by adopting flexi-hours, managing leave utilisation and taking time to recuperate or indulge in meaningful hobbies;
- Celebrating staff birthdays within the individual Divisions;
- Keep-fit initiatives such as aerobic and Zumba sessions; and
- The implementation of a Work-Life Balance Policy which endorses flexible working hours and part-time employment, as well as the payment of an additional RM300 to employees to cover their health and lifestyle aspirations including topping up their Out-Patient Entitlement.

Koffee Talk Initiative

Our Group's Koffee Talk Initiative accords non-executive employees (the largest category of workers within the Group), a platform to voice out their work-related issues and general concerns directly to the Group Managing Director (GMD) and Group HR. The biennial programme also encourages our non-executive employees to interact among themselves and the GMD in a comfortable setting, devoid of the constraints of corporate hierarchy. Issues raised during the Koffee Talk sessions are summarised and highlighted during the following Town Hall sessions where the GMD will explain how each issue is being addressed, thereby retaining employees' faith in the process. As Koffee Talk sessions are scheduled biennially, no Koffee Talk sessions were organised in FY 2019. The next Koffee Talk sessions will take place in FY 2020.



EMPLOYEE ENGAGEMENT

Board of Directors, Senior Management and Management Strategic Retreats

The annual Board of Directors-Management Strategic Retreat is an opportunity for CMS' Board of Directors and Management to come together to discuss the Group's operating status and strategise for the future. The FY 2019 session took place on 24-26 August at the Mulu Marriot Resort and Spa where five (83.4%) out of six members of the Board were involved. At the offsite retreat, presentations from each Head of Division and key Head Office Departments covering their current operations, future plans and challenges were reviewed. Our then Group Executive Director (GCEO) – Corporate and GCEO – Operations also made presentations that focused on big picture issues and CMS' overall strategic direction, challenges and opportunities.

In a similar fashion, our annual Senior Management Strategic Retreat aims to improve synergy, increase collaboration and instil a sense of common purpose amongst the Group's leaders. This platform was not held this year and is expected to resume in 2020.

Likewise, the Annual Management Retreat for our managers and senior executives is usually conducted in a forum style in which participants receive updates from Top Management on the performance and direction of the Group. Surveys and training specific to managers' needs are conducted to help managers identify current issues relating to work performance and areas of concern. This event too was not held this year and is expected to resume in 2020.

Town Hall Sessions

The CMS Town Hall sessions, which were first introduced in 2007, serve as a platform for Senior Management to engage with all the Group's employees to discuss important issues that affect the organisation and the workforce. For FY 2019, we organised two Town Hall sessions on 29 November 2019 at the Kingwood Hotel, Sibu with 547 employees in attendance and on 2 December 2019 at the Borneo Convention Centre Kuching (BCCK), Kuching with 1,131 employees in attendance. These sessions saw both our then GCEO – Operations and GCEO – Corporate providing updates on the annual performance of the Group and its future direction. A special Town Hall session was held for our employees from CMS Roads from Northern Sarawak who were unfortunately laid-off when our road maintenance concession was halved.

Where employees are unable to attend the Town Hall sessions due to operational reasons, a work rotation programme is introduced to ensure that biennial attendance is made possible.

Annual Dinner

As a gesture of gratitude for all our employees' contributions, efforts and services to CMS, we continue to hold an annual dinner for all our employees at the end of each year. Group annual dinners and respective Divisional annual dinners are held on alternate years. For the year in review, we organised two Group annual dinners at the Kingwood Hotel, Kuching on 29 November 2019 and at the Borneo Convention Centre, Kuching on 2 December 2019, respectively. The Annual Dinner was also an occasion to wish farewell to Datuk Syed Ahmad Alwee Alsree, our Group Executive Director, upon his retirement from the Group.

Baleh Kapit Raft Safari

The biennial Baleh Kapit Raft Safari is a two-day rafting competition which is held along the Rejang River. CMS participates in this competition as part of our employee engagement efforts. As we had participated in the 2018 event, our next outing will be in 2020. One of the key objectives of this competition is for senior managers to engage and bond with the trainees and executive staff who are mostly from the millennial generation. This platform also serves as an opportunity for CMS' Senior Management to share their thoughts on the Group and its future direction with the next generation of potential leaders amidst an atmosphere of fun and the challenging environment of the competition. The Baleh Kapit Raft Safari has proved to be an important event for CMS and we will continue to participate in it.

CMS Inter-Regional Games and CMS Friendly Games

Every other year, CMS organises its Group-wide sporting event, the CMS Inter-Regional Games for employees and CMS Friendly Games with various business-related government agencies and companies as part of our efforts to promote stronger ties and Group-wide unity. At the CMS Friendly Games, participants are divided into four houses that are captained by the Senior Management of our various Divisions. At FY 2019's CMS Friendly Games, a total of 85 players from CMS competed in football, badminton and bowling.

Employee Satisfaction Survey

The Group conducts an employee satisfaction survey (ESS) usually once every two years. This survey evaluates employee-supervisor relationships and gauges employees' satisfaction levels. It also assesses employees' perception of their career growth, welfare, work environment, as well as the internal and public perception of the Group. The survey results are tabled at Board meetings and action plans are devised to address areas that need improvement. The survey is available in both English and Bahasa Malaysia.

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The last ESS was conducted in FY 2018. As it is conducted biennially, the next one will be conducted in FY 2020. The methodology for the ESS conducted in FY 2018 and the results are as follows:

Methodology for 2018 ESS

The 2018 survey was distributed randomly to 1,000 CMS employees across the Group, comprising approximately 40% of total CMS employees. Each category consisted of five questions based on a six-point rating scale. The 2018 survey consisted of the following five categories:

- Internal & Public Perception;
- Employee Welfare & Work Environment;
- Top Management;
- Employee-Supervisor Relationship; and
- Career Growth & Job Satisfaction.

In comparison to the 2014 and 2016 surveys, 2018's ESS revealed that employees were generally more satisfied in their jobs across the CMS Group:

Year	Satisfied	Dissatisfied
2014	93.66%	6.34%
2016	94.16%	5.84%
2018	94.22%	5.78%

Long Service Awards

The Group introduced its annual Long Service Awards event in 2007 to show its appreciation and accord special recognition to long-serving employees of CMS. Each loyal employee who has served CMS for their first 10 years (and subsequently every five years) is rewarded with a cash award, a certificate and long service leave. In FY 2019, a total of 361 employees received the Long Service Award which had a combined monetary value of RM1,298,982.00 (2018: 334 employees RM799,500; 2017: 334 employees RM1,555,500).

CMS' Long Service Awards

Length of Service (Years)	Cash Value of Award (RM)		Long Service Leave (Work Days)
	2018	2019	
10 years	3,000	3,000	2
15 years	3,500	3,500	3
20 years	4,000	4,000	4
25 years	6,000	6,000	5
30 years	8,000	8,000	6
35 years	10,000	10,000	7
40 years	15,000	15,000	10
45 years	-	20,000	15

Other Forms of Engagement

Other forms of employee engagement occur regularly throughout the year. In 2019, engagement activities included regular Head Office Departments and Business Divisions operational meetings, memorandums, notices, intranet updates, circulars, workers' gatherings, office lunches, dinners and company outings.



PERFORMANCE MANAGEMENT

To promote optimum performance across all Divisions, the Group employs a performance management system which aligns employees' work targets with CMS' goals, direction and business objectives that will directly impact the Group's performance. As an incentive for employees, the system features a reward system that awards performance contract payments or bonuses when the Group's goals are achieved.

CMS' KPI System

At CMS, our KPI system comprises five main components:

- **Financial** – covering the financial performance in the relevant mix according to grade, role, Business Division, Business Unit or Head Office;
- **Business Process** – covering the individual's key process issues;
- **Critical Priorities (CP)** – covering the key personal performance contributions of that employee;
- **Personal Development (PD)** – covering the number of training programmes (conducted and/or received) and CSR hours; and
- **Demerits** – covering matters such as the death or permanent disablement of a colleague or failure to highlight risks.

The KPI system is implemented throughout the Group with all KPIs for Senior Management tabled to the Nomination & Remuneration Committee. For employees at the managerial level and above, the financial component comprises 60% of their total KPIs. For employees at the executive level and below, the critical priorities component comprises at least 45% of their total KPIs.

The KPI results for the financial year are finalised in the first quarter of the following year. Rewards are directly linked to these total performance results:

Score	Achievement	Weightage
Stretched	Outstanding	110% of the KPI item (120% for GMD/GCFO/GCOO)
On-Target	Exceeds Expectation	100% of the KPI item
Threshold	Meets Expectation	90% of the KPI item (80% for GMD/GCFO/GCOO)

For FY 2018 and FY 2019, additional KPI elements were introduced:

- Digital Transformation – to identify, develop, adopt and implement a digital roadmap for the Group; and
- Health Management – to participate in up to three health management initiatives which are identified and arranged at the respective divisions or companies.

Management Performance Assessment

The Management Performance Assessment or MPA complements the KPIs and is an evaluation of the employees' behavioural competency in delivering their work performance. The assessment also considers employees' additional responsibilities and work initiatives. The MPA determines the salary increment of employees. In

the event an employee fails to achieve a minimum MPA rating of 'Meets Expectations', salary increases or bonuses are not considered for that year.

Sustainability KPIs

The Group also has Sustainability Key Performance Indicators (SKPIs) in place aimed at managing long-term environmental performance which will eventually lead to improvements in business operations. Each Division is tasked with pinpointing their relevant environmental targets which could include materials management, energy management, water management, waste management, air emissions control and biodiversity, among other things.

All SKPIs undertaken by the divisions and departments take a holistic approach covering:

1. Economic (financial performance);
2. Environment (tree planting/air quality/recycling); and
3. Social (Corporate Social Responsibility).

Tracked SKPIs are to take the following into consideration:

- Leverage on the Edging Strategy which seeks to drive growth by looking for opportunities at the edges or periphery of our existing businesses;
- Offer additional products/services;
- Understand customers better to sell more;
- Find new customers;
- Exploit underused capabilities/synergies/resources;
- Improve processes and efficiencies; and
- Reduce wastage of time and resources.

Today, all SKPIs are decided between the Heads of Divisions and the GMD as part of the annual KPI setting process.

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COMPETITIVE BENEFITS

CMS makes it a priority to ensure that all our remuneration and benefits are above the enforceable statutory minimum. The Group's pay rates and benefits are reviewed regularly to ensure that they are in line with the job market. We believe in fair pay and benefits for all workers and monitor all issues regarding income inequality closely.

SUMMARY OF BENEFITS



TRAINING

An average of 24 hours of compulsory training per year for Executives and above

Non-Executives are required to attend an average of 18 hours of training per year



OVERTIME

- Non-Executive
- Others
- Executive (leave-in-lieu)



ANNUAL LEAVE

- Executive
- Non-Executive



TRAVEL

- Accommodation
- Subsistence allowance
- Mileage



HOSPITALISATION

- Executive
- Non-Executive
- Delivery
- Warding



SALARY & ALLOWANCES

- Acting responsibility
- Relief
- Site/Hardship
- Others



SALARY DEDUCTIONS

- EPF
- SOCSO
- EIS
- Tax
- Staff panel bank loans (from panel banks Bank Islam and Bank Rakyat)



MEDICAL LEAVE

- Sick Leave
- Prolonged illness



MEDICAL CARE-OUTPATIENT TREATMENT

- Married/Single employees with dependent children
- Married/Single employees without dependent children



OTHER TYPES OF LEAVE

- Compassionate/Calamity
- Marriage, Paternity & Maternity
- Examination & Study
- Pilgrimage (all religions)
- Unpaid
- Leave of absence to represent state/country

Flexible Working

The Group offers flexible working times (flexi-time) for full time employees who cannot commit to normal working hours. An employee is eligible to request a change in their assigned work role or work environment due to any of the following conditions:

- A severe health condition certified by a medical practitioner;
- An extenuating crisis that impacts the employee's well-being and affects his or her work focus/quality on a short or long-term basis;
- Attending to or supporting an immediate family member's medical care; or
- Other reasons approved by the Management.

In FY 2019, a flexible working arrangement was approved for selected staff to work from home on a full-time basis due to justified personal needs.

Educational Assistance

Qualified employees are eligible for educational assistance twice over the course of their employment at CMS. To qualify for this benefit, employees must:

- Be a full-time and certified staff member;
- Have been in continuous service for at least one year;
- Pursue a course directly related to their role or that will improve their job performance and contribution to CMS; and
- Pursue a course approved by the Public Service Department (Jabatan Perkhidmatan Awam or JPA) or accredited by the National Accreditation Board (Lembaga Akreditasi Negara or LAN).

Employees may apply for a reimbursement of fees after completing the course. This is subject to the approval of our Management. During the year in review, four employees successfully applied for educational assistance worth a total of RM29,657.



EMPLOYEE HEALTH

Health Screening

We are responsible for and are committed to protecting the health and well-being of our employees. Our ongoing health screening benefit provides a holistic health advantage to the Group and its employees. Monitoring and understanding health-related issues can help mitigate the risks of major or harmful illnesses that may affect our employees.

Employees aged 40 and below are subject to health screening once every two years, while employees above 40 years old are screened annually. In FY 2019, a total of 415 employees underwent health screening. Going forward, employees aged 30 and below will be subject to health screening once every two years, while employees above 30 years old will be screened on an annual basis.

Compassionate Fund

CMS has set up a compassionate fund to help employees in ways that are not covered by their employment benefits and entitlement. Some of the situations covered by the fund include a loss of home due to fire, floods, landslides, or other acts of God. The fund also covers the death of employees or medical assistance for employees and their family members. Each year, all proceeds from in-house training are channelled to the Compassionate Fund. In FY 2019, we disbursed a total of RM37,987. Since its inception, the Compassionate Fund has never had to turn a valid claim away due to a lack of funds.

Retirement Benefits

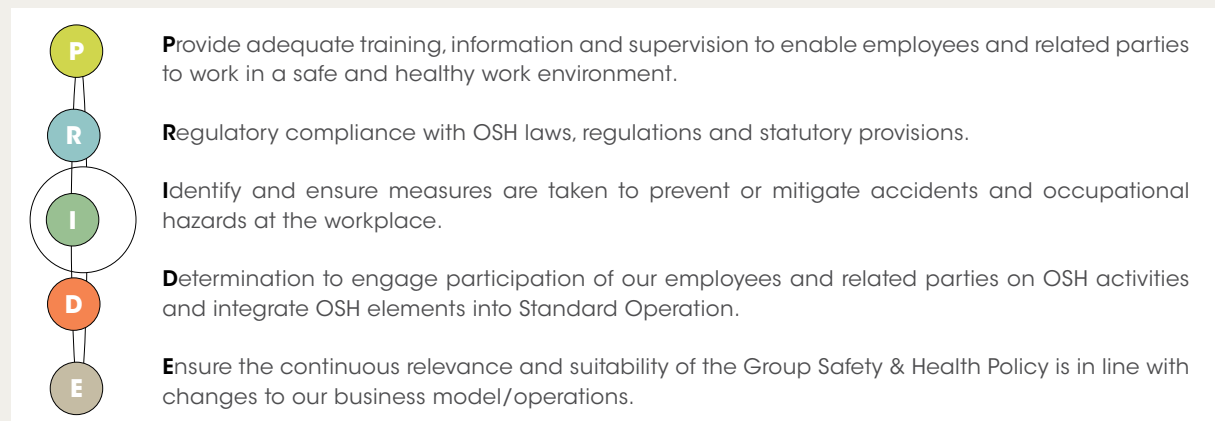
Employees of the Group on mandatory retirement may receive a retirement ex-gratia based on their last drawn basic salary. This benefit is accorded to employees with a minimum of 10 years of continuous employment and a clean disciplinary record for the last two years. A retirement benefit of up to two and half month's salary is given. A retirement gift voucher, plaque and certificate of appreciation are presented to the retiring employee. In FY 2019, a total of 44 employees received retirement benefits.



OCCUPATIONAL SAFETY AND HEALTH (OSH)

We recognise the importance of safeguarding the safety, health and well-being of our employees and others associated with our businesses. As such, we are committed to continuously protecting our people, as well as managing and preventing job-related injuries and illnesses through good OSH practices.

In applying the acronym PRIDE (which also represents the Group's values) to the area of OSH, we shall as far as possible, observe the following:



Group Safety Taskforce

In 2009, CMS formed a Group Safety Taskforce (Taskforce) and introduced the Group Safety & Health Policy thereby underscoring its commitment to its employees' personal safety. The theme, 'Safe and Healthy Workplace' also became a part of our Group's Mission statement. Today, the Taskforce is headed by the GMD.

The key roles of the Taskforce include:

- Setting safety policies and procedures for Group-wide implementation;
- Directing the implementation of safety programmes;
- Raising awareness of safety rules, procedures and best practices;
- Reviewing the effectiveness of current measures taken to ensure the safety of employees and others in the workplace;
- Ordering investigations on work-related incidents, accidents and threats to safety in the workplace, and reviewing reports and recommendations; and
- Supporting the Business Units' safety committees in the implementation of safety standards and campaigns.

Health, Safety, Security & Environment Department

The Group's Health, Safety, Security & Environment (HSSE) Department (formerly known as the OSH team) is the driving force behind CMS' commitment towards bolstering its sustainability and environmental awareness activities. The Group HSSE Department based at CMS' Head Office oversees all HSSE Departments Group-wide.

In FY 2019, the Group Safety Taskforce conducted five meetings in which they organised and subsequently rolled out the following initiatives:

- Strengthened the Emergency Response Team at the Wisma Mahmud building and prepared them to respond to emergencies through in-house training, fire drills and the purchase of emergency response equipment;
- Conducted internal training which revolved around fire drills, first aid courses, work-life balance activities and awareness on OSH legal compliance;
- Organised the CMS Safety Month which also incorporated sustainability initiatives such as tree planting and a recycling campaign;
- Organised site visits to identified work sites and plant/factories that included various employees from other subsidiary companies to enhance their understanding and instil a sense of belonging among the staff;
- Reshuffled safety employees within the Group to strengthen the implementation of Safety, Health and Environment (SHE) measures; and
- Carried out HSE and Security Audits for the whole Group via Group Internal Audit plus held meetings with all safety personnel within the Group to standardise policies and compliance.

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OCCUPATIONAL SAFETY AND HEALTH (OSH)

A HSSE Committee has been set up within every Division and subsidiary company to enforce HSSE implementation and compliance with related statutory requirements. Approximately 95% of the Group’s workforce is represented by these committees. The remaining 5% comprises employees of the subsidiary companies involved in trading, investments and the development office.

High Risk Occupational Activities

There are approximately 1,000 of the Group’s employees that are involved in occupational activities with high incidence or high risk of specific diseases. The Group’s workers in the Cement and Construction & Road Maintenance Divisions are involved with higher Occupational Safety & Health risks, particularly those pertaining to mechanical, electrical, dust, noise, ergonomic and psychosocial risks. These workers are accorded the following protection:

- Engineering control (isolation, substitution, guarding and advanced technology);
- Administrative control (safety procedures, work-shift, toolbox and training); and
- Provision of proper Personal Protective Equipment (PPE).

The Group provides support to its workforce, their family members and the surrounding communities in instances where serious diseases are detected. We also proactively educate people on disease prevention and treatment via the circulation of newsletters, flyers and notices throughout the Group, as well as through the enforcement of strict hygiene and healthcare practices throughout our operations. We also provide relevant and specific training sessions that are conducted by in-house trainers.

Other preventive measures include the execution of Hazard Risk Assessments at the workplace and medical surveillance for the workforce in accordance with statutory requirements. Should an accident occur, a doctor from our panel clinic will provide counselling to the affected personnel.

The Group is committed to ensuring that the recording and reporting of accidents strictly adheres to the requirements of NADOOPOD Regulations 2004 in the OSHA 1994. The five forms in application are JKKP6 to JKKP10. However, the HSSE Committee has produced other forms for internal usage only. Any investigation into an accident is to be handled by the HSSE Committee.

We are thankful that there were no fatalities during the year under review. In FY 2018, we reported with deep regret that two fatal occupational accidents involving employees had taken place over the course of the WPC 06 Project package for the Pan Borneo Highway project. There were no fatal accidents in FY 2017. Over the course of the last three years, there were a total of 20 contractors working in the CMS Group with no record of HSSE cases.

The JKKP8 form, that summarises all records and statistic of accidents, is submitted to the Department of Occupational Safety and Health (DOSH) at Putrajaya on an annual basis before 31 January of the following year.

Lost-time Injury Rate (LTIR)

The LTIR is the rate of lost time injuries occurring in a workplace per 1,000 workers. Lost time injuries (LTI) include all on-the-job injuries that require a person to stay away from work more than eight hours (the CMS accounting period), or which result in death or permanent disability. For FY 2019, the Group’s LTIR unfortunately rose as the size of the workforce increased. These incidents are all unacceptable and we are taking stringent measures and implementing safety programmes to prevent any recurrences.

Lost-time Injury Rate (LTIR)	2017	2018	2019
Lost-time injury rate	6.00	4.03	14.83
No. of employees	2,664	2,703	2,763



PPES Works (Sarawak) recognised for good OSH record at new Sarawak Museum Complex

In conjunction with the Department of Safety and Health’s (DOSH) ‘Accident Prevention Operation in the Construction Sector’ campaign that was launched at the newly completed Sarawak Museum Complex, PPES Works (Sarawak) Sdn Bhd was awarded a 1.65 million man-hours Without Loss Time Injury Certificate. This award attests to the hard work and high-safety measures implemented by the project team during the construction of the new Sarawak Museum Complex.

Safety and Health Programmes

CMS is deeply committed to safety compliance and will not compromise on its staff’s health. We aim to eliminate risks that may harm our employees, contractors, visitors, customers and others affected by our business. In FY 2019, Group HSSE initiated several programmes to raise awareness on topics such as rabies and non-communicable diseases, corporate wellness including stress management and mental illness, plus work-life balance. Over the course of 2019, some 2,000 of CMS’ employees underwent a variety of safety and health training.

Any occurrences of a death or permanent disablement anywhere in the Group results in demerit KPIs for all employees, while higher penalties are imposed on those in the defaulting business unit. On top of this, Division heads, safety personnel and employees of the relevant Divisions also have a safety element incorporated as part of the Critical Priorities for their KPIs. This carries a weightage of 2.5% if there is no fatality, and 2.5% if there is no case of permanent disablement.

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CMS Safety Month

“ SAFETY IS AN ATTITUDE, A FRAME OF MIND, AN AWARENESS OF OUR ENVIRONMENT, OUR ACTIONS AND ACTIVITIES ALL DAY. TO PUT IT SIMPLY – SAFETY IS A WAY OF LIFE AT CMS AND IS CENTRAL TO ALL OF OUR ACTIVITIES. ”

CMS held its seventh CMS Group-wide Safety Month Campaign in FY 2019. The campaign, which kicks off every October of the year since its inception in FY 2013 aims to create awareness about Occupational Safety & Health, as well as environmental and sustainability values among employees and stakeholders. This year's campaign was themed 'Health is Wealth.'

As mentioned earlier, the Group incorporated HSSE performance criteria into staff KPIs in FY 2009 and has since endeavoured to ensure excellence in HSSE management on a Group-wide basis.

Among the activities that are typically conducted during the Safety Month are safety talks and training from the Department of Safety and Health (DOSH), the Social Security Organisation (PERKESO), the Fire and Rescue Department of Malaysia (BOMBA), the Sarawak State Health Department (JKNS), the Sarawak Government Hospital, private clinics, Personal Protective Equipment (PPE) suppliers and invited speakers from local companies. A compulsory site walkabout is also included in the programme whereby selected employees will have the chance to visit other subsidiary companies within the CMS Group to observe and provide input on other companies' OSH practices and standards.

A variety of health and safety events were organised during the 7th CMS Safety Month Campaign. These activities centred on the importance of embracing a safe work environment and a healthy workforce, as well as inculcating a sense of belonging and accountability among staff. The campaign included the following activities over a four-week period:

7th CMS Safety Month Campaign (2019) - Summary of Activities

Week	Monday	Tuesday	Wednesday	Thursday	Friday
1 (1-5 October)	Launch of 7 th CMS Safety Month 2019 and handover of banners by the GCEO to CEOs/ Heads of Division	Talks in Kuching by speakers from CMS, DOSH, the Sarawak Heart Centre and CIDB	Half-day emergency response refresher training Group-wide and demo on A.P.A usage	Site visit to the Sarawak Museum Project	Aerobics session
2 (8-12 October)	Talks in Kuching by external speakers from the DOE, PERKESO and TAGS and SPINE Talks in Miri by speakers from CMS, PERKESO, Pejabat Kesihatan Miri and 3M	Talks in Kuching by speakers from CMS' Security and Scheduled Waste & Clean Air teams, plus the NREB Talks in Bintulu by speakers from CMS, PERKESO, Pejabat Kesihatan Bintulu and 3M	Talk in Kuching by speakers from CMS' Security and Water Quality teams, plus the ENT Clinic Talks in Sibul by speakers from CMS, PERKESO, Pejabat Kesihatan Sibul and 3M	Site visit to CMS Premix (Kuching)	Aerobics session
3 (15-19 October)	Various activities initiated at the subsidiary company level	Training/talks in Kuching by external speakers from JKNS (Seksyen Psikologi Kaunseling) and LPPKN	Half-day emergency response refresher training Group-wide and basic First Aid training	Site visit to CMSCI Mambong	Good Friday
4 (22-26 October)	Talks in Kuching by external speaker from the Mental Health Association and JKNS (Seksyen Program Pemakanan)	Talks in Kuching by external speakers from JKNS (Penyakit Berjangkit), JKNS (Penyakit Tidak Berjangkit), REHAB Concept (on Office & Site Workplace, plus Ergonomics & Overcoming Stress)	Half-day emergency response refresher training Group-wide and CPR training	Site visit to CMS Concrete 7 th Mile	Aerobics session



TRAINING AND EDUCATION

The Group is committed to providing each employee with training and career development opportunities. This approach produces a highly-skilled workforce for CMS to retain. Executives, managers and above must attend an average of 24 hours of training per year while non-executives must undertake an average of 18 hours of training per year. In FY 2019, a total of 2,461 employees attended training sessions, including teambuilding sessions.

Training	Unit	2017	2018	2019
Average training budget per employee	RM	792.82	960	1,155.81
Average number of hours of training per year per employee	Hours	16	14	15.03
Average days per employee	Days		1.75	1.88

In-House Training Capability (ITC)

CMS has an ITC programme in place that covers critical processes and procedures relating to key functions at the Head Office. This adds value to the corporate office's role as a policy maker and advisor and also removes any uncertainty about procedures or processes.

Our ITC programme is managed by Group HR, which is responsible for selecting, coordinating and evaluating the training. Group HR also identifies the best trainers and monitors employee development.

In FY 2019, a total of 17 sessions were held covering topics and subjects on functional areas and regulatory requirements including Risk Management, Project Management, Human Resources, Legal and Safety. Out of the 17 sessions, 6 were specially organised for non-executives (both supervisory and non-supervisory levels). A total of 9 certified ITC Internal Trainers, 4 External Trainers and 393 participants took part in the sessions for FY 2019.

Other Training Programmes

The following table covers the various training sessions undertaken by our employees in FY 2019.

Technical Skills (In-house & ITC Programme)

- 1 Kursus Asas Keselamatan Kebakaran (Fire Drill)
- 2 ISO Systems Integration for Cement Division
- 3 ISO9001:2015, ISO14001:2015 and ISO45001:2018 Requirements
- 4 Forklift Operators (Volume 1)
- 5 Authorised Entrant and Standby Person for Confined Space (Refresher)
- 6 Capacity Planning Training for CMS Roads Executives (Operation & Engineering)
- 7 Refresher Course on Road Maintenance for Site/Work Crews at their Respective RMUs
- 8 Traffic Controller and Flagman Training
- 9 Motor Grader Training
- 10 Overhead Crane Operators Training
- 11 Chemical Hazard Management & Spillage Control
- 12 Workshop on Reducing Organisation Risk Through Effective, Reliable Data & Inflation Management
- 13 Effective Safety and Health Committee (NIOSH)
- 14 Shovel Loader Operators Training
- 15 Easy list & HIRARC Environment/Safety Policies/Objective/Target Quality
- 16 Department Objective Policy and 5S Awareness (new version)
- 17 Basic First Aid Refresher Course
- 18 Basic First Aid Course & CPR (for newly appointed First Aiders)
- 19 Group Safety Basic Occupational First Aid (ITC Programme)
- 20 Working at Height Refresher Course
- 21 Safe Handling of Forklift Truck
- 22 Refresher Course on Road Maintenance for Site/Work Crews at Their Respective RMUs
- 23 Effective Safety & Health Committee (ITC Programme - Special request from CMS Cement Division)

Soft Skills (In-house & ITC Programme)

- 1 Customer Service Excellence
- 2 People Management Skills for Non-Executive Supervisors (ITC Programme)
- 3 Effective Communication Skill for Non-Executive Supervisors (ITC Programme)
- 4 Report Writing Skill for Non-Executive Supervisors (ITC Programme)
- 5 Safety Management for Non-Executive Supervisors (ITC Programme)
- 6 HR for non-HR for Non-Executive Supervisors (ITC Programme)
- 7 Self-Management & Motivational Workshop for Non-Executives (ITC Programme)
- 8 Workshop on Basic Contract for non-Lawyers (ITC Programme)
- 9 Group Finance MMLR Chapter 9 & 10 (ITC Programme)
- 10 Overview of Project Management (ITC Programme)
- 11 Half-Day Technical Talk on Project Management on Manual of Instructions (ITC Programme)
- 12 Shipping Procedures, Documentations and Incoterms Execution (ITC Programme)
- 13 Train the Trainers (Batch 3) (ITC Programme)
- 14 Risk Management for Beginners and Preparation for Corporate Liability on Corruption (ITC Programme)
- 15 2019 GIA Workshop: The Malaysian Anti-Corruption Commission (Amendment) Act 2018 (ITC Programme)
- 16 Leadership Programme for Succession Planning Tier-3 Candidates (Phase 1 & 2)

SUCCESSION PLANNING

In line with our efforts to ensure CMS' sustainable, long-term growth, we continue to invest our resources in succession planning. To this end, Management conducts succession planning annually and focuses on:

- Creating a talent pool for critical positions;
- Devising a customised development and mentoring programme for potential successors;
- Monitoring the performance of potential successors;
- Undertaking annual mentoring through a one-to-one interview with the GMD on the availability of potential successors;
- Setting a timeframe for potential successors to fill critical positions; and
- Ensuring alternative options to support the succession plans.

CMS Tier-2 and Tier-3 Succession Planning

Tiered succession planning is enabling us to create a talent pool for critical positions, as well as a customised development and mentoring programme for potential successors.

In line with the Group's succession planning efforts over FY 2019, Tier-2 Succession Planning candidates had 12 individual sessions with the then Group CEO - Operations. In the first quarter of 2019, candidates underwent one-on-one mentoring sessions where plans to further develop candidates were discussed. This included sending candidates on leadership programmes and enabling further exposure to business operations. Potential successors were also identified at these sessions. To date, all 12 Tier-2 candidates have made good progress in their respective areas.

Meanwhile, Tier-3 candidates underwent a Leadership Development Programme that was customised to meet their specific needs. Phase 1 of the programme was conducted on 13-14 March 2019, while Phase 2 in the form of a group coaching session was conducted on 27-28 March and 10-11 April 2019 respectively. The programme sought to get candidates to identify their own personal challenges and work obstacles, as well as to overcome these issues over time while equipping them to move into general management positions in the future. To ensure the continuation of the Leadership Succession Planning Programme (Phases 1 and 2), a six-month development plan for FY 2020 is currently being developed for consideration.

Management Trainee Development Programme (MTDP)

The Management Trainee Development Programme (MTDP) initiative aims to attract and develop executive-level talent as part of the Group's succession plans. Under this initiative, trainees are accorded 12 months of structured training in core corporate functions and specialised functions at

various Business Divisions. While there was no MTDP for the year in review, the programme will resume in the 2021/2022 period.

When it is up and running, the MTDP supports the Group's long-term strategy of building and maintaining high-quality technical and non-technical skills sets that are critical to our organisation. The programme also addresses manpower gaps resulting from business growth and natural attrition such as resignations and retirement. Upon completion of the MTDP, trainees are assessed on their overall performance. Their respective mentors also consider behavioural and technical competencies before considering them for employment.

The selection criteria for MTDP candidates is as follows:

- Fresh graduates who have been conferred a degree or graduates with up to two years working experience;
- Love challenges;
- Are problem solvers;
- Have an inquisitive nature;
- Are ICT savvy;
- Are good communicators;
- Are team players; and
- Have strong family values.

Since the MTDP was established, employees have been subsequently recruited from every yearly batch with 12 employees recruited from Batch 1; 10 from Batch 2; and 17 from Batch 3.

Some of the prominent positions in the Group that the MTDP graduates are holding currently are as follows:

No.	Position
1	Operations Manager
2	Assistant Design Engineer
3	Contracts Executive
4	Senior Corporate Communications Executive
5	Design Engineer
6	Senior Executive, Purchasing
7	Human Resources Executive
8	Project Engineer
9	Project Engineer
10	Project Engineer
11	Project Executive
12	Risk Manager
13	Safety & Health Officer
14	Senior Audit Executive
15	Senior Executive, Group Human Resources
16	Senior Production & Maintenance Engineer
17	Senior Project Support Officer

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- Performance Management
- Competitive Benefits
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- Training and Education
- Succession Planning

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Pillar:

3

Social:
Society



“CMS is a home-grown Sarawakian company that is intent on building sustainable communities. To this end, we are committed to strengthening ties with the State’s diverse communities and exploring various means by which we can help them elevate their livelihood in a sustainable manner. As we journey together with various communities and cultivate enduring relationships with them, we are according them the opportunity to create a better, sustainable future whilst firmly establishing CMS as a friend to them.”

EMPLOYEE VOLUNTEERISM AND THE CMS 'DOING GOOD' CULTURE

The Group introduced its Doing Good culture in the mid-1990s and this corporate social responsibility (CSR) initiative has today evolved into a structured, sustainable programme that is making a positive impact on communities across Sarawak. In 2007, we ramped up direct employee participation in CSR activities by promoting employee volunteerism. This has certainly helped inculcate a caring attitude and an inclination to serve among our employees.

Today, as a matter of company policy and as part of our employees’ annual KPIs, employees at the executive and manager or above positions are required to undertake at least 32 man-hours of CSR activities in a year under the Doing Good initiative, whereas non-executives must undertake at least 24 man-hours of CSR activities annually. By having employees take ownership of specific projects benefiting the communities that they work among, we are raising up more fulfilled employees and a service-oriented workforce. At the same time, we are fostering goodwill with communities and strengthening CMS’ reputation as a friend to them.

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DOING GOOD & BUILDING SUSTAINABLE COMMUNITIES

As of January 2019, all of the Group's CSR efforts have come under the ambit of CMS' 'Doing Good & Building Sustainable Communities' programme. Fuelled by employee volunteerism, this initiative underscores the Group's endeavour to undertake tangible CSR initiatives that will create a lasting positive impact on communities across the State. In January 2019, we launched the pilot 'Doing Good & Building Sustainable Communities' project at Kampung Murud Plaman in Serian. This initiative saw several CMS volunteers and locals coming together to collectively undertake refurbishing activities that benefited the entire village. Our long-term engagement initiatives with communities in the vicinity of Mambong too have proven fruitful. Initiatives such as these serve as proven models for the good things we can do with other communities across Sarawak. We will leverage on the 'Doing Good & Building Sustainable Communities' platform to work with communities where we can truly make a long-term difference by way of elevating lives and creating growth opportunities.

CMS' employees continue to generously step up to the plate time and again to help those in need. The year in review saw CMS employees dedicating a total of 43,894 man-hours (FY 2018: 50,241 man-hours; FY 2017: 48,420 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more. In FY 2019, our employees raised a total of RM86,535.00 (FY 2018: RM105,065; FY 2017: RM103,560) under the CMS 'Doing Good & Building Sustainable Communities' initiative. The funds were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes to assist them in their day to day expenses. While the number of man-hours dedicated and amount of funds collected in FY 2019 were lower than that of FY 2018, this was due to lower headcount within the Group following a retrenchment exercise at nine of CMS Roads Sdn Bhd's 18 Road Maintenance Units or RMUs.

MAN-HOURS VOLUNTEERED	FUNDS RAISED
In FY 2019, CMS employees dedicated a total of 43,894 man-hours to CSR activities (FY 2018: 50,241 man-hours)	In FY 2019, CMS employees raised a total of RM86,535 for CSR activities (FY 2018: RM105,065)

The various 'Doing Good & Building Sustainable Communities' initiatives are discussed under the following sections.



DOING GOOD & BUILDING SUSTAINABLE COMMUNITIES

The following tables highlight the various CMS 'Doing Good & Building Sustainable Communities' initiatives between 2017 and 2019:

Breakdown of Activities (% of Concentration)			
Area of Focus	2017	2018	2019
Rebuilding Communities	38.3	45.9	33
Sustaining Charitable Organisations	32.3	24.6	27
Environmental & Health Awareness Programmes	18	19.7	26
Saving Lives	8.4	8	10
Community Clean-ups (<i>gotong-royong</i>)	3	2	4

Breakdown of Activities (Man-Hours Volunteered)			
Area of Focus	2017	2018	2019
Rebuilding Communities	18,524	23,040	14,546
Sustaining Charitable Organisations	15,655	12,372	11,848
Environmental & Health Awareness Programmes	8,715	9,904	11,278
Saving Lives	4,080	3,920	4,352
Community Clean-ups (<i>gotong-royong</i>)	1,446	1,005	1,870

Rebuilding Communities

Over the course of 2019, our employees continued to carry out activities under the banner of the CMS 'Doing Good & Building Sustainable Communities' initiative. These projects included community clean-ups and rebuilding works in numerous locations which saw several schools benefit from improved road access and amenities. Our efforts were not limited to Kuching alone, but were rolled out throughout Sarawak, especially in the rural areas among schools, villages, mosques, churches and others. The following projects brought relief to several communities:


The rejuvenation of Kampung Murud Plaman

On 19 and 26 January 2019, CMS deployed a team of employees to Kampung Murud Plaman, Serian to refurbish the old church. The building was converted into a mini library, Sunday school venue, as well as a meeting room for the Village Development and Security Committee (the Jawantankuasa Kemajuan dan Keselamatan Kampung or JKKK). CMS volunteers replaced the entire roof, painted the interior and exterior of the old church, and made improvements to the compound and football pitch.

Volunteering man-hours and materials for the Sibujaya, Methodist Church

On 23 March 2019, some 27 employees from CMS Premix Sdn Bhd based in Sibujaya and Sarikei volunteered to load gravel onto wheelbarrows and clean the interior of the Sibujaya Methodist Church. The company also donated 30 tonnes of aggregate towards the *gotong-royong* activities.

Gotong-royong at Masjid Salihin, Kampung Landeh

Ten employees from the Laboratory and Emulsion Departments of CMS Premix Sdn Bhd spruced up the mosque and cemetery area of Kampung Landeh, Batu Kitang on 14 April 2019. Working side by side, volunteers cleaned up Masjid Salihin and built a resting hut at the cemetery.

For the good of the community

On 4 May 2019, a total of 45 employees from CMS Premix Sdn Bhd, CMS Quarries Sdn Bhd and CMS Roads Sdn Bhd's RMU in Bau and its Road Maintenance Dept (RMD) in Lundu stepped away from their routine schedules to participate in a *gotong-royong* organised by Jabatan Kerja Raya at Surau Baitul Quddus Kampung Pueh Sematan. Volunteers laid stones and premix for the entrance access road into the *surau* (Islamic assembly building for worship and religious instruction) and parking area.

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Hiking for a cause

CMS' dedicated volunteers organised two trips on 4 May and 23 June 2019 to the Catholic Memorial and Pilgrimage Centre at Mount Singai, Bau. Volunteers carrying bags of sand and aggregate made the arduous hike up the 1,000-step hill for the upgrading work on the centre.

Newly-paved grounds for Dewan Kampung Serumah

Forty-seven volunteers from the CMS Roads Sdn Bhd Road's RMU in Tapah came to the aid of Kampung Serumah, Padawan on 15 June 2019. The village is home to some 40 households. The volunteers laid out 135 tonnes of 2" stone (donated by the company) to spruce up the surroundings of the community hall. They also cut overgrown grass and swept the compound.

Sprucing up of kindergarten compound

SeDidik Perdana SEDC Club House, a kindergarten in Kuching received assistance from 54 helpers from CMS Roads Sdn Bhd's RMU in Kuching and 10 SEDC employees who volunteered to spruce up the kindergarten compound. The volunteers laid premix on the driveway, swept the compound, cut overgrown grass, cleared drains, and washed the footpath and toilets of the kindergarten. With the application of 10 tonnes of DCR gravel, 90 tonnes of premix and 230 litres of emulsion paint, plus the collective hard work of everyone, the 68 kindergarten children and their teachers now have a newly compacted and levelled school yard, along with a cleaner environment to study in.



Tackling afterschool traffic woes

Traffic congestion outside schools is a daily experience that not many like to contend with. This was what the teachers and car-driving parents of Sekolah Rendah Chung Hua Siburan had to face every time their 300 students got ready to leave school upon classes coming to an end. On 20 July 2019, some 36 employees from CMS Quarries Sdn Bhd went out of their way to resolve this issue by utilising 200 tonnes of aggregate donated by the company to construct a new parking area for the school thereby alleviating its traffic flow woes.

Newly-levelled grounds for Surau Taman Harmoni

Nineteen volunteers from CMS Roads Sdn Bhd's RMU in Sri Aman came to the aid of Surau Taman Harmoni in Sri Aman when the Village Development and Security Committee (JKKK) reached out for assistance in surfacing their *surau* compound. Following a good day's work on 3 August 2019, the grounds in the *surau* compound are now freshly-levelled.

Volunteers get school shipshape again

Thirty-nine volunteers from CMS Roads Sdn Bhd's RMU in Sarikei teamed up at SK Abang Haji Matahir, Sarikei on 3 August 2019 to clean and improve the school compound. Volunteers repaired classroom tables and chairs and repaired the parking lot and damaged pavements with 20 tonnes of 2" DCR gravel and seven tonnes of premix.

Gotong-royong at the Wong Ajong recreational park

To help the local community with the upkeep of the Wong Ajong recreational park in Engkilili, 50 volunteers from CMS Roads Sdn Bhd's RMU in Sri Aman got together for a *gotong-royong* session to clean up the picnic area and repair the park facilities on 24 August 2019.



DOING GOOD & BUILDING SUSTAINABLE COMMUNITIES

Another school gets a helping hand

On 24 August 2019, some 35 CMS employees spent their weekend contributing their manpower and skills to install floor tiles and lay cement at the *musolla mu'allimin* (place of prayer) of SK Batu Lintang Kuching. CMS also donated RM5,000 to the school.



Sprucing up school field for a local football competition

On 7 September 2019, a total of 25 employees from CMS Roads Sdn Bhd's RMU in Mukah carried out improvement works on the school field, grandstand and compound of SK Parish, Balingan in preparation for a local football tournament.

New parking spaces at Masjid Darul Muhsinin

Fifty-three employees from CMS Roads Sdn Bhd's RMU in Simunjan organised and participated in a *gotong-royong* at Masjid Darul Muhsinin to help the community of Kampung Tanjung Harapan, Simunjan resolve their parking woes. On 21 September 2019, volunteers spent their day removing one of the mosque's fences to create more space and provide new access into the compound whilst others helped to clean the mosque's fans and sweep its floors.

More greens at St. Michael Church, Padawan

Forty-five CMS volunteers from the Construction Materials & Trading Division travelled on 21 September 2019 to the centre of Padawan town to help the villagers and church community of St. Michael Church, Teng Bukap. The volunteers helped to clear the church's lawn of grassy weeds and planted palm trees along the roadside kerb in front of the church. The Division also donated some 350 metric tonnes of aggregate worth RM5,250 for the church's parking area.

Mosque gets new tar-sealed road

The access road to Masjid Darul Ehsan in Kampung Reban was resurfaced by 27 volunteers from CMS Roads Sdn Bhd's RMU in Samarahan on 19 October 2019. The volunteers used heavy machinery such as tipper trucks, work trucks and compactors to tar-seal the road. The company also made eight trips ferrying DCR and donated 28 tonnes of premix for the cause. They were joined by 10 members of the local community to cut overgrown grass and clear surrounding drains.

Gotong-royong at Dewan Kampung Tijirak

On 26 October 2019, some 38 volunteers from CMS Roads Sdn Bhd's RMU in Tapah teamed up with 14 volunteers from JKR Serian for a *gotong-royong* at Dewan Kampung Tijirak.



Kindy gets a new playground

The pre-schoolers of Tabika KEMAS PDRM in Mukah now have a new area for their class activities. On 2 November 2019, tenants and parents of pre-schoolers, as well as 16 employees from CMS Roads Sdn Bhd's RMU in Mukah teamed up to clear the site and cut trees, bushes and grass before laying aggregate on the side approach to the kindergarten.



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Sustaining Charitable Organisations

In FY 2019, the Group's employees came forward to lend a helping hand towards the following:



Cycling to raise awareness for the less fortunate

On 24 March 2019, a total of 13 Cahya Cyclists from CMS cycled along the 20 km Petra Jaya-Jalan Haji Bahrin route to raise awareness for the less fortunate and underprivileged communities. The event was organised by Tabung Baitulmal Sarawak in collaboration with the Sarawak Cycling Association.

In support of Dayak women

On 6 April 2019, seven employees from the CMS Roads Sdn Bhd's RMU in Mukah participated in the 5 km Sarakup Indu Dayak Sarawak (SIDS) Mukah Fun Run to raise funds for this organisation which aims to elevate and enhance the status of Dayak women in the society.

CMS Cement Industries 1st Charity Run

CMS Cement Industries Sdn Bhd organised its maiden 3 km Charity Run on 6 April 2019. A total of RM980.00 was raised and donated to Pusat Pemulihan Dalam Komuniti Orang Kurang Upaya, Mambong.

Helping Sg Asap fire victims

A heart-breaking incident on 15 April 2019 left 407 residents of the Sg. Asap Resettlement Scheme homeless after two blocks of longhouses in Uma Bawang caught fire. To help the fire victims in their time of need, 22 employees from CMS Cement Industries Sdn Bhd donated 205.50 kg of used clothes.



Participating in the PERKATA Open Day Sale

Every year, CMS steps forward as an ardent supporter of the Sarawak Association for the Welfare of Intellectually Disabled Children (PERKATA). For FY 2019, some 24 employees from Group HR participated in the PERKATA Open Day Sale on 28 April 2019 raising RM3,780 for the association.

Supporting Autism awareness

The Kuching Autistic Association has garnered good support for its activities from the community over the years and the Run for Autism held on 28 April 2019 was another success. A total of 129 CMS runners were amongst the over 3,000 strong crowd who gathered at MBKS to participate in the 3 km and 7 km categories.

CMS Quarries distributes essentials to five families

On 5 May 2019, five CMS Quarries Sdn Bhd's employees joined a food distribution initiative by Yayasan Kemajuan Insan Sarawak (YAKIN) providing rice, cooking oil, sugar, body soap and RM150 Parkson vouchers to five poor families from Kampung Buntal, Petra Jaya, Telaga Air and Kampung Gita.

Construction Materials & Trading Division distributes food to 30 families

Eighteen employees of CMS Premix Sdn Bhd and CMS Quarries Sdn Bhd distributed food to 30 families residing in Tabuan Melayu and Tabuan Dani as a part of a CSR initiative on 25 May 2019. Food was distributed to single mothers, the elderly and families with a disabled family member, just in time for the festivities.



DOING GOOD & BUILDING SUSTAINABLE COMMUNITIES

Raising funds for Sarawak Cheshire Home

Two weeks prior to the Sarawak Cheshire Home's Annual Open Day, employees from CMS' Property Development Division began promoting and pre-selling fruit amongst colleagues to raise funds for the Home. They went on to sell fruit, biscuits, instant noodles and packet drinks during the Open Day Sale and raised RM3,219 for the Home on 7 July 2019.

Lending support to blood donors the world over

In conjunction with World Blood Donor Day, the Blood Bank of Sarawak General Hospital organised a 3 km Fun Walk/Run and Fun Ride for cycling enthusiasts at the Sarawak State Library on 27 July 2019. A total of 46 CMS employees participated in the events.

Caring for the deaf

On 28 July 2019, altogether 15 employees from Group Internal Audit and Group Legal departments set up stall to raise funds by selling food at the Sarawak Society for the Deaf Charity Food Fair. In total, they raised RM3,883 for the society.

Delivering aid to fire victims

After receiving news of a fire at Kampung Bahagia Jaya Teku, Sibu on 7 August 2019 which left 20 residents homeless, CMS Premix Sdn Bhd and CMS Cement Industries Sdn Bhd joined forces to gather 107 kg of used clothes, 40 kg of rice and other food to be donated to the victims. The donations in-kind were handed over to Haji Ismail Aimer, the chairman of Kampung Bahagia Jaya Phase 2 Village Development Committee.

**CMS Tribal Run 5.0 raises RM154,800 for 12 local charities**

CMS held its fifth annual Tribal Run in Miri and Kuching on 7 July and 4 August 2019 respectively, drawing over 3,700 participants. Staying true to the tagline "CMS Cares! 100% Goes to Charity", all of the registration fees raised totalling RM154,800 was divided equally among 12 charitable bodies. The recipients included three charitable bodies from Miri, namely the Parents Association of The Special Children Miri (PIBAKIS), Malaysia Red Crescent Miri Chapter's Dialysis Centre and The Ten Ringgit Club.

The remaining nine charities based in Kuching included Persatuan Prihatin Ibu Tunggal Bahagian Kuching (CARE Kuching), Home of Peace, Mental Health Association of Sarawak, Dyslexia Association of Sarawak, Sarawak Turf & Equestrian Club (STEC) Kidney Foundation, Persatuan Dialisis Cahaya Kuching, Sarawak Children Cancer Society, Sarawak Society for the Deaf and the Sarawak Society for the Prevention of Cruelty to Animals (SSPCA). Over and beyond this effort, the Cahya Runners consisting of CMS' top runners went the extra mile to raise an additional RM13,012 for PERKATA. The company then matched that amount with a donation to the Society for Critically Sick Children (SOS Kids).

Pre-loved items to fire victims

Employees from CMS Cement Division donated their pre-loved items to five families that suffered loss due to a fire at Kampung Sungai Bedil Besar, Kuching on 30 October 2019.

From the marketplace with love

On 14 November 2019, CMS sent the Cahya Runners to Kuala Lumpur to run in the annual Bursa Bull Charge 2019. CMS' star runner, Saiful Bahtiar came in sixth place in the Men's Open Category, placing CMS among the top 20 finishers. CMS also donated RM13,000 towards various charitable organisations and underprivileged communities at the event.

A freshly painted school

On 16 November 2019, a team of 43 employees from CMS Roads Sdn Bhd's RMU in Sibu laid stones to build a pathway for the students and painted the exterior of the SK Sungai Durin, Sibu.

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Environmental & Health Awareness Programmes

The year under review also saw CMS' employees participating in the following environmental and health awareness initiatives:

Recycling for charity

On 18 January 2019, the Group's Internal Audit Department held their first recycling campaign for the year, bringing in 7,866 kg worth of recyclable waste which resulted in RM2,955 being raised for charity. CMS Cement Industries Sdn Bhd also did its fair share by collecting 2,396 kg of recyclable items worth RM789.70 a month later.

A Group-wide recycling campaign was also organised by the Group's Corporate Reputation & Communications Department on 22 February and 21 June 2019 with RM2,955 and RM530 worth of recyclable items collected respectively.

Preserving Sarawak's wetlands

On 16 February 2019, CMS employees came together to plant 600 mangrove seedlings and 300 propagules at the Kuching Wetland National Park. The CMS Mangrove Tree Planting Programme was initiated in 2016 in collaboration with the Forest Department Sarawak to create awareness about the importance of conservation and preservation of the environment. With the continuous effort of volunteers working together with the Forest Department Sarawak, two species of mangroves were planted – the Bakau Minyak and Bakau Kurap.



Towards better oral hygiene

Seven employees from CMS Roads Sdn Bhd's RMU in Mukah joined 289 other participants for the 4 km Mukah Dental Run on 22 June 2019. Organised by the Pejabat Pergigian Bahagian Mukah with the cooperation of SMK Three Rivers and Jabatan Penerangan Bahagian Mukah, the run aimed to promote better oral hygiene among the community.

On the road to a healthier lifestyle

On 25 August 2019, the 3 km Milo Malaysia Breakfast Day 2019 fun run kicked-off at the Sarawak Stadium with 10,000 participants including 45 runners from CMS. Running for the seventh consecutive year, the event aimed to raise awareness about the importance of healthy breakfast habits and maintaining active lifestyles.

Saving Lives

Our people continue to lend their support to activities that help save lives. The year's efforts included the following:

Blood donation activities at the Pending plant

On 28 March 2019, CMS' Cement Division organised a blood donation drive for employees at the Pending plant which included free health screenings (blood pressure, blood glucose level and body mass index) and a health talk. Thirteen employees donated blood while 15 others attended a health talk on 'Dietary Management for Adults' given by the Normah Medical Specialist Centre.

Regular blood donations to help save lives

CMS organised its annual Group-wide Blood Donation Drives on 27 April and 19 October 2019 respectively. Blood Donation Drives are also held regularly at other CMS subsidiary companies as a way to give back to the community. A regular supply of blood is needed by hospitals and medical centres for surgery.

**DOING GOOD & BUILDING SUSTAINABLE COMMUNITIES****Community Clean-Ups/ Gotong-Royong**

CMS' employee volunteers continue to invest their time and effort to serve the communities around them. The year in review saw our employees participating in the following activities:

Bringing smiles to the elderly

Twenty-two employees from CMS Cement Industries Sdn Bhd visited the Sibu Benevolent Society Nursing Home on 24 March 2019 for a spring cleaning. Our employees cleaned windows, mopped floors and ensured that the home's living room was squeaky clean.

Litter-free beach for Mukah Kaul Festival

On 6 April 2019, employees from CMS Roads Sdn Bhd's RMU in Mukah helped the Melanau community clean up Oya beach in preparation for the Mukah Kaul Festival. Volunteers carried out general works to clear rubbish and fallen trees found by the beach. The team's road-maintenance skills were also put to good use when they helped to level the ground surrounding the grandstand and paved a road from the Mukah river estuary leading up to the festival site.

Chipping in for the Sarawak Day 2019 celebrations

For the first time ever, Bintulu hosted the Sarawak Day celebrations on 29 June 2019 and employees from Samalaju Properties Sdn Bhd grouped together to help spruce up the town. Teams were dispatched around the event site to collect and discard trash found by the roadside and pavements. As a responsible organisation, CMS aims to continue its efforts in raising awareness on the importance of upkeeping the environment.

CMS Roads and PWD join forces for the community

CMS Roads Sdn Bhd's RMU in Serian and the Public Works Department of Serian got together on 3 August 2019, to carry out a joint CSR activity with the community of Kampung Antayan, Serian. The day saw the teams painting the All Saints Chapel and cleaning the surrounding area.

Keeping our beaches clean

With polythene bags in hand on 22 September 2019, some 41 volunteers from CMS Roads Sdn Bhd's RMUs in Saratok and Sri Aman gathered at Tanjung Kembang Beach, Saratok to clear beach litter.

Seberang beach gets cleaned up

National and international volunteers are pitching in around the world for the common goal of cleaning up our coastal waters and taking care of our beaches. To show support for green initiatives such as these, six volunteers from CMS Roads Sdn Bhd's RMU in Mukah joined the organising committee of PIBG SK Kampung Seberang, Mukah and the local community for their annual beach clean-up themed 'Sayangi Pantai Kita' on 12 October 2019.

**Corporate Philanthropy**

CMS remains committed to helping better society by lending financial support to causes that make a positive impact on local communities. A full list of these initiatives would be too extensive to report, but we continue to prioritise community development, sporting activities, health, education and culture. In FY 2019, we spent RM1,740,587 (2018: RM1,767,027; 2017: RM1,830,157) on philanthropic causes and donations. All donations and sponsorships were made to charitable and sporting events within Sarawak with the aim of assisting the receiving charity and strengthening CMS' image as a trusted community player.

In support of the Sarawak Blood Donor Society

On 4 January 2019, CMS sponsored 200 packets of Milo for the Sarawak Blood Donor Society in line with our support of their altruistic activities.

Empowering the youths of today, leaders of tomorrow

CMS sponsored two UNIMAS undergraduates to attend the Asian World Model United Nations (AWMUN) event in Bangkok from 30 January to 2 February 2019. AWMUN aims to provide youths aged 17 to 25 a platform to brainstorm ideas about ways to achieve the UN's Sustainable Development Goals (SDGs). It also aims to enhance their diplomatic, leadership and communication skills, as well as increase their analytical and critical thinking skills.

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ENVIRONMENTAL

SOCIAL: SOCIETY

- Employee Volunteerism and the CMS 'Doing Good' Culture

- Doing Good & Building Sustainable Communities**

- Building Sustainable Communities in the Vicinity of Mambong
- Continuing to do Good and Build Sustainable Communities
- Public Policy and Lobbying

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Building solid bonds among Sarawak's Muslim communities

Several Village Development and Security Committees (JKKK) in Sibul, Bintulu, Miri and Kuching received cheques under CMS' Adopt-A-Mosque Programme 2019 between 5 to 8 April 2019. Under the FY 2019 programme, CMS distributed over RM140,000 to 72 mosques and *suraus* throughout Sarawak. The funds were used to subsidise electricity and water bills of these mosques and *suraus*.

CMS' maiden CSR project in Vietnam

On 19 April 2019, under the auspices of COPE Private Equity Sdn Bhd (COPE), CMSB Director, Mr Peter Chin and Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, visited Diem Truong Thao Hong Den, a school located in the mountainous village of Sapa, Vietnam. During the first ever CSR initiative of its kind by CMS in Vietnam, employees enjoyed engaging with 180 Hmong children aged 6 to 10 years old.

CMS JV spearheads RM2.8 school rehabilitation project

Aiming to make long-term difference by uplifting and enhancing the lives of their communities, 25 April 2019 saw PPESW BPSB JV Sdn Bhd spearheading a school rehabilitation project at SK Engkabang in Saratok. The RM2.8 million upgrading project is expected to take a year to complete and will do much to improve the school's facilities.

Ramadhan - the month of blessings and giving

On 15 May 2019, CMS organised a majlis berbuka puasa with youngsters aged 2 to 19 years from Pertubuhan Kebajikan Amal Abadi, an NGO which aims to provide guidance to the *asnaf* (meaning the poor and needy) in general and Islamic knowledge. The children received duit raya which was presented by Group Managing Director, Dato Isaac Lugun.

CMS' sponsorship of the Rainforest World Music Festival 2019

CMS has been an ardent backer of the annual Rainforest World Music Festival since 2017. FY 2019 saw us supporting the event as a Gold Sponsor and contributing RM10,000 towards the festivities in line with our commitment to support the local tourism industry.

Sponsoring 100 desks for one of Sarawak's oldest school

As part of our continuous efforts to elevate communities, the Group sponsored 100 desks for a three-storey classroom block at one of the oldest schools in Sarawak, namely SMK St. Patrick, Mukah on 18 July 2019. Earlier in the year, CMS had also lent support towards the development of the school's Taekwondo Club.

Empowering young girls through the PurpleLily Aspiration and Leadership Camp

The year in review saw CMS continuing its sponsorship of the Third PurpleLily Aspiration and Leadership Camp via a RM24,000 contribution that was made on 17 October 2019. This three-day camp incorporating challenging mental and physical outdoor activities seeks to instil confidence, positive thinking and effective communication skills among young girls. Some 92 girls aged 15 to 19 attended the event organised by PurpleLily, an NGO committed to promoting financial literacy and female empowerment in Sarawak. CMS has been involved in the programme since 2017 and has to date contributed RM50,000 towards the camp over a three-year period.

CMS continues its support of the WAK festival

CMS has been a supporter of the What About Kuching (WAK) festival since 2017. On 1 October 2019, we donated RM10,000 towards the month-long festival which celebrates the arts, culture and lifestyle that is unique to Kuching.

CMS recognises best students at Career Development Conference

On 30 October 2019, Best Student awards were presented to three Year 2 Engineering students from Swinburne University of Technology (Sarawak Campus) during the Career Development Conference 2019. The awards were given out based on these students' academic achievements, extra-curriculum activities and societal contributions.





BUILDING SUSTAINABLE COMMUNITIES IN THE VICINITY OF MAMBONG

We continue to make strong advances in our community engagement efforts as we help to elevate the lives of people in communities across Sarawak. This is especially true of our efforts in the vicinity of the Mambong area in Kuching where CMS' Mambong Integrated Plant is situated. CMS Cement Industries Sdn Bhd or CMSCI is responsible for our operations in Mambong, as well as for ensuring the well-being of the communities in the vicinity through impactful engagement activities.

Employment

CMSCI continues to prioritise the recruitment of candidates from villages adjacent to the plant, subject to the suitability of candidates' qualifications, job skills and work experience. As at 29 August 2019, more than 50% of the Mambong Integrated Plant employees were from the villages within a 20 km radius of the plant.

English Reading Programme

CMSCI initiated an English reading programme for primary students of SK St. Augustine Mambong in 2016 to help them improve their mastery of the English language. Since the implementation of the programme, there has been an increase in the percentage of passes in English which in turn has contributed to the performance of the school. In FY 2019, there were more students who passed the Understanding English paper than there were that passed the Written English paper. There is scope for the standard of Written English to catch up with the standard of Understanding English and CMSCI will work together with the school to address this.

Academic Collaboration

As part of the continuous partnership between Tunku Putra School and SK St. Augustine Mambong, both schools extended their academic collaboration in FY 2019 with a renewed focus on learning together. Today, students continue to be equipped with language and literacy skills that include listening, speaking, reading and writing. In FY 2019, on top of the Primary 6 students, the reading programme was extended to Primary 4 and 5 students.

Annual Grant

CMSCI continues to support SK St. Augustine Mambong through the provision of an annual grant which the company has been contributing since 2014. The yearly grant of RM10,000 helps fund the school's activities for the year which include renting a photocopier to help prepare teaching/learning materials and examination papers. CMS employees also make regular book donations to the school to encourage students to cultivate a good reading habit and to re-emphasise that education is important for their future.

Supporting Extracurricular Activities

The company has always been very supportive of the education initiatives carried out by the school. For the year in review, CMSCI lent support through its sponsorship of a two-day UPSR Workshop that was held on 15-16 September 2019 to prepare and equip students with the right skills and techniques needed to answer the UPSR examination questions. CMSCI also sponsored a one-month long UPSR Intervention Programme (implemented between August and September 2019) to ensure 100% attendance by students preparing for the UPSR examination.

Since 2014, CMSCI has been providing incentives to students who achieved a minimum of 3As in their UPSR examination. Incentives are given to students to encourage them to perform better and achieve academic excellence.

Throughout the year in review, CMSCI supported a host of activities at SK St. Augustine Mambong. These are outlined below:



4 March 2019

Under the CMSCI School Engagement & Education Initiative, a UPSR Incentives Ceremony was organised for students who scored 3As and above in their 2018 examination. Three students of SK St. Augustine Mambong achieved 3As each while one student went on to score 6As in the UPSR examination. Students were accorded RM50 for each A they attained plus stationery.



7 August 2019

Under the Program Penghargaan Pelajar Tahun 6 (2019) to appreciate Year 6 students, a total of 16 students and 21 teachers were treated to a KFC lunch.

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August - September 2019

CMSCI sponsored the Program Intervensi UPSR 2019 at SK St. Augustine Mambong.



3 September 2019

The company took up the transportation costs to ferry Pre-school A and B students of SK St. Augustine Mambong to a fun learning activity at KLB Garden Tebedu.



13 September 2019

CMSCI donated several electrical items to the Parent-Teacher Association (PIBG) of SK St. Augustine Mambong for the School Sports Day held in late September 2019.



13 September 2019

CMSCI sponsored the UPSR 2019 Workshop held on 15-16 August 2019 at SK St. Augustine Mambong.



9 October 2019

CMSCI handed over the prizes for students achieving first, second and third placing for each of the 10 classes (Pre-School A and B, as well as Primary 1 to 6) for the school's Prize Giving Ceremony held in November 2019.



18 October 2019

CMSCI sponsored medals and trophies for SK St. Augustine Mambong's School Sports Day held in late September 2019.



31 October 2019

Following a Books Donation Drive by CMSCI, 90 storybooks were handed over to the Headmaster of SK St. Augustine Mambong.



5 December 2019

CMSCI continued its support of the School Engagement & Education Initiative for students of SK St. Augustine Mambong who sat for the 2019 UPSR examination.

BUILDING SUSTAINABLE COMMUNITIES IN THE VICINITY OF MAMBONG**Ongoing Open Dialogue with the Communities around Mambong**

As part of the Group's commitment to maintaining clear lines of communication and cultivating good relationships with the communities in the vicinity of Mambong, we continue to engage in open dialogue with them. Dialogue sessions take place on an annual basis and involve the Senior Management of CMS, CMSCI and the community leaders, as well as village heads or their representatives from the eight villages situated in and around the Mambong area. The latest roundtable session was held on 29 August 2019 between the various parties marking the sixth such session since it was first initiated in 2014.

Whenever there is a need to carry out surveys of quarry lands, we engage in open dialogue with the local communities that are affected first to ensure they are well informed of our activities and to ensure that we do not encroach upon their land.

To ensure compliance with DOE regulations, we conduct regular dust monitoring at Kampung Mambong and Kampung Sikog on a quarterly basis, as well as share the results of each dust monitoring survey with the community heads and village representatives. Our emissions from the plant have always been well below the permissible regulatory levels.

Where the issue of flooding in the Mambong area has been raised, our investigations have revealed that the floods in the area are the result of a combination of factors including low lying land, lack of proper drainage for the flow of water to the river, development of other projects, blockage of drainage channels, and siltation in the river. To mitigate instances of flooding, we widened the road and improved drainage during the construction of the Mambong cement mill. CMS also helps coordinate the collective input from government agencies such as the Public Works Department (Jabatan Kerja Raya or JKR), the Department of Irrigation and Drainage, and the Padawan Municipal Council in regards to these and other issues.

First Response Teams

The Group is ever ready to extend its support throughout the year, especially during the rainy season when there is a greater chance of a landslide, road collapse or flood taking place. On these occasions, our road maintenance crews serve as first responders who lend a helping hand to communities and get them back on their feet.

Other Engagement Activities

Today, our engagement efforts continue to bear fruit and we are enjoying a very healthy relationship with the communities in Mambong and the surrounding areas. Over the course of FY 2019, CMSCI undertook the following activities in the vicinity of Mambong:

4 January 2019

CMSCI contributed to the Sarawak Blood Donors Society (Pertubuhan Penderma Darah Sarawak) for their Blood Donation Campaign 2019 and the 2019 edition of the *Titik Merah Magazine*.

8 January 2019

The company supported the Sarawak Dayak National Union in the latter's bid to help less fortunate families and single mothers, provide funds for the children from poor families for their higher education, as well as aid victims of fires and floods.

14 January 2019

CMSCI sponsored the R.A.K. Company Sdn Bhd annual staff dinner held at the end of January 2019.

22 February 2019

CMSCI donated 30 bags of Portland Limestone Cement each weighing 50kg to the Kota Samarahan Fire and Rescue Station. The materials weighing the equivalent of 1.5 tonnes of cement went towards the construction of the station's field and recreational hut.

20 March 2019

CMSCI purchased coupons in support of Persatuan Kebajikan Harapan Trinity Kuching's Annual Food Fair-cum-Charity Bazaar 2019.

**2 April 2019**

The company handed over lucky draw prizes in the form of three electrical items for the Annual Sales Carnival organised by the Women's Fellowship of St. Augustine's Church, Kampung Mambong.

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23 May 2019

CMSCI sponsored lucky draw prizes in the form of three electrical items for the Biro Belia Kampung Sitang Sports Carnival.

24 May 2019

The company sponsored the St. Augustine's Church Kampung Mambong Patronal Day cum Pre-Gawai Dayak 2019 Celebration that was held on 25 May 2019.



31 May 2019

CMSCI donated electrical goods as lucky draw prizes for the 27th Anniversary of the Women's Fellowship of St. Michael's Chapel, Kampung Bratan held in late June 2019.

27 June 2019

CMSCI sponsored a dinner table for the Makan Malam Amal PDK Mambong 'Kami Bersama Mu' fundraising dinner held in early July 2019. Tickets were handed over to the Penghulu for distribution to all Village Heads of nearby villages.



27 June 2019

CMSCI also sponsored four electrical items as lucky draw prizes to PPDK Mambong for their Majlis Makan Malam Amal PDK Mambong 'Kami Bersama Mu' fundraising dinner held in early July 2019.



27 June 2019

CMSCI sponsored an electrical appliance as a lucky draw prize for the Ladies Guild of Our Lady of Lourdes Church, Kampung Sikog during their Gawai festival closing event held at the end of June 2019.

10 July 2019

CMSCI sponsored a dinner table in support of Biro Wanita Kampung Simboh held in late July 2019.

18 July 2019

The company donated concrete chipping to Rumah Kanak-Kanak Toh Puan Hajah Norkiah for the construction of a football field.

19 July 2019

CMSCI sponsored a dinner table in support of Pertubuhan Wanita Kampung Sikog.



24 July 2019

Two electrical appliances were donated to Biro Wanita Kampung Simboh as lucky draw prizes for their Majlis Makan Malam Biro Wanita dinner event.

30 August 2019

CMSCI donated ten tables to Balai Raya Kampung Sitang.



BUILDING SUSTAINABLE COMMUNITIES IN THE VICINITY OF MAMBONG



30 August 2019

CMSCI donated three used computers and one new printer to the PPK OKU Mambong centre.

30 August 2019

The company contributed one Cylindrical Polyethylene Water Tank to the St. Luke, The Evangelist Chapel.



3 September 2019

CMSCI handed over five electrical items as lucky draw prizes for the Biro Sukan dan Rekreasi Kampung Patung's Sales and Sports Fair held on 15 September 2019.

6 September 2019

CMSCI provided sponsorship for a dinner table for the Giam Reunion Dinner held on 7 September 2019.



17 September 2019

CMSCI handed over two electrical items to Kampung Sikog for their Majlis Pemimpin Bersama Rakyat which was held on 13 October 2019.



17 September 2019

The company donated 200 units plastic chairs to Balai Raya Kampung Bratan.



17 September 2019

CMSCI handed over three electrical items as lucky draw prizes for the Sukan Negara Tabika Kemas, Kampung Sikog event held on 12 October 2019.

17 September 2019

CMSCI lent support to SK Tabuan Hilir through undertaking landscaping and toilet upgrading works.

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20 September 2019

CMSCI handed over a donation of RM5,000 to SK St. Augustine Betong as they took part in the Bicara Berirama Competition. The school represented Sarawak at the national level event which took place at the Bukit Gambang Resort Kuantan in Pahang from 17-19 September 2019.

30 September 2019

The company sponsored one dinner table in support of the Jamuan Tahunan dan Anugerah Kecemerlangan Akademik Persatuan Biya Kuching 2019. Tickets were handed to the Penghulu for distribution to all Village Heads of nearby villages.

30 September 2019

CMSCI made a cash donation to Gereja SDA Kampung Menjau for the purchase of plastic chairs.



4 October 2019

CMSCI handed over three electrical items as lucky draw prizes for Persekutuan Pengakap Malaysia, Cawangan Sarawak's fund-raising dinner held on 5 October 2019.

29 October 2019

CMSCI provided sponsorship towards one dinner table in support of the Fundraising Dinner organised by Biro Wanita Kampung Bra'ang Payang in early November 2019.



31 October 2019

A Book Donation Drive for SJK Chung Hua Batu 10, Kota Padawan resulted in the collection of 53 books which were handed over to the school teachers.



31 October 2019

A total of 169 books were handed over to the school teachers of SMK Penrissen following a Book Donation Drive.



19 December 2019

CMSCI handed over five food hampers for a Christmas Eve Gathering at All Saints Church Pulapol, Kampung Bratan.



CONTINUING TO DO GOOD AND BUILD SUSTAINABLE COMMUNITIES

As CMS moves forward with its community efforts, we continue to rollout diverse initiatives that are leveraging on employee volunteerism to make a tangible impact on communities across Sarawak. Our aim is to ensure all the initiatives under our 'Doing Good & Building Sustainable Communities' banner impact and strengthen communities for the better in a sustainable manner.



The CMS 'Doing Good & Building Sustainable Communities' programme gained further momentum when CMSCI organised a 3 km Charity Run on 6 April 2019 at Mambong to raise funds for the disabled children of PPDK OKU Mambong. A total of 364 man-hours was dedicated towards the run.

As CMS moves forward to continue Doing Good and Build Sustainable Communities, we will be on the lookout for initiatives such as the refurbishing project at Kampung Murud Plaman or community support at Mambong whereby an entire village or community will benefit from the collective efforts of CMS volunteers and the locals.

To showcase the good work that is being done and to spur our people and others to serve the communities they work among, we are leveraging on the CMS 'Doing Good & Building Sustainable Communities' Facebook page (that was launched on 16 February 2019). This page not only highlights the good work CMS is doing, but also curates great CSR initiatives from Malaysia and around the world.

We continue to expand our CSR efforts to other areas where we can bring our wealth of resources and expertise into play. Today, we are collaborating with a university to develop projects whereby university students are exposed to the workings of the real world. Via this collaboration, we aim to help develop a final year industry-based project with potential commercial value that will go a long way in building up the engineers of tomorrow. At the same time, via embarking on our industrial lab partnership initiative whereby we are opening up our labs and resources to

researchers (be they lecturers or students), we are helping expand these researchers' knowledge on specific subject matter.

Barring unforeseen circumstances, come August 2020, we hope to organise the ever-popular CMS Tribal Run for the sixth consecutive year. The CMS Tribal Run 5.0 event which drew over 3,700 participants saw 100% of the RM154,800 in entry fees collected being divided equally among 12 charitable bodies throughout Sarawak. Through our Adopt-a-Mosque initiative, the Group will continue to support the Muslim communities in Sarawak by contributing RM2,000 to each of the 70 plus mosques and *suraus* under this programme.

To encourage the Group's employee volunteerism efforts moving forward, CMS' Senior Management team has been travelling throughout Sarawak to engage our people, harness their on-the-ground ideas, and persuade them to serve communities in a more impactful manner. Currently, the Group has nine RMUs across the State who are serving as ambassadors and first responders in times of need to the communities around them.

We are looking to get involved in supporting the expansion of a cultural centre located in Mukah which has been established to preserve the Melanau culture and heritage. While this proposal is still at the conceptual stage, it falls in neatly with our 'Doing Good & Building Sustainable Communities' initiative in that the success of this centre will do much to spur economic activities for the community at Mukah and other communities in the vicinity.

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PUBLIC POLICY AND LOBBYING

Today, CMS continues to serve as a member of the Sarawak Chamber of Commerce & Industry (SCCI), the pioneer trade chamber in Sarawak. The SCCI provides the network, opportunities and the supporting environment that helps businesses to maximise their competencies in the unique working environment that Sarawak offers. It has a presence across Sarawak, with regional committees in Kuching, Sibul, Bintulu and Miri.

CMS Cement Sdn Bhd and CMS Cement Industries Sdn Bhd are active members of the Cement & Concrete Association of Malaysia (C&CA). The C&CA works with the Government to formulate policies for the development of the cement industry. It also serves as a channel of communication with the Government and relevant organisations.

CMS Quarries Sdn Bhd is a member of the Sarawak Quarries Association (SQA). This Association serves as a platform for members to discuss industry related matters. The SQA organises activities such as dialogues sessions with regulatory departments, discussions on market trends and training from time to time.

CMS Wires Sdn Bhd is a member of the Malaysian Iron and Steel Industry Federation (MISIF). A primary function of the MISIF is to assist and support its members in carrying out their business efficiently and successfully. The MISIF supports its members through various activities including making representations to the Government on issues of concern, primarily those relating to policies on the steel industry.

CMS' Property Development Division is a member of the Sarawak Housing and Real Estate Developers' Association (SHEDA). SHEDA aims to provide a forum that will help advance the interests of companies engaged in property development with a view towards raising the standards of the industry and promoting goodwill amongst members.

Group HR has been a member of the Malaysian Employers Federation (MEF) since 2009. The MEF assists in providing training and relevant HR market updates (including regulatory and statutory updates) to its members. Group HR is also a member of the Federation of Malaysian Manufacturers and Sarawak Skills Development Centre (PPKS).

CMS is the first corporate rotary member of the Rotary Club of Kuching Central which supports community projects, the main one being the Preventive Blindness Project which carries out eye-screening services and performs cataract and pterygium operations in partnership with Sarawak's medical services. This project has benefited low-income communities in particular. The club also supports needy single mothers and their families.



Pillar:

3

Social:
Product
Responsibility

“The value and quality that our products and services deliver are of the utmost importance to us as this has a direct impact on customer satisfaction levels, as well as the safety and well-being of our customers.”

We have made it a priority to constantly monitor our operations to ensure that they align with the stringent quality management systems that we have implemented. The Group’s dedication to upholding product and service excellence is reflected in the many quality certifications that we continue to receive accreditation for.

PRIORITISING HIGH QUALITY PRODUCTS AND SERVICES

As part of efforts to ensure all raw materials and products measure up to specifications and customer requirements, the Cement Division has implemented a strict testing regime (as per the Quality Control Plan) whereby samples are collected and tested on regular basis by the Quality Control (QC) Section. In the event of any non-conformance, action is taken immediately to mitigate the root cause and to prevent recurrence. Production processes are monitored and adjusted where necessary to maintain consistent blending, calcining and grinding of materials. The finished products are tested at various stages including at production mills and silos to ascertain that products comply with the set perimeters.

All the Cement Division’s packaging materials (i.e. 50 kg and jumbo bags) are sourced from reputable suppliers and produced in accordance with our specifications. Incoming packaging materials are sampled and tested by the QC Section plus undergo two stages of trials in the plant and field before they can be accepted for commercial use. The materials to produce the bags must have the desired thickness, number of layers and paper type to be able to protect the cement within from external humidity and moisture so that this cement does not turn lumpy. Cement bags that comply with our specifications help to reduce breakage and thereby wastage.

Our commitment to upholding product excellence is also evident in the eco-friendly Portland Limestone Cement or PLC that we have introduced to the market. The product is manufactured by grinding a special blend of clinker, gypsum and high-quality limestone under stringent quality control measures. As it is ground to a higher fineness, the end result is a cement that boasts better water retention, cohesiveness and higher workability in mortar and concrete. The highly versatile PLC delivers multiple benefits and is more cost effective, thereby enabling construction players to derive better margins when using this product.

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- Prioritising High Quality Products and Services
- Our Commitment to Implementing Quality Systems

- Certificates of Registration with Relevant Authorities
- Safe Blasting
- Customer Privacy
- Customer Satisfaction
- Ethical Business Conduct

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OUR COMMITMENT TO IMPLEMENTING QUALITY SYSTEMS

We remain committed to continually improving the management systems across the Group. In 2004, PPES Works (Sarawak) Sdn Bhd became the first construction-based company in Sarawak to receive Integrated Management System (IMS) accreditation which encompasses:

- ISO 9001:2008 Quality Management Systems;
- ISO 14001:2004 Environmental Management Systems; and
- OHSAS 18001:2007 Occupational Health and safety Assessment Series Management Systems.

Today, CMS Property Development Sdn Bhd is applying the QLASSIC methodology to its projects. The Quality Assessment System in Construction or QLASSIC method is an independent method or system to measure and evaluate the quality of workmanship and finishes of building construction works. In addition, Samalaju Properties Sdn Bhd's project team and site personnel are working closely with their contractors' Quality Assurance and Quality Control teams to ensure that the end product satisfies client's architectural specifications and industry standards.

Samalaju Properties is in the process of pursuing the BCA Green Mark Certification which is a benchmarking scheme incorporating internationally recognised best practices in environmental design and performance.

The complete list of the Group's quality certifications is illustrated as follows:

QUALITY CERTIFICATIONS WITHIN THE GROUP

CMS Cement Industries Sdn Bhd (Pending Grinding Plant)

- ISO/IEC 17025 – since Dec 1996
- ISO 9001 – since Dec 1998
- ISO 14001 – since April 2001
- OHSAS 18001 – since Nov 2002
- 5S Certification – since Aug 2004

CMS Cement Industries Sdn Bhd

- ISO 9001 – since Nov 2009
- ISO/IEC 17025 – since June 2011
- ISO 14001 – since Sept 2012
- 5S Certification – since Nov 2009
- ISO 50001 – since May 2016
- OHSAS 18001 – since Nov 2013

CMS Cement Industries Sdn Bhd (Mambong Integrated Plant)

- ISO 9001 – since Nov 2009
- 5S Certification – since Nov 2009
- ISO/IEC 17025 – since June 2011
- ISO 14001 – since Sept 2012
- OHSAS 18001 – since Nov 2013
- ISO 50001 – since May 2016

CMS Cement Industries Sdn Bhd (Bintulu Grinding plant)

- ISO 9001 – since July 2003
- ISO/IEC 17025 – since May 2010
- ISO 14001 – since Feb 2008
- 5S Certification – since Sept 2007
- ISO 45001:2018 – since Nov 2019

CMS Premix Sdn Bhd (Sibu, Sarikei), Betong Premix Sdn Bhd & CMS Premix (Miri) Sdn Bhd (Miri & Bintulu)

- ISO 9001:2015

CMS Quarries Sdn Bhd

- IMS Certification (ISO 9001, ISO 14001 and ISO 18001)

CMS Concrete Products Sdn Bhd

- ISO 9001 – since Nov 2000
- 5S Certification – since Oct 2008
- CIDB IBS Status Manufacturer – since Dec 2011
- OHSAS 18001 – since Sept 2014
- SIRIM Product Listing Certificate – since Jan 2014

CMS Wires Sdn Bhd

- ISO 9001:2015

CMS Quarries Sdn Bhd & CMS Premix Sdn Bhd (Kuching only)

- IMS Certification (ISO 9001:2015, ISO 14001:2015 and ISO 18001)

CMS Roads Sdn Bhd

- IMS Certification (ISO 9001, ISO 14001 and ISO 18001) recertification Apr 2019

PPES Works (Sarawak) Sdn Bhd

- IMS Certification (ISO 9001, ISO 14001 and ISO 18001) recertification Nov 2019

CMS Pavement Tech Sdn Bhd

- ISO 9001 – recertification Oct 2019



CERTIFICATES OF REGISTRATION WITH RELEVANT AUTHORITIES

The Cement Division has obtained the necessary licenses to manufacture and sell from the relevant authorities which include Standards Malaysia, the Ministry of International Trade and Industry or MITI (for the Division's cement and clinker operations), as well as the Malaysian Investment Development Authority (MIDA) and the Construction Industry Development Board or CIDB Malaysia (for its cement manufacturing operations).

Each of the Group's quarries require licenses in order to operate a quarry and remove stone from the different parcels of land. The following is the list of licenses in hand:

- Sara Kuari Sdn Bhd (Stabar Quarry) – License to Quarry and Remove Stone (License No. KD/1/2001);
- Sibanyis Quarry – License to Quarry and Remove Stone (Licence No. KD/QL/1/2009);
- Akud Quarry – License to Quarry and Remove Stone (Licence No. KD/QL/02/1998); and
- Sebuyau Quarry – License to Quarry and Remove Stone (Licence No. SHD/1/1999).

Today, PPES Works (Sarawak) Sdn Bhd is registered with the various construction-related bodies. These include:

- The Construction Industry Development Board or CIDB Malaysia;
- The Ministry of Works (Malaysia) Contractor and Entrepreneur Development Division; and
- The Sarawak State Financial Secretary's Contractor and Consultant Registration Unit (UPKJ) with Class A.

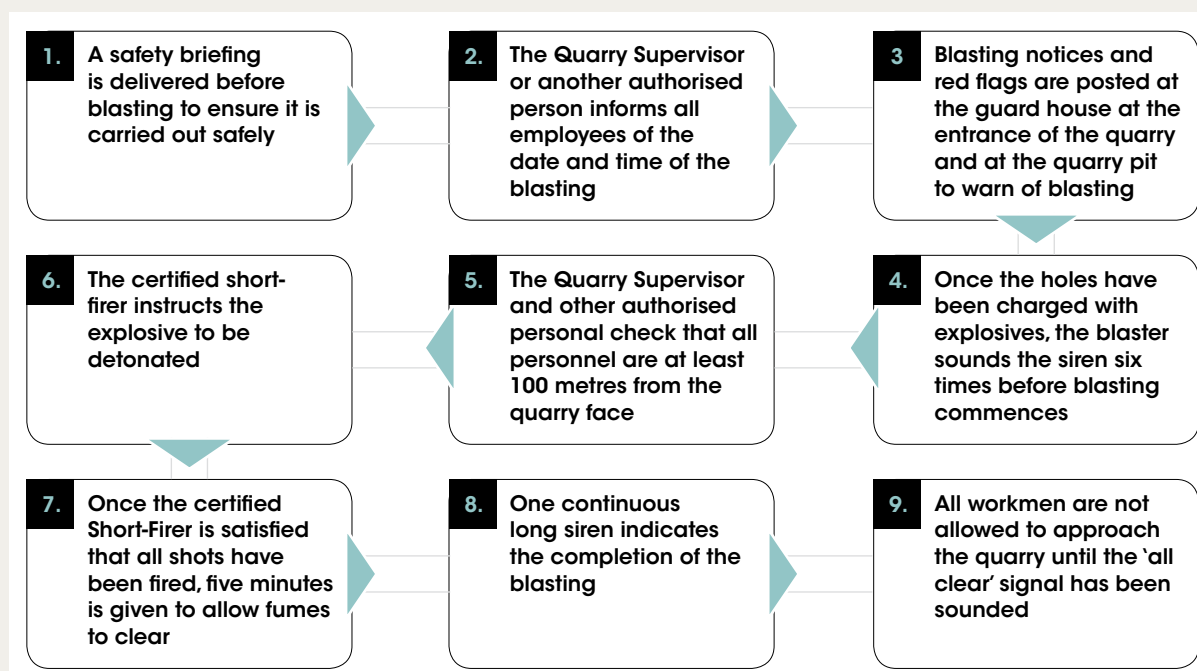
PPES Works (Sarawak) is also registered as a Grade G7 contractor with the CIDB allowing the company to undertake works of any value mainly relating to the construction of buildings, civil engineering, mechanical and electrical construction. As this registration is typically valid for a period of two to three years, the company's Business Development Department Manager together with the Compliance Department oversees and monitors all matters pertaining to registration. The various departments within the company assist them by providing the relevant supporting information.

- Prioritising High Quality Products and Services
- Our Commitment to Implementing Quality Systems
- **Certificates of Registration with Relevant Authorities**
- **Safe Blasting**
- Customer Privacy
- Customer Satisfaction
- Ethical Business Conduct

SAFE BLASTING

Our emphasis on stringent safety standards throughout all our operations remains a top priority. This is especially evident at the operations of CMS Quarries Sdn Bhd, which is responsible for ensuring that all blasting procedures at its quarries are strictly followed. When there is a need to undertake blasting, all nearby villages are notified by the blasting contractor, Amble Best Sdn Bhd, one day in advance. At the same time, a notice board has been set up at the quarry entrance which carries information on blasting dates and times.

Blasting operations require at least six workers, they include the Production & Maintenance Engineer, Quarry Supervisor, Chief Blaster, Mining Supervisor and Drillers. The blasting method at our quarries is explained in the following illustration:



CMS Quarries, which has a quarrying licence issued by the Land and Survey Department, strictly adheres to all regulatory requirements by the relevant authorities. A sample of its air blast and vibration monitoring results is portrayed below:

CMS Quarries Airblast and Vibration Monitoring Result 2019

No of times	Date	Time	Monitoring Location	No. of Holes	No. of Rows	Blasting Location	Vibration (mm/sec)	Noise (Air) [decibel (dBL)]	Remark
59	2019	10.4hrs	Sarawak Sentosa Theme Park	6 to 28	2 to 4	Stabar Quarry	2.686	108.454	Production Blasting

Notes:

Blasting Guideline Standard

- Vibration = 5.0 mm/s
- Airblast = 120 decibel

For 2019, the Stabar quarry recorded an average blasting vibration of 2.7 mm/s which was well within the Blasting Guideline Standard of 5 mm/s set by Jabatan Mineral dan Geosains (JMG). Its recorded air blasts were also within the Malaysian Recommended Air Quality Guideline maximum of 120 dBA.



CUSTOMER PRIVACY

In regard to customer privacy, CMS adheres to strict regulations and procedures to guarantee customers' personal data is duly protected. Our customers have the assurance that the CMS Group complies with the Personal Data Protection Act 2010 (PDPA), which regulates the processing and proper management of personal data in commercial transactions.

We do not disclose personal data unless it is:

- To regulatory authorities, government departments or agencies pursuant to the requirements of the law;
- To organisations associated with CMS;
- To CMS' strategic partners, professional advisers and third-party service providers which it engages from time to time; and
- Required or authorised by law or by court order.

CUSTOMER SATISFACTION

Customer satisfaction is fundamental to our operations as it helps us to gauge the performance of our subsidiary companies while providing us with insight into consumer trends. Each of our subsidiary companies carries out their own customer surveys from which all responses received, both positive and negative, are fully reviewed and analysed.

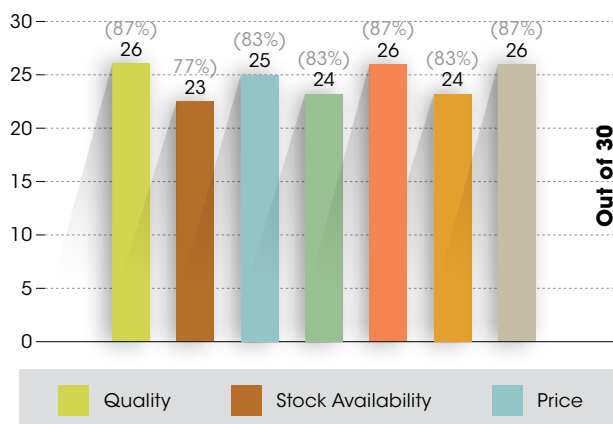
At the Cement Division, the Customer Satisfaction survey results for 2019 turned in an average score of 82%. This indicates that the Cement Division was able to maintain the intended levels of rapport and engagement with customers and dealers and is meeting their expectations.

For CMS Quarries, 83% of customers surveyed in 2019 (2018: 84%) rated the products and services it rendered as 'good'. At CMS Premix Sdn Bhd, 99.9% of customers surveyed in 2019 (2018: 99.9%) rated the products and services it rendered as 'good'. Meanwhile, at CMS Wires Sdn Bhd, 80.4% (2018: 81.5%) of customers surveyed rated the products and services it rendered as 'good'.

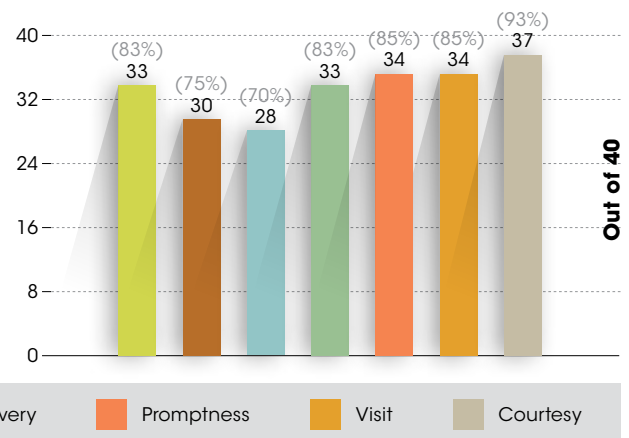
CMS Quarries uses a Customer Survey Form Log to capture data on elements such as quality, stock availability, price, delivery, promotions, visits and courtesy for analysis and for improvement purposes. The logs for the January-June 2019 and July-December 2019 periods below, which spell out the ratings for the aforementioned factors, also serve as samples of the information captured from our subsidiaries' customer satisfaction surveys.

CMS Quarries Sdn Bhd

Customer Survey Form Log January-June 2019



Customer Survey Form Log July-December 2019



At the Construction & Road Maintenance Division, the Client Satisfaction Survey Summary for 2019 Performance using evaluation criteria such as 'work done conforms to specifications', 'timeliness', as well as 'compliance with Safety & Health control requirements', yielded aggregated results that were consistently over 87.60% (2018: 75%). These results included that pertaining to surveys carried out at worksites in Bintulu, Lawas, Miri and Niah.

ETHICAL BUSINESS CONDUCT

CMS does not tolerate fraud, bribery or kickbacks within our operations and dealings. We are committed to conducting business across the board in an ethical manner that is founded upon the tenets of transparency, integrity and accountability. In support of this, we have implemented the Whistleblower Policy to encourage our staff and volunteers to come forward with credible information on illegal practices or violations.

Corruption

The Group has formalised policies and procedures to deal with corruption and improper conduct. Our Code of Ethics and Business Conduct strictly forbids:

- Bribes, kickbacks or payments of money;
- Gifts, loans, property, the use of services, entertainment or any other benefits more than a nominal value; and
- Making payments to any government employee or representative or to any other third party.

Our Group Internal Audit Department reviews the adequacy of systems and controls to manage corruption risks. We prioritise audit areas, as well as assess risks and their significance to the Group. All business units are analysed for risks related to corruption.

There were no identified incidents or reports in response to corruption in FY 2019.

Anti-Fraud Management

The Group has zero-tolerance for fraud and the practice of any other form of deception for the benefit of one person that causes loss to another. As part of anti-fraud policy compliance requirements, each employee is required to sign a form that states that they possess an understanding on what is constituted as fraud and that they agree to report any occurrences and suspected incidences of fraud.

Fraud Response Committee

We have also established a Fraud Response Committee which comprises appointed representatives from various Head Office Departments. Their responsibilities include:

- Investigating the circumstances of the suspected fraud and producing a written report;
- Securing records and assets including restrictions, as well as barring access to offices and systems;
- Determining whether the case should be reported to the police; and
- Deciding if the suspected employee should be suspended from work.

Whistleblowing

Even as the Group upholds high standards of conduct, we expect our employees to reflect the same ideologies when it comes to ethics, morals and legal business conduct. As such, we have provided the relevant platform for any employee or external party to 'blow the whistle', that is, to make a formal confidential disclosure to a member of Designated Authority (DA).

In the event of a policy violation, DA members refer suspected misconduct to the Board of Directors or Group Audit Committee. Misconduct consists of fraud, misappropriation, abuse of authority, corrupt practices or any other form of contravention or non-compliance with company policies and procedures. Employees are encouraged to raise serious concerns should they suspect any illegal or unethical behaviour in any part of the Group's operations.

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- **Customer Privacy**
- **Customer Satisfaction**
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Ensuring A Sustainable Future

“ — ”

As we set our sights on creating sustainable stakeholder value and ensuring the Group's long-term success, we are determined to uphold the agenda of sustainability and ensure it remains a top priority within CMS. It is only by genuinely committing to balancing out our strong economic performance with responsible environmental and social considerations, and then by executing this in a meticulous manner, will we be able to deliver true and sustainable value to our various stakeholders.

Although market conditions and the geopolitical outlook remain extremely challenging, CMS will continue to leverage on a three-pronged strategic response to achieve its next phase of growth. This will see us working to reposition and fortify all our traditional core businesses, fully implement and grow our strategic businesses, as well as reposition and strengthen the CMS brand. We are cautiously optimistic that the plan for our core businesses and strategic investments to contribute equally to our profits will create a sustainable growth pathway for us in the long-term. At the same time, we will tap a host of supporting initiatives and key foundation stones to help us maintain our momentum.

We expect our reinvigorated Sustainability Blueprint to provide us the impetus that we need to build upon the many impactful sustainability initiatives already in place. Given the stronger Board and Management oversight in this area, we expect to see the agenda of sustainability growing from strength to strength within CMS and cascaded down in a more vigorous manner throughout our organisation and business framework.

Moving forward, CMS will work diligently to rise above all challenges and capitalise on select opportunities. As we do so, we remain committed to carrying out our business in a responsible manner by upholding good Economic, Environmental and Social performance. Our plan going forward is simple.

On the Economic front, we will work to ensure that all our core businesses and strategic investments deliver performances that align with our five-year plan. We will focus our efforts on optimising cost structures, upholding excellence and driving innovation throughout our operations to enhance business efficiency and strengthen our competitive edge.

On the Environmental front, recognising how important it is to mitigate the impact of our business activities on our surroundings, we are committed to expanding and improving our KPIs, policies, technologies and environmental practices. This will help us to conserve and maintain our ecosystems for future generations in a more effective and sustainable

manner. We will also strengthen the momentum of the solid R&D work we have achieved at Samalaju in the area of managing scheduled wastes and by-products, as well as assist industries and the State to develop tangible, and sustainable solutions in this area. We will continue to develop innovative products like our eco-friendly Portland Limestone Cement to help end users undertake their projects in a more cost effective and efficient manner.

In terms of our Social obligations, CMS will leverage on continuous employee training to augment operational efficiencies and productivity, as well as rollout Group-wide teambuilding initiatives to strengthen the esprit de corps within the Group.

Last but not least, we will continue to implement meaningful CSR activities leveraging on employee volunteerism under the 'CMS Doing Good & Building Sustainable Communities' banner. With the staff of our nine RMUs across the State already actively serving as ambassadors to the communities around them, as well as first responders who are ready to be mobilised and coordinate relief efforts in times of natural disasters, we are well-positioned to impact communities across Sarawak and entrench ourselves in a firmer manner among them. As our Senior Management travels to all areas of our business to engage with our people and tap their on-the-ground ideas to serve communities, we expect to take our CSR efforts up several notches.

As we move forward to embrace a highly competitive and ambiguous landscape characterised by disruption on so many levels, business unusual will be the norm. The key is to continue evolving to remain relevant in the face of the daunting challenges. As such, as we work to embed business sustainability within our working culture in a more significant manner, we will also work to ensure that our EES practices evolve in a manner that are relevant to all our stakeholders. Only then, can we be confident of achieving meaningful long-term, sustainable growth and accelerating closer towards our ambition of becoming the 'PRIDE of Sarawak and Beyond'.

Aligning with the Sustainability Development Goals

“ — ”

The United Nations' Sustainability Development Goals or SDGs represent a collection of 17 global goals designed to be a “blueprint to achieve a better and more sustainable future for all” by the year 2030.






In adopting mutually agreed upon global goals that define what really matters for the future, individuals, organisations and governments worldwide now have a reference point by which they can agree on and act upon.

The SDGs also function as a universal framework for the private sector which can be leveraged on to harness the combined potential of industry peers and drive collaboration across sectors. Businesses that choose to align with the SDGs now have a shared guide and metrics by which to evaluate progress. More importantly these businesses now have a mutual universal lens through which to transform the world's needs and ambitions into business solutions. The SDGs also accord businesses a framework by which they can

better manage their risks, anticipate consumer demand, build positions in growth markets, secure access to needed resources, and strengthen their supply chains, while advancing the world towards a sustainable and inclusive development path.

While CMS' agenda of sustainability is already well supported by an effective EES framework, as part of our efforts to strengthen our sustainability endeavours for the long-term, we have taken some initial steps to align with 11 of the 17 SDGs that are most relevant to our business. This initiative will ensure we have a common guide and metrics by which we can measure our sustainability endeavours as we join the thousands of other like-minded organisations who are intent on achieving a better and more sustainable future for all.

As CMS aligns with the United Nations' 2030 Agenda for Sustainable Development, the following 11 SDGs will guide us in our endeavours:

SDG Goals	CMS Activities Aligned to the SDGs	Page Numbers
	<ul style="list-style-type: none"> √ Section Heading • Sub-section title <ul style="list-style-type: none"> √ Employee Engagement √ Employee Health √ Occupational Safety and Health (OSH) 	<ul style="list-style-type: none"> p. 74 pp. 75-77 pp. 69-71
	<ul style="list-style-type: none"> √ Competitive Benefits <ul style="list-style-type: none"> • Educational Assistance √ Training and Education √ Building Sustainable Communities in the Vicinity of Mambong 	<ul style="list-style-type: none"> p. 73 p. 78 pp. 90-91
	<ul style="list-style-type: none"> √ Embracing a Diverse Workforce 	<ul style="list-style-type: none"> pp. 64-65
	<ul style="list-style-type: none"> √ Water Management <ul style="list-style-type: none"> • Using Recycled Water to Cool Machinery • Water Management: Rainwater Harvesting Programme √ Water Pollution 	<ul style="list-style-type: none"> p. 36 p. 36 pp. 37-38
	<ul style="list-style-type: none"> √ Energy Management <ul style="list-style-type: none"> • Implementing ISO 50001 throughout CMS' Cement Division • Improving Energy Efficiency at the Cement Division • Use of Energy Efficient Lighting throughout the Group 	<ul style="list-style-type: none"> p. 31 p. 32 p. 33

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SDG Goals	CMS Activities Aligned to the SDGs √ Section Heading • Sub-section title	Page Numbers
	√ Employment Practices √ Upholding Human Rights – Respecting and Protecting our Workers √ Performance Management √ Competitive Benefits √ Succession Planning	p. 68 p. 72 p. 73 p. 79 pp. 66-67
	√ In Support of CMS' Three-pronged Strategy <ul style="list-style-type: none"> • Bolstering Digitalisation and Innovation √ Materials Management <ul style="list-style-type: none"> • Innovative Use of Scheduled Wastes and By-products • Alternative Fuels and Raw Materials Initiatives • Reusing Waste in the Production of Clinker • Tyre-derived Fuel • Manganese Slag Premix Aggregates Replacement for Road-based Materials • Cold-in-Place Recycling • Revitalising the Industrialised Building System (IBS) Business 	pp. 21-23 pp. 39-41 p. 44 p. 45 p. 46 p. 46 p. 46 p. 46
	√ Doing Good & Building Sustainable Communities <ul style="list-style-type: none"> • Rebuilding Communities • Sustaining Charitable Organisations • Environmental & Health Awareness Programmes • Saving Lives • Community Clean-Ups/<i>Gotong-Royong</i> • Corporate Philanthropy √ Building Sustainable Communities in the Vicinity of Mambong √ Continuing to Do Good and Build Sustainable Communities	pp. 82-84 p. 85-86 p. 87 p. 87 p. 88 pp. 88-89 pp. 90-95 p. 96
	√ Materials Management √ Waste Management p. 60 √ Air and GHG Emissions, Dust, Noise and Vibrations Management <ul style="list-style-type: none"> • Noise Monitoring √ Environmental Compliance √ Our Commitment to Implementing Quality Systems √ Certificates of Registration with Relevant Authorities √ Safe Blasting	p. 47-50 p. 63 p. 99 p. 100 p. 101 p. 46
	√ Air and GHG Emissions, Dust, Noise and Vibrations Management <ul style="list-style-type: none"> • Climate Change and Green House Gas Emissions Management 	pp. 56-58
	√ Biodiversity √ CMS Eco Wall Panel	p. 63 pp. 60-62

Adopting the GRI Standards for Greater Transparency

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This year marks CMS' maiden attempt to formally adopt the GRI Sustainability Reporting Standards (GRI Standards), the first and most widely adopted global standards for sustainability reporting.

The GRI Standards feature a modular, interrelated structure, and represent the leading global standards that organisations are using to report on a range of economic, environmental and social (EES) impacts, as well as the manner in which they are contributing towards sustainable development.

The GRI Standards are also a trusted reference for policy makers and regulators (including stock exchanges) worldwide – they serve to encourage and enable credible non-financial reporting by the companies under their jurisdictions. CMS' move to adopt the GRI Standards underscores our efforts to

report both the positive and negative impacts of our businesses in a transparent and cohesive manner that is readily accessible by all stakeholders. By more effectively understanding, managing and disclosing our impacts, we are in a better position today to improve our strategic decision-making, mitigate risks, pinpoint business opportunities and strengthen stakeholder relationships.

In referencing the content below please refer to CMS's Sustainability Report 2019 and our Annual Integrated Report 2019.

GRI INDEX CONTENT

GRI Standards	Disclosure	Page number(s) and/or URL(s)
GRI 102: GENERAL DISCLOSURES		
102-1	Name of the organisation	About This Report, p. 1
102-2	Activities, brands, products, and services	Who We are today, p. 2
102-3	Location of headquarters	Back Cover
102-4	Location of operations	Who We Are Today, p. 3
102-5	Ownership and legal form	Who We Are Today, p. 2
102-6	Markets served	Who We Are Today, pp. 2-3
102-7	Scale of the organisation	Who We Are Today, pp. 2-3
102-8	Information on employees and other workers	CMS' Diversified Workforce, pp. 64-65
102-9	Supply chain	Who We Are Today, p. 2
102-10	Significant changes to the organisation and its supply chain	Strengthening CMS' Leadership Bench, p. 21
102-11	Precautionary Principle or approach	a. Robust Risk Management and Governance Measures, p. 27 b. Integrated Annual Report 2019, pp. 98-101
102-13	Membership of associations	Public Policy and Lobbying, p. 97
102-14	Statement from senior decision-maker	Message from Our Group Managing Director, pp. 6-9
102-15	Key impacts, risks, and opportunities	Robust Risk Management and Governance Measures, p. 27
102-16	Values, principles, standards, and norms of behaviour	a. Who We Are Today, p. 2 b. Robust Risk Management and Governance Measures, p. 27 c. Ethical Business Conduct, p. 103 d. CMS Website, http://www.cmsb.my/about-us/corporate-governance-2-2-2/

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GRI 102: GENERAL DISCLOSURES (CONT'D)		
102-17	Mechanisms for advice and concerns about ethics	a. Upholding Sustainable Procurement, p. 28 b. Whistleblowing, p. 103 c. CMS Website, http://www.cmsb.my/about-us/corporate-governance-2-2-2/whistleblowing-2/
102-18	Governance structure	a. Robust Risk Management and Governance Measures, p. 27 b. Integrated Annual Report 2019, pp. 100-119 c. CMS Website – Corporate Governance Report, http://www.cmsb.my/about-us/corporate-governance-2-2-2/board-committees-2/
102-19	Delegating authority	a. Integrated Annual Report 2019, p. 120-121 b. CMS Website, http://www.cmsb.my/about-us/board-of-directors/
102-20	Executive-level responsibility for economic, environmental, and social topics	Integrated Annual Report 2019, pp. 106-119
102-21	Consulting stakeholders on economic, environmental, and social topics	Integrated Annual Report 2019, pp. 120-121
102-22	Composition of the highest governance body and its committees	Integrated Annual Report 2019, pp. 120-121
102-23	Chair of the highest governance body	Integrated Annual Report 2019, pp. 120-121
102-24	Nominating and selecting the highest governance body	Integrated Annual Report 2019, pp. 120-121
102-25	Conflicts of interest	Time Commitment and Conflicts, p.123
102-26	Role of highest governance body in setting purpose, values, and strategy	Integrated Annual Report 2019, pp. 120-121
102-27	Collective knowledge of highest governance body	Integrated Annual Report 2019, pp. 120-121
102-28	Evaluating the highest governance body's performance	Integrated Annual Report 2019, pp. 124-127
102-29	Identifying and managing economic, environmental, and social impacts	Integrated Annual Report 2019, pp. 120-121
102-30	Effectiveness of risk management processes	Integrated Annual Report 2019, pp. 134-135
102-31	Review of economic, environmental, and social topics	Integrated Annual Report 2019, pp. 120-121
102-32	Highest governance body's role in sustainability reporting	Integrated Annual Report 2019, pp. 120-121
102-33	Communicating critical concerns	Integrated Annual Report 2019, pp. 128-137
102-34	Nature and total number of critical concerns	Integrated Annual Report 2019, pp. 128-137
102-35	Remuneration policies	Integrated Annual Report 2019, pp. 126-127
102-36	Process for determining remuneration	Integrated Annual Report 2019, pp. 126-127
102-37	Stakeholders' involvement in remuneration	Integrated Annual Report 2019, pp. 126-127
102-40	List of stakeholder groups	Our Four Stakeholder Group Model, pp. 10-11
102-42	Identifying and selecting stakeholders	Our Four Stakeholder Group Model, pp. 10-11
102-43	Approach to stakeholder engagement	Our Four Stakeholder Group Model, pp. 10-11
102-44	Key topics and concerns raised	Materiality Mapping, pp. 12-13 Integrated Annual Report 2019, pp. 8-9
102-45	Entities included in the consolidated financial statements	Integrated Annual Report 2019, pp. 28 and 30
102-46	Defining report content and topic Boundaries	About This Report, p. 1
102-47	List of material topics	Materiality Mapping, pp. 12-13
102-48	Restatements of information	No restatements of information.

GRI Standards	Disclosure	Page number(s) and/or URL(s)
GRI 102: GENERAL DISCLOSURES (CONT'D)		
102-49	Changes in reporting	There is no significant difference in major topics and boundaries.
102-50	Reporting period	About This Report, p. 1
102-51	Date of most recent report	About This Report, p. 1
102-52	Reporting cycle	About This Report, p. 1
102-54	Claims of reporting in accordance with the GRI Standards	About This Report, p. 1
102-55	GRI content index	Adopting the GRI Standards for Greater Transparency, pp. 107-115
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103-2	The management approach and its components	Materiality Mapping, pp. 12-13
103-3	Evaluation of the management approach	Materiality Mapping, pp. 12-13
GRI 201: ECONOMIC PERFORMANCE		
103-1	Explanation of the material topic and its Boundary	Economic, pp. 14-16
103-2	The management approach and its components	Laying Strong Foundations for CMS' Second Wave of Growth, pp. 16-20 In Support of CMS' Three-Pronged Strategy, pp. 21-22
103-3	Evaluation of the management approach	Laying Strong Foundations for CMS' Second Wave of Growth, pp. 16-22
201-1	Direct economic value generated and distributed	Our 2019 Performance Highlights and Achievements, pp. 4-5
201-2	Financial implications and other risks and opportunities due to climate change	a. Climate Change and Green House Gas Emissions Management, p. 56 b. Risk Analysis of Climate Change at Cement Division, p. 58
201-3	Defined benefit plan obligations and other retirement plans	Retirement Benefits, p. 74
201-4	Financial assistance received from government	No financial assistance received from the government
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103-1	Explanation of the material topic and its Boundary	Social: Labour Practices and Decent Work, pp. 64-65
103-2	The management approach and its components	Employment Practices, pp. 68-69
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103-2	The management approach and its components	a. Doing Good & Building Sustainable Communities, pp. 82-89 b. Building Sustainable Communities in the Vicinity of Mambong, pp. 90-95
103-3	Evaluation of the management approach	Continuing to Do Good and Build Sustainable Communities, p. 96
203-1	Infrastructure investments and services supported	Doing Good & Building Sustainable Communities, p. 81
203-2	Significant indirect economic impacts	Doing Good & Building Sustainable Communities, p. 81
GRI 205: Anti-Corruption		
103-1	Explanation of the material topic and its Boundary	Ethical Business Conduct, p. 103
103-2	The management approach and its components	Ethical Business Conduct, p. 103
103-3	Evaluation of the management approach	Ethical Business Conduct, p. 103
205-1	Operations assessed for risks related to corruption	a. Robust Risk Management and Governance Measures, p. 27 b. Ethical Business Conduct, p. 103
205-2	Communication and training about anti-corruption policies and procedures	a. Robust Risk Management and Governance Measures, p. 27 b. Training and Education, p. 78
205-3	Confirmed incidents of corruption and actions taken	Ethical Business Conduct, p. 103
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103-3	Evaluation of the management approach	Energy Management, pp. 30-34
302-1	Energy consumption within the organisation	Electricity Consumption at CMS, p. 34
302-4	Reduction of energy consumption	a. Improving Energy Efficiency at the Cement Division, p. 32 b. Use of Energy Efficient Lighting throughout the Group, p. 33
GRI 303: WATER AND EFFLUENTS		
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103-2	The management approach and its components	Water Management, pp. 35-36
103-3	Evaluation of the management approach	a. Water Management, pp. 35-36 b. Water Pollution, pp. 37-38
303-1	Water withdrawal by source	Water Management, pp. 35-36
303-2	Water sources significantly affected by withdrawal of water	Water Management, pp. 35-36
303-3	Water recycled and reused	Using Recycled Water to Cool Machinery & Rainwater Harvesting Programme, pp. 36
303-5	Water consumption	Water Consumption at CMS, p. 35

GRI Standards	Disclosure	Page number(s) and/or URL(s)
GRI 304: BIODIVERSITY		
103-1	Explanation of the material topic and its Boundary	Biodiversity, p. 60
103-2	The management approach and its components	Biodiversity, pp. 60-63
103-3	Evaluation of the management approach	Biodiversity, pp. 60-63
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Biodiversity, pp. 60-63
304-2	Significant impacts of activities, products, and services on biodiversity	Biodiversity, pp. 60-63
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103-3	Evaluation of the management approach	Air and GHG Emissions, Dust, Noise and Vibrations Management, pp. 51-59
305-1	Direct (Scope 1) GHG emissions	Air and GHG Emissions, Dust, Noise and Vibrations Management, p. 57
305-2	Energy indirect (Scope 2) GHG emissions	Air and GHG Emissions, Dust, Noise and Vibrations Management, p. 57
305-3	Other indirect (Scope 3) GHG emissions	Air and GHG Emissions, Dust, Noise and Vibrations Management, p. 57
305-6	Emissions of ozone-depleting substances (ODS)	There are no ODS emissions within CMSB's operations
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Air and GHG Emissions, Dust, Noise and Vibrations Management, p. 54
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306-2	Waste by type and disposal method	Waste Management, pp. 47-50
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GRI 307: ENVIRONMENTAL COMPLIANCE		
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GRI 402: LABOUR/MANAGEMENT RELATIONS		
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103-3	Evaluation of the management approach	a. Occupational Safety and Health (OSH), p. 76 b. CMS Safety Month, p. 77
403-1	Workers representation in formal joint management-worker health and safety committees	a. Group Safety Taskforce, p. 75 b. Health, Safety, Security & Environment Department, p. 75
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	a. Group Safety Taskforce, p. 75 b. Health, Safety, Security & Environment Department, p. 75 c. Lost-time Injury Rate (LTIR), p. 76
403-3	Workers with high incidence or high risk of diseases related to their occupation	High Risk Occupational Activities, p. 76
403-4	Health and safety topics covered in formal agreements with trade unions	Occupational Safety and Health (OSH), p. 75
403-5	Worker training on occupational health and safety	a. Group Safety Taskforce, p. 75 b. Safety and Health Programmes, p. 76 c. CMS Safety Month, p. 77
403-6	Promotion of worker health	Employee Health, p. 74
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety and Health (OSH), p. 75
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405-1	Diversity of governance bodies and employees	Embracing A Diverse Workforce, pp. 64-65
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406-1	Incidents of discrimination and corrective actions taken	Fair Treatment for All, p. 65
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103-3	Evaluation of the management approach	Employment Practices, pp. 66-67
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	a. Freedom of Association, p. 67 b. Collective Bargaining, p. 67

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103-3	Evaluation of the management approach	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
408-1	Operations and suppliers at significant risk for incidents of child labour	Prevention of Child Labour, p. 68
GRI 409: FORCED OR COMPULSORY LABOUR		
103-1	Explanation of the material topic and its Boundary	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
103-2	The management approach and its components	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
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409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Prevention of Forced Labour, p. 68
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103-2	The management approach and its components	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
103-3	Evaluation of the management approach	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
412-1	Operations that have been subject to human rights reviews or impact assessments	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
412-2	Employee training on human rights policies or procedures	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Upholding Human Rights – Respecting and Protecting Our Workers, p. 68
GRI 413: LOCAL COMMUNITIES		
103-1	Explanation of the material topic and its Boundary	Employee Volunteerism and the CMS 'Doing Good' Culture, p. 80
103-2	The management approach and its components	Doing Good & Building Sustainable Communities, p. 81
103-3	Evaluation of the management approach	Doing Good & Building Sustainable Communities, p. 82
413-1	Operations with local community engagement, impact assessments, and development programmes	Building Sustainable Communities in The Vicinity of Mambong, pp. 90-95
413-2	Operations with significant actual and potential negative impacts on local communities	Building Sustainable Communities in The Vicinity of Mambong, p. 92
GRI 414: SUPPLIER SOCIAL ASSESSMENT		
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414-1	New suppliers that were screened using social criteria	Upholding Sustainable Procurement, p. 28
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103-1	Explanation of the material topic and its Boundary	Social: Product Responsibility, p. 98
103-2	The management approach and its components	Social: Product Responsibility, pp. 99-100
103-3	Evaluation of the management approach	Social: Product Responsibility, pp. 101-103
416-1	Assessment of the health and safety impacts of product and service categories	Customer Privacy, p. 102
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	There is no irregularity.
GRI 417: MARKETING AND LABELING		
103-1	Explanation of the material topic and its Boundary	Social: Product Responsibility, p. 98
103-2	The management approach and its components	Social: Product Responsibility, pp. 99-100
103-3	Evaluation of the management approach	Social: Product Responsibility, pp. 101-103
417-1	Requirements for product and service information and labelling	Prioritising High Quality Products and Services, p. 98
417-2	Incidents of non-compliance concerning product and service information and labelling	Customer Satisfaction, p. 102
417-3	Incidents of non-compliance concerning marketing communications	There is no non-compliance with regulations.
GRI 418: CUSTOMER PRIVACY		
103-1	Explanation of the material topic and its Boundary	Social: Product Responsibility, p. 98
103-2	The management approach and its components	Social: Product Responsibility, pp. 99-100
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418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy, p. 102
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103-2	The management approach and its components	Ethical Business Conduct, p. 103
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