

SUSTAINABILITY  
REPORT  
2016

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# STRENGTHENING OUR SUSTAINABILITY MOMENTUM ▶▶▶

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CAHYA MATA SARAWAK



I-nova



# STRENGTHENING OUR SUSTAINABILITY MOMENTUM



## ECONOMIC



## ENVIRONMENTAL



## SOCIAL PERFORMANCE

Cahaya Mata Sarawak Berhad's 2016 Sustainability Report portrays East Malaysia's first Integrated Cement Plant on its cover. Launched in November 2016 amidst external headwinds that buffeted both CMS and the State, the new facility will help meet rising demand for cement in Sarawak, as well as materially reduce the risk of supply disruptions for the long-term.

Today, CMS is steadfastly rising above 2016's setbacks and is back on track to achieve its sustainability ambitions. We continue to leverage on strong underlying fundamentals to strengthen our growth momentum. These include the host of initiatives we have rolled out on the Economic, Environmental and Social (EES) fronts. Through our continued focus on balancing our economic ambitions with our environmental and societal commitments, we are creating a long-term, sustainable growth pathway for CMS, as well as continued value creation for our stakeholders. As we maximise our participation in the Sarawak growth story, we undoubtedly remain one of the best proxy-listed investments for Sarawak's dynamic growth.



# OUR VISION

To be the PRIDE of Sarawak & Beyond

# OUR STAKEHOLDERS

Our Shareholders, Staff, Customers & Community

# OUR MISSION

**P R I D E**

Producing Quality, On Spec & On Time

Respect & Integrity

Improving, Innovating & Investing in People

Delivering Sustainable Growth

Environmentally Conscious,  
Safe & Conducive Workplace



This Sustainability Report  
is available at  
[www.cmsb.com.my](http://www.cmsb.com.my)

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## REPORTING PERIOD

1 January to 31 December 2016  
(Financial Year or FY 2016) unless specified

## REPORTING CYCLE

Annually

## COVERAGE\*

### • Cahya Mata Sarawak's Departments and Divisions:

- Head Office Departments
  - Cement Division
- Construction Materials & Trading Division
- Construction & Road Maintenance Division
  - Property Development Division
  - Samalaju Development Division
- Information & Communication Technology Division

\* Note that the activities of the Group's Associate Companies are not covered in this Sustainability Report.

## REFERENCES AND GUIDELINES

- Global Reporting Initiative (GRI) G4 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

This is Cahya Mata Sarawak Berhad's (CMS or the Group) second Sustainability Report, which discloses our sustainability achievements in a transparent and objective manner in line with the Global Reporting Initiative or GRI Guidelines. This Report serves as a tool to demonstrate to our stakeholders and other interested parties how we continued to undertake our operations in a responsible and sustainable manner throughout 2016.

Together with our Annual Report 2016, which highlights the financial aspects of our business, these two reports provide a clear, comprehensive and transparent representation of our performance in managing the Economic, Environmental and Social (EES) aspects of our operations. The chart illustrated on the left contains detailed information on the scope and criteria used when preparing this Report.

# OUR BUSINESS

WITH SOME 42 YEARS TO ITS NAME, CAHYA MATA SARAWAK BERHAD (CMS) CONTINUES TO REINFORCE ITS POSITION AS SARAWAK'S LEADING INFRASTRUCTURE FACILITATOR AND A PRIME MOVER IN SARAWAK'S GROWTH STORY. DESPITE CHALLENGING MARKET CONDITIONS, THE GROUP HAS STEADFASTLY MAINTAINED ITS GROWTH MOMENTUM - ITS SOLID PROGRESS A REFLECTION OF SARAWAK'S OWN DYNAMIC PROGRESS.

Tracing its humble origins back to cement manufacturing, CMS has successfully diversified into the manufacturing and trading of Cement and Construction Materials; Construction; Road Maintenance; Alloys Smelting; Township, Property and Infrastructure Development; Education; and Financial Services. In 2015, CMS expanded its core capabilities as an infrastructure facilitator by venturing into the telecommunications infrastructure arena.

As Sarawak moves into a new era of growth with the Sarawak Corridor of Renewable Energy (SCORE), CMS' expansion path too is moving into a new trajectory to take advantage of the business investment opportunities in energy-intensive industries and Sarawak's infrastructure and related needs. Given the vast business potential within SCORE and throughout the State of Sarawak, CMS is in an ideal position to leverage on its strong balance sheet, local knowledge, an experienced management team and a synergised portfolio of Sarawak-based businesses to maximise its participation in the Sarawak growth story.

CMS is listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Malaysian stock exchange.



Cement & Clinker



Education



Construction



Ferrosilicon and  
Manganese Alloys  
Smelting





Construction  
Materials Trading  
& Agencies





Financial Services




 Industrialised Building System (IBS) Products & Solutions


 Project Management


 Steel Pipe Manufacturing & Laying


 Township & Property Development


 Precast Concrete Products


 Road Maintenance


 Stone Aggregates

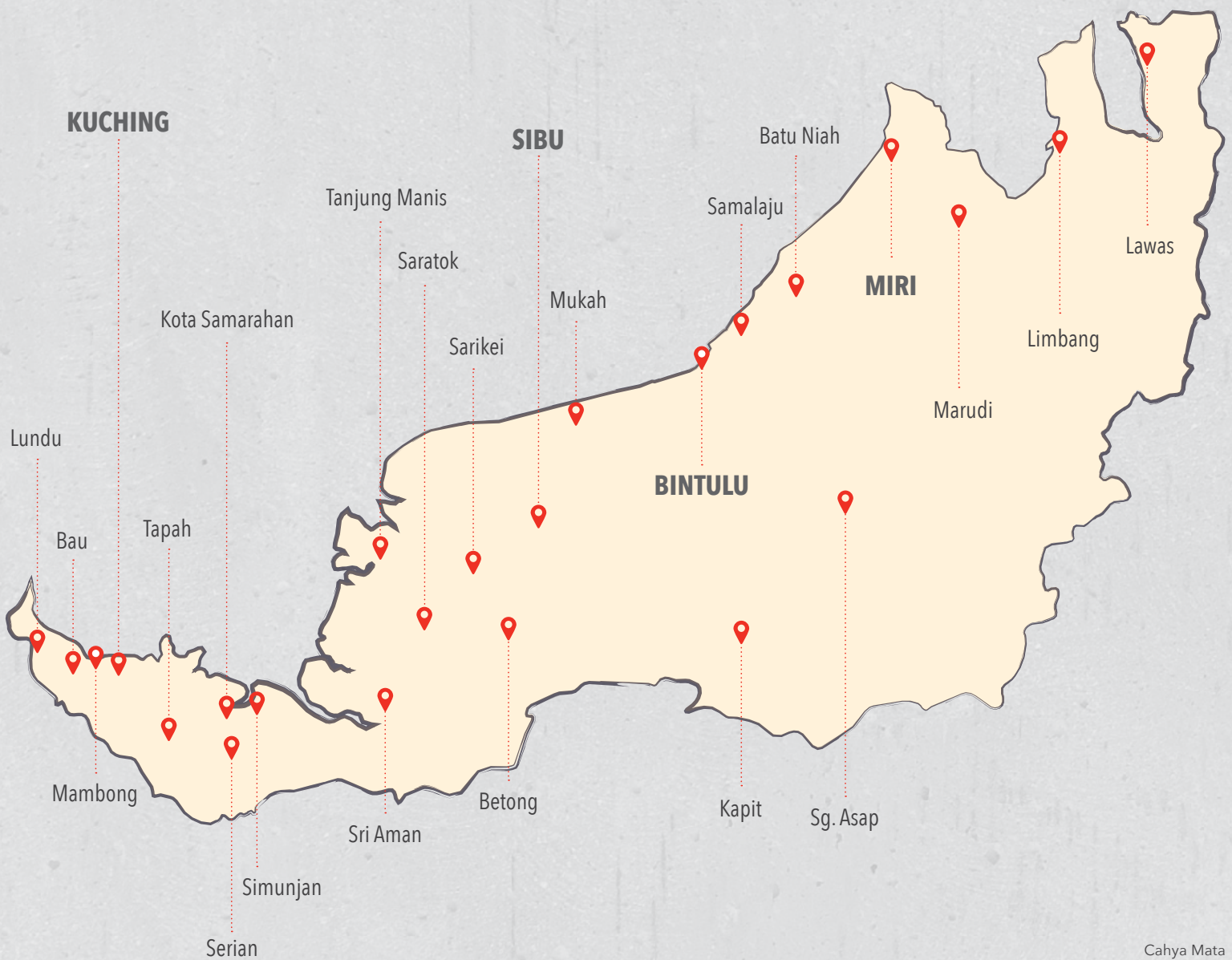
 Wire Mesh

 Premix

 Steel Fabrication & Engineering

 Telecommunications Infrastructure

 Hotel & Workers' Accommodation



# CORPORATE INFORMATION

## COMPANY NAME

Cahaya Mata Sarawak Berhad

## COMPANY NUMBER

21076-T

## DIRECTORS

- 01 Y A M Tan Sri Dato' Seri Syed  
Anwar Jamalullail
  
- 02 Y Bhg Dato Sri Mahmud  
Abu Bekir Taib
  
- 03 Y Bhg Datuk Syed Ahmad  
Alwee Alsree
  
- 04 Y D H Dato' Richard Alexander  
John Curtis
  
- 05 Y A Bhg General Dato' Seri DiRaja  
Tan Sri (Dr.) Mohd Zahidi bin  
Hj Zainuddin (Retired)
  
- 06 Y Bhg Datu Hubert Thian Chong Hui
  
- 07 Y Bhg Datuk Seri Yam Kong Choy
  
- 08 Mr Chin Mui Khiong

## GROUP COMPANY SECRETARY

Denise Koo Swee Pheng

## REGISTERED OFFICE

Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching, Sarawak

t +60 82 238 888  
f +60 82 333 828  
w www.cmsb.com.my

## AUDITORS

Ernst & Young

## REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan

t +60 3 7849 0777  
f +60 3 7841 8151/8152

## PRINCIPAL BANKER

Bank Muamalat Malaysia Berhad  
CIMB Islamic Bank Berhad  
Hong Leong Bank Berhad  
Kenanga Investment Bank Berhad  
Maybank Islamic Berhad  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia) Berhad

## STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad  
Sector: Industrial Products  
Stock Code: CMSB  
Stock Number: 2852

# CORPORATE STRUCTURE

AS AT 14 MARCH 2017



CAHYA MATA SARAWAK\*

## CORE BUSINESS DIVISIONS

### CEMENT DIVISION

- 100% CMS Cement Sdn Bhd
  - 100% CMS Clinker Sdn Bhd
  - 100% CMS Concrete Products Sdn Bhd

### PROPERTY DEVELOPMENT DIVISION

- 100% Projek Bandar Samariang Sdn Bhd
- 100% CMS Property Development Sdn Bhd
  - 100% CMS Hotels Sdn Bhd
  - 51% CMS Land Sdn Bhd
  - 51% CMS Property Management Sdn Bhd
- 51% Samalaju Properties Sdn Bhd .....
  - 100% Samalaju Hotel Management Sdn Bhd

### SAMALAJU DEVELOPMENT DIVISION

- 100% Samalaju Industries Sdn Bhd .....

### INFORMATION & COMMUNICATION TECHNOLOGY DIVISION

### CONSTRUCTION MATERIALS & TRADING DIVISION

- 51% CMS Infra Trading Sdn Bhd
  - 100% CMS Agrotech Sdn Bhd  
*(in liquidation)*
- 69% CMS Wires Sdn Bhd
- 51% CMS Resources Sdn Bhd
  - 100% PPES Concrete Product Sdn Bhd
  - 100% CMS Quarries Sdn Bhd
  - 60% CMS Premix (Miri) Sdn Bhd
    - 20%
  - 60% CMS Premix Sdn Bhd
    - 40%
    - 40%
  - 60% CMS Penkuari Sdn Bhd

### CONSTRUCTION & ROAD MAINTENANCE DIVISION

- 100% CMS Works Sdn Bhd
  - 100% CMS Roads Sdn Bhd
  - 100% CMS Pavement Tech Sdn Bhd
  - 51% PPES Works (Sarawak) Sdn Bhd
    - 70% PPESW BPSB JV Sdn Bhd  
*(formerly known as CMS Development Services Sdn Bhd)*

## STRATEGIC INVESTMENTS

- 95% CMS Capital Sdn Bhd
  - 21.22% Kenanga Investment Bank Bhd \*
    - 4.16%
  - 51% CMS Opus Private Equity Sdn Bhd
- 20% KKB Engineering Bhd \*
- 100% CMS Education Sdn Bhd
- 25% OM Materials (Sarawak) Sdn Bhd .....
- 25% OM Materials (Samalaju) Sdn Bhd .....
- 40% Malaysian Phosphate Additives (Sarawak) Sdn Bhd .....
- 50% SACOFA Sdn Bhd

## SERVICES/ DORMANT/ INACTIVE COMPANIES

- 100% Cahya Mata Sarawak Management Services Sdn Bhd
- 100% CMS I-Systems Bhd
  - 100% CMS I-Systems (India) Pte Ltd

\* Listed on Main Market of Bursa Malaysia.  
..... The dotted line above represents the Management reporting lines.

# BOARD OF DIRECTORS

## Y A M TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL

Group Chairman  
Independent, Non-Executive Director



## Y BHG DATO SRI MAHMUD ABU BEKIR TAIB

Deputy Group Chairman  
Non-Independent, Non-Executive Director

## Y BHG DATUK SYED AHMAD ALWEE ALSREE

Group Executive Director





**Y D H DATO' RICHARD  
ALEXANDER JOHN CURTIS**

**04** Group Managing Director

**Y A BHG GENERAL DATO' SERI DIRAJA  
TAN SRI (DR.) MOHD ZAHIDI BIN HJ  
ZAINUDDIN (RETIRED)**

**05** Non-Independent, Non-Executive Director

**Y BHG DATU HUBERT THIAN CHONG HUI**

**06** Independent, Non-Executive Director

**Y BHG DATUK SERI YAM KONG CHOY**

**07** Independent, Non-Executive Director

**MR CHIN MUI KHIONG**

**08** Independent, Non-Executive Director

# SENIOR MANAGEMENT TEAM



**Y BHG DATUK SYED AHMAD ALWEE ALSREE**  
Group Executive Director



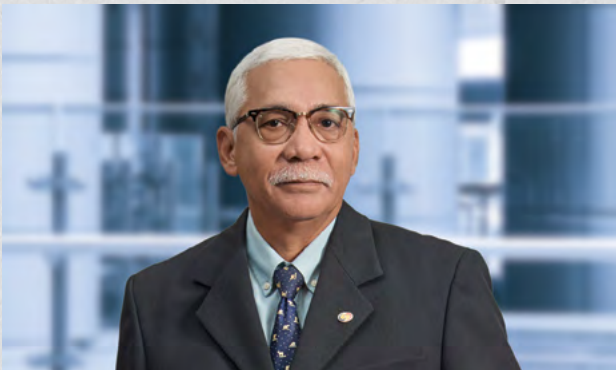
**Y D H DATO' RICHARD ALEXANDER JOHN CURTIS**  
Group Managing Director



**MOHAMED ZAID ZAINI**  
Head, Information & Communication Technology Division



**DAVID LING KOAH WI**  
Group General Counsel



**ABDUL NASSER BIN MOHD SANUSI**  
Senior General Manager, Special Projects



**WENDY YONG SAN SAN**  
Senior General Manager, Group Human Resources



**GOH CHII BING**  
Head, Cement Division



**VINCENT KUEH HOI CHUANG**  
Head, Property Development Division



**SYED HIZAM ALSAGOFF**

Group Chief Financial Officer



**Y BHG DATO ISAAC LUGUN**

Chief Executive Officer, Samalaju Industries Sdn Bhd



**DANNY SIM WEI MIN**

Senior General Manager, Group Procurement



**TAN MEI FUNG**

General Manager, Group Finance



**FRANCIS LOU CHEE NGEE**

Group Internal Auditor



**LIM JIT YAW**

Head, Construction & Road Maintenance Division



**CHONG SWEE SIN**

Head, Construction Materials & Trading Division



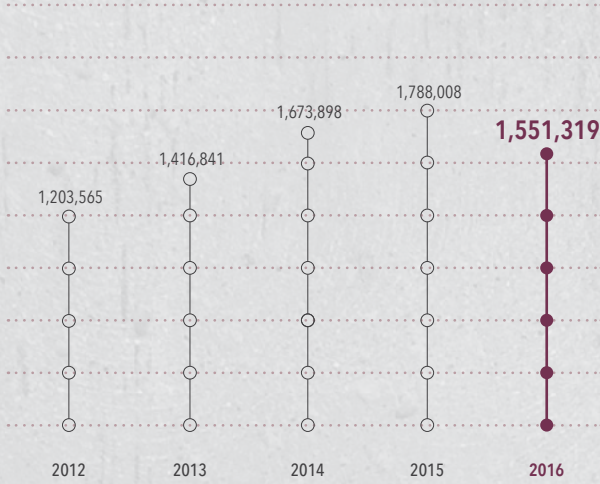
**GOH CHII YEW**

Chief Executive Officer, Samalaju Properties Sdn Bhd

# PERFORMANCE AT A GLANCE

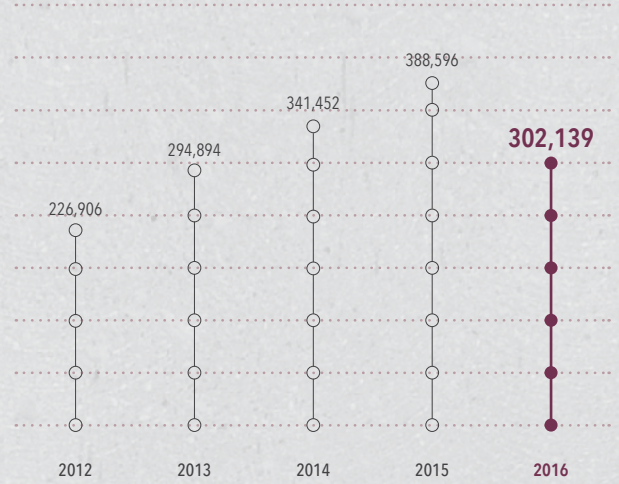
## Revenue

(RM'000)



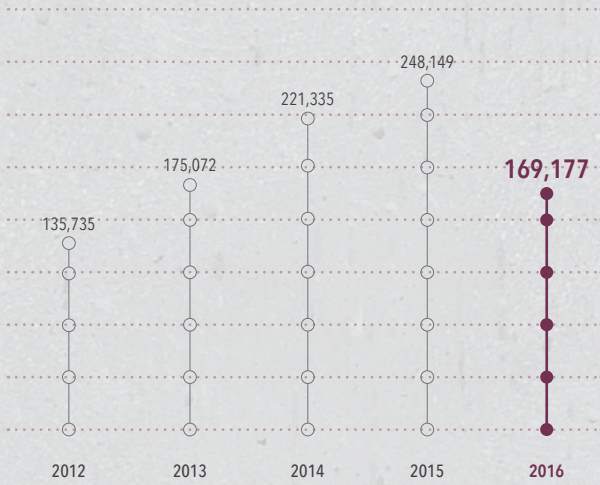
## Profit Before Taxation

(RM'000)



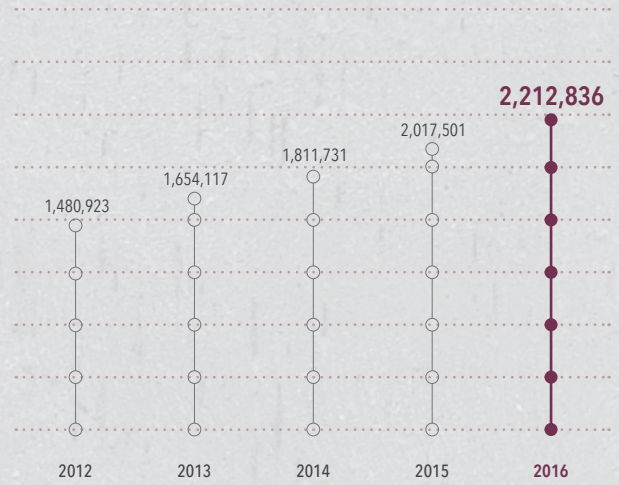
## Profit Attributable to Owners of the Company

(RM'000)



## Total Shareholders' Funds

(RM'000)



# FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
Revenue (RM'000)	1,203,565	1,416,841	1,673,898	1,788,008	1,551,319
Profit before taxation (RM'000)	226,906	294,894	341,452	388,596	302,139
Profit attributable to owners of the Company (RM'000)	135,735	175,072	221,335	248,149	169,177
Weighted average number of shares ('000)	327,928	999,276 *	1,033,352	1,064,741	1,074,376
Basic earnings per share (sen)	41.39	17.52 *	21.42	23.31	15.75
Gross dividends per share (sen)	17	17	8.5	4.5	6.3
Total shareholders' funds (RM'000)	1,480,923	1,654,117	1,811,731	2,017,501	2,212,836
Total assets (RM'000)	2,140,240	2,423,892	2,800,131	3,231,079	3,451,337
Net tangible assets per share (RM)	4.37	4.70	1.68	1.82	2.00
Net assets per share (RM)	4.56	4.88	1.74	1.88	2.06
Return on average shareholders' equity (%)	9.37	11.17	12.77	12.96	8.00
Return on total assets (after tax) (%)	6.34	7.22	7.90	7.68	4.90
Total borrowings (RM'000)	89,825	100,102	104,796	163,678	247,956
Gearings (times)	0.06	0.06	0.06	0.08	0.11
Current assets (RM'000)	1,141,742	1,349,054	1,602,401	1,307,756	1,371,984
Current liabilities (RM'000)	371,725	451,313	639,462	611,112	687,867
Current ratio (times)	3.07	2.99	2.51	2.14	1.99

\* Adjusted for the share split and bonus issue

## 2016 SHARE PRICE PERFORMANCE (RM)

RM'000	2012	2013	2014		2015	2016
			Before split and bonus issue	After split and bonus issue		
Low	2.06	2.99	6.55	3.30	3.80	3.17
High	3.50	6.99	11.46	4.72	6.00	5.23
Closing	3.33	6.89	10.50	3.96	5.13	4.00

# MESSAGE FROM OUR GROUP MANAGING DIRECTOR



## Y D H DATO' RICHARD ALEXANDER JOHN CURTIS

Group Managing Director

Since the publication of our inaugural Sustainability Report a year ago, several positive developments have taken place that underscore the good progress we have been making in our pursuit of sustainable growth.



FTSE4Good



DEAR STAKEHOLDERS,

I AM DELIGHTED TO PRESENT CAHYA MATA SARAWAK BERHAD'S (CMS OR THE GROUP) SECOND STANDALONE SUSTAINABILITY REPORT WHICH ACCENTUATES OUR COMMITMENT TO UNDERTAKING BUSINESS IN A RESPONSIBLE AND SUSTAINABLE MANNER ON THE ECONOMIC, ENVIRONMENTAL AND SOCIAL (EES) FRONTS.

On 19 December 2016, the Group was included as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index. A globally-recognised index launched by the FTSE Group and owned by the London Stock Exchange, the F4GBM Index measures and recognises companies across the world who are demonstrating strong Environmental, Social and Governance (ESG) practices. In Malaysia, F4GBM Index constituents are selected from the Top 200 Malaysian stocks on Bursa Malaysia and screened in accordance with transparent ESG criteria. In total, there are 42 constituents in the F4GBM Index today.

Our inclusion into the F4GBM marks a milestone for CMS. Not only do we gain international recognition for our corporate responsibility practices, it also reinforces our position as a progressive and ethical company. Moreover, it serves to reduce our perceived non-financial risk profile by positioning us as a company that is upholding a sustainably based and thus safer, long-term business model which will enhance our appeal to our stakeholders and others.

This achievement is a result of the worthy efforts put in by the entire Group including our Board, Senior Management team and employees. To maintain this recognition (which is reviewed annually), we now have the responsibility for constantly exceeding our Sustainability KPI (SKPI) targets and to ensure comprehensive reporting in our annual Sustainability Report. My heartfelt thanks to the entire CMS family for this excellent achievement.

The year in review also saw us making solid progress by way of our Economic, Environmental and Social performance.

### STRENGTHENING OUR MARKETPLACE

As a key player in the many different businesses that we are involved in, CMS is keen to create tangible value for the many sectors, markets and communities in which we operate. The year saw us impacting our marketplace for the better with several significant milestones.

In 2016, we initiated a project aimed at expanding our contribution to Sarawak's development by providing the location for the first Blue Ocean Entrepreneurs Township (BOET) in Bintawa, Kuching. Dubbed 'Borneo 744', this initiative calls for the development of a regionally renowned platform for Sarawak's cultural and entrepreneurship activities, as well as its trade and market development initiatives.

We also rolled out East Malaysia's first Integrated Cement Plant amounting to RM190.0 million which will provide the Group significant reserve production capacity to materially reduce the risk of supply disruptions in the State. The Group also signed a variety of contracts relating to works on the RM2.20 billion Integrated Phosphate Complex at the Samalaju Industrial Park. This facility, which is set to become the largest integrated phosphate additives plant in Southeast Asia, will provide jobs for some 1,200 people when operational.

### PRESERVING OUR ENVIRONMENT

To date, the Group has been applying best practices, innovative operating strategies and technologies to minimise our environmental footprint. Our strategies encompass refining our environmental practices, by developing more robust and integrated air, materials, waste and water environmental strategies that surpass basic compliance standards.

Our commitment to improving our energy management abilities was underscored by our achieving full ISO 50001:2011 certification at our clinker plant in May 2016, just under a year from when we initiated the process. The energy management framework of the ISO 50001:2011 is enabling us to set objectives and measures results in a more effective manner and we continue to make good headway here. We also began the implementation process at our Kuching plant during the year and will follow suit with our Bintulu plant in 2017.

### ENGAGING OUR WORKFORCE

The CMS Family is indeed that - a family - and this comes from years of carefully cultivating and combining the best of two environments: the warmth and companionship of a family environment, with the professionalism of a well-run meritocratic listed company. Today, we continue to look for the best talents, retain them, nurture them within a creative environment, as well as work together with them to find new and innovative ways to deliver ever-increasing value to our four stakeholders, namely our shareholders, customers, staff and the community. It is these ties that bind that have led us to deliver good results time and time again, even amidst challenging times.

Our efforts to keep our people happy are underscored by the results of our most recent Employee Satisfaction Survey which is conducted every two years. I am pleased to say that our 2016 results were better than our 2014 results with 94.2% of our employees happy in their jobs as compared to 93.7% in 2014. Even as we focus our efforts on engaging with our people and creating a more conducive workplace environment where they can find a harmonious balance between work and life, we believe we are making good progress as a company.

LAUNCH OF THE  
**FIRST BLUE OCEAN  
ENTREPRENEURS  
TOWNSHIP**  
IN SARAWAK



EAST MALAYSIA'S  
FIRST INTEGRATED  
CEMENT PLANT  
AMOUNTING TO

**RM190.0**  
MILLION

**1,200**

JOB OPPORTUNITIES AT  
MALAYSIAN ADDITIVES  
SARAWAK



**94.2%**

OF OUR EMPLOYEES  
HAPPY IN THEIR JOBS

### ENRICHING THE PEOPLE OF SARAWAK

The year also saw us strengthening our efforts to support the communities in Sarawak through donations, sponsorships, contributions in-kind and employee volunteerism under our 'CMS Doing Good' banner. CMS employees clocked a total of 45,534 man-hours in 2016 for a host of Corporate Responsibility activities including fund-raising charity sales, rebuilding communities, jogathons, community work and much more. At the same time, our people raised a total of RM117,121.00 in funds that were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes. We continue to look for ways to enrich the communities in which we operate.

All in all, I am rather pleased with what we achieved on the sustainability front in 2016.

### COMMITTED TO LONG-TERM, SUSTAINABLE GROWTH

Your Company remains committed to prioritising responsible management and sustainable development on the EES fronts to secure the future of the Group and create long-term shared value for our stakeholders. Value is created by making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As we continue to embed sustainability within every level of our organisation, we continue to uphold a spirit of excellence and drive innovation throughout our operations to enhance business efficiency and bolster our competitive edge.

Sustainability is evolving to be a way of life at CMS and it is our aim that it becomes more integrated in our work culture and the mind sets of our workforce. Our people, who are committed to advancing the Group's sustainability agenda to greater heights, continue to give their best to deliver true and sustainable value, as well as establish enduring ties with our stakeholders. As the Group ventures forth to explore new areas of opportunity, we remain committed to conducting our business in a responsible manner by upholding good EES performance.

With an unwavering focus on strengthening our existing programmes and rolling out new ones, we are confident that CMS will continue to achieve meaningful long-term, sustainable growth.

### ACKNOWLEDGEMENTS

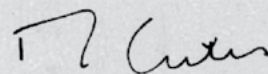
We owe a debt of gratitude to many parties for supporting us in our pursuit of sustainable growth. My heartfelt appreciation goes to CMS' valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners and associate companies, for their steadfast trust and confidence in us.

I wish to express my sincere thanks to our Board of Directors for their continued guidance and wise counsel. To the CMS family of employees, I wish to express my utmost thanks for their loyalty, diligence and commitment to excellence. It is because of their worthy support and efforts, especially in the way of employee volunteerism, that CMS has become well entrenched among the communities that we operate in. As we continue on our journey of transformational and sustainable growth. I am confident our people will rally together and exhibit the same spirit of excellence they have exhibited thus far.

To the communities that we operate in, we are grateful for your unwavering support. Our hope is that we will continue working together to see the development and the progression of our State.

As we venture forth to secure the future of the Group and create long-term shared value for our stakeholders in line with our ambition to become the 'PRIDE of Sarawak and Beyond', we look to all four groups of our stakeholders to continue lending us their steadfast support.

Thank you.



**DATO' RICHARD CURTIS**  
Group Managing Director  
14 March 2017

# OUR FOUR STAKEHOLDER GROUP MODEL

A defining feature of CMS as a responsible corporate citizen is that the Group is run for four stakeholders - our staff, our customers/suppliers, the communities in which we operate and our shareholders.

Internally within CMS, our employees clearly understand that given our role 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. This ranges 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 do not lag behind others. In addition, for our employees, this is further manifested internally via our commitment to upholding their well-being and through implementing meaningful Corporate Responsibility or CR activities at several levels. Employee volunteers are involved in community projects as they feel a strong sense of obligation to fulfil their responsibilities to stakeholders. At the Divisional level, there is a strong emphasis on maintaining sustainable, ethical and honourable operational performance to uphold our obligations to the *rakyat* (community).

## STAKEHOLDER ENGAGEMENT

Our systematic and regular engagement with our various stakeholders helps us to understand their needs and their points of view. The results of these stakeholder engagement activities are also important as they may influence our Management's decision-making process.

We continually strive to improve our engagement methods and practices to ensure that the quality of these engagements is constantly developed. Above all, we are continuously improving our engagement initiatives to ensure we remain a respected and integral part of the fabric of society.

Having a four stakeholder group model does not mean we do not consider other stakeholders. We recognise that stakeholders consist of many individuals and organisations that are impacted in some way by our activities. They may be affected by our role as a private sector corporation, an employer or a business that generates revenue and helps to boost local economies.

In order to ensure that we maintain our reputation as an accountable and conscientious corporate citizen, it is imperative that we hear the voice of the community that surrounds us. The results of these stakeholder engagement activities are also important as they may influence our Management's decision making process. 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 2016 and the frequency of these activities.

## STAKEHOLDER ENGAGEMENT AT CMS



SHAREHOLDERS



EMPLOYEES



CUSTOMERS/SUPPLIERS



MEDIA



DEPARTMENT OF ENVIRONMENT



GOVERNMENT AGENCIES



COMMUNITY

STAKEHOLDER ENGAGEMENT METHODS

Stakeholder	Method(s) of Engagement	Frequency
 Shareholders	<ul style="list-style-type: none"> <li>• AGM presentation by Group Managing Director*</li> <li>• <i>OurCMS</i> Magazines*</li> <li>• Quarterly results briefings*</li> <li>• Media Statements*</li> <li>• Investor Presentations*</li> <li>• Meetings or telephone calls with (potential) investors</li> <li>• Comprehensive Investor Relations portal*</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Tri-annually</li> <li>• Quarterly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• 24/7</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>• Koffee Talks sessions</li> <li>• Town Hall sessions</li> <li>• Management/Senior Management retreats</li> <li>• Employee Satisfaction Surveys</li> <li>• Departmental meetings</li> <li>• <i>OurCMS</i> Magazines*</li> <li>• CMS Intranet</li> <li>• E-blasts</li> <li>• Annual Dinners</li> <li>• CMS Games</li> <li>• Safety Month</li> </ul>	<ul style="list-style-type: none"> <li>• Biennially</li> <li>• Annually</li> <li>• Annually</li> <li>• Biennially</li> <li>• Regularly</li> <li>• Tri-annually</li> <li>• Daily</li> <li>• Regularly</li> <li>• Annually</li> <li>• Biennially</li> <li>• Annually</li> </ul>
 Customers/Suppliers	<ul style="list-style-type: none"> <li>• Customer Surveys</li> <li>• Construction Materials &amp; Trading Division's Customer Training</li> <li>• Code of Ethics and Business Conduct*</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Ad hoc</li> <li>• 24/7</li> </ul>
 Media	<ul style="list-style-type: none"> <li>• Press Releases*</li> <li>• Meet &amp; Greet the Media sessions</li> <li>• Media Get-Togethers</li> </ul>	<ul style="list-style-type: none"> <li>• Ad hoc</li> <li>• Regularly</li> <li>• Ad hoc</li> </ul>
 Department of Environment	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Progress Updates</li> <li>• Compliance Reports</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> </ul>
 Government Agencies	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Progress Updates</li> <li>• CMS Friendly Games</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> </ul>
 Community	<ul style="list-style-type: none"> <li>• Sponsorships and Donations</li> <li>• Employee Volunteerism</li> <li>• Open Dialogue Sessions</li> <li>• CMS Friendly Games</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• Biennially</li> <li>• Regularly</li> </ul>

\* Available on our website

# MATERIALITY MAPPING



BACK IN 2015, WE CONDUCTED A MATERIALITY ANALYSIS TO GAIN A BETTER UNDERSTANDING OF TOPICS THAT ARE IMPORTANT TO BOTH CMS AND TO ITS STAKEHOLDERS. OUR AIM WAS TO PRIORITISE THE MOST IMPORTANT AREAS OF SUSTAINABILITY FOR INCLUSION IN THIS REPORT. MATERIAL TOPICS WERE DEFINED AS THOSE WHICH HAD A DIRECT OR INDIRECT IMPACT ON OUR ABILITY TO CREATE, PRESERVE OR ERODE ECONOMIC, ENVIRONMENTAL AND SOCIETAL VALUES FOR CMS, ITS STAKEHOLDERS AND THE COMMUNITY.

For, the year 2016, we did not conduct a new materiality analysis but continued to align our sustainability initiatives with the findings of 2015’s analysis as we believed that the topics of relevance would not have changed significantly over the course of one year. We will endeavour to roll out a second materiality analysis in the year 2017 and report the findings in the next reporting cycle.

## THE METHODOLOGY

We commissioned an external consultant to conduct a materiality survey at the end of 2015. Members of our Senior Management team completed the survey with their responses representing the views of CMS. In terms of our stakeholder groups, feedback from the representatives of the following groups was sought:

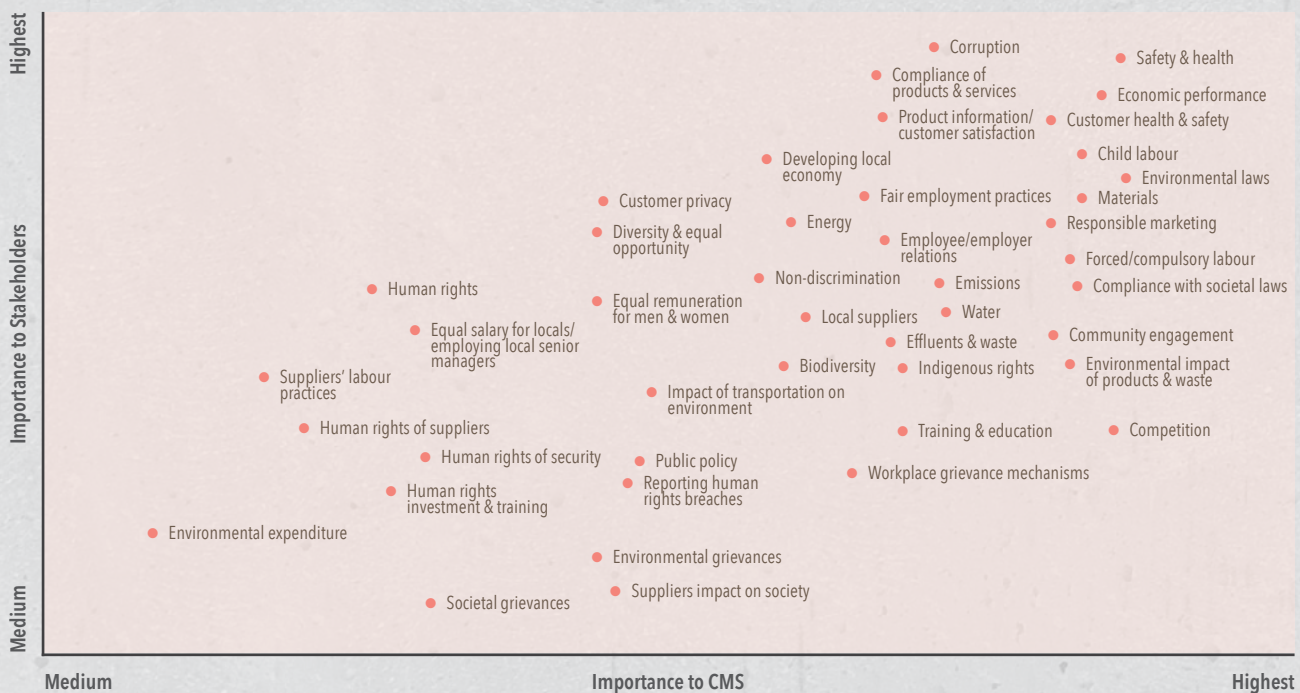
- Shareholders
- Employees
- Customers
- Community
- Media
- Suppliers and contractors

Respondents were asked to indicate how important each criterion was on a scale of ‘very unimportant’ (1) to ‘very important’ (5). A 5-point Likert Symmetric Scale was chosen so respondents could specify their level of agreement with (3) being neutral. The Survey was available online and completed by 249 respondents. A total of 155 survey responses were deemed complete and used for this research.

## RESULTS

Scores over 3 were considered medium; scores of 4 or more important. Our stakeholder scores ranged from 3.81 to 4.64 and CMS’ scores were between 3.25 and 5. As all issues were important to some degree, a scale from medium to highest was adopted.

The Materiality Matrix is presented in the following diagram.



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 the stakeholders and to CMS and have been prioritised in this Report.



THE ECONOMIC DIMENSION OF SUSTAINABILITY REFERS TO THE CAPACITY OF CMS TO GENERATE STEADY, IMPROVING GROWTH IN RELATION TO OUR ECONOMIC INDICATORS. WE VIEW THIS AS AN IMPORTANT DIMENSION AS A STRONG, STABLE AND SUSTAINABLE FINANCIAL AND ECONOMIC SYSTEM SUPPORTS, NOT JUST THE COMPANY, BUT VARIOUS OTHER CRITICAL ACTIVITIES.

These critical activities include, amongst others, our ability to continually drive shareholder value, to ensure the well-being of our employees, to ensure a continued focus on improving our product quality and to 'Do Good' while expanding our Corporate Responsibility activities. These and other economic activities are essential to our make-up as a responsible corporate entity, as such we are absolutely committed to and focussed on delivering long-term sustainable economic growth.

## OUR EDGING STRATEGY

In a bid to counter sluggish market conditions, the lack of large scale greenfield opportunities and operating constraints, we continue to explore the feasibility of various significant growth opportunities. The new *Edging Strategy*, which we rolled out in 2016, will see the Group focusing more closely on maximising opportunities on the "edges" of our current businesses to create significant growth. Often overlooked by companies, businesses in the "near field of vision" or on the "edge" of a company's range of focus often carry opportunities for success with lower risks than a *Blue Ocean Strategy* or a greenfield expansion. To this end, Senior Management in all our Core Divisions, excepting Samalaju and ICT, have incorporated an *Edging Strategy* into their management plan and budget for 2017. As an illustration, some of our strategies and goals for 2017 can be seen in the following:

### "Edging" in Divisions

- Cement: New precast products, new cement types, exports, more private sector sales;
- Construction Materials & Trading: New products, more services and private sector sales;
- Property Development: Wider range of locations, Green products, Property Development-initiated projects;
- Construction & Roads: More integrated works, widened concession scopes, Lebuhraya Borneo Utara (LBU), new technologies, Construction & Roads-initiated projects; and
- Capacity Output & Utilisation Rates: Identify lower output and rates, as well as explore solutions.

### "Edging" at HQ

- Processes: Continue incremental improvements in processes and results to support growth;
- Financial Management: Maximise returns to commensurate with risk profile;
- Procurement: To be competitive, effective and operate with integrity;
- IT: To operate in a secure, fast, user-friendly and disaster resistant manner;
- Corporate Communications: Improved communication of all our messages; and
- Human Capital: Maximise realised potential of employees, sustain their engagement and loyalty.

## IN SUPPORT OF SARAWAK'S SUSTAINABLE GROWTH

As Sarawak's leading infrastructure facilitator, CMS is committed to meeting the needs of the State and helping transform it into a major regional economic powerhouse. In 2016, we rolled out several initiatives that underscored our commitment in this area.

### *Catalyst for change*

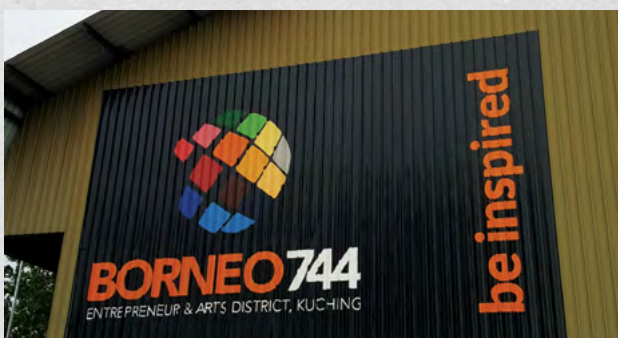
On 8 November 2016, our Cement Division achieved a notable milestone when it officially launched East Malaysia's first Integrated Cement Plant. Through combining the Division's largest cement plant and its adjoining clinker plant into a single entity, the new plant aims to meet the rising demand for cement as the State undergoes rapid development with big projects such as the Baleh Dam and the Pan Borneo Highway. It will also enable CMS to have significant reserve production capacity to materially reduce the risk of supply disruptions, pump supply into nearby export markets, as well as to produce more than one type of cement.

Located in Mambong, just outside Kuching, the Integrated Plant is expected to increase our total annual rated cement production capacity by almost 60% to 2.75 million metric tonnes (MT), well above current local demand of around 1.6-1.8 million MT. The new 1-million MT grinding plant incorporates state-of-the-art European technology comprising a ball mill (with a rated capacity of 150 MT/hour), a high efficiency separator, two units of 10,000 MT cement silos, four line bulk loaders and a 3,000 bag/hour packing and palletizing machine. Its performance promises to maximise efficiency and quality with minimum downtime. Planned and constructed by Christian Pfeiffer Maschinenfabrik GmbH, a leading German company, the project took two years to complete.

With this latest investment amounting to some RM190.0 million, we have to date invested RM600.0 million into our cement business these past 10 years. The changes effected to date include the acquisition of a clinker plant, the setting up of storage terminals in Miri and Sibul, general plant upgrades and the introduction of three dedicated cement carrying barges. Being Sarawak's sole cement and clinker manufacturer, CMS remains committed to supporting the developmental infrastructure of the State for the long-term.

#### *In Support of the Nation's First Blue Ocean Entrepreneurs Township*

CMS is all set to expand its contribution to Sarawak's development by providing the location for the first Blue Ocean Entrepreneurs Township (BOET) in Bintawa, Kuching. In early April 2016, the project received a boost upon the Prime Minister, YAB Datuk Seri Najib Tun Razak, officially announcing the initiative which has been dubbed 'Borneo 744'. The venture, which is supported by both the Federal Government and the Sarawak State Government, seeks to strengthen the national entrepreneurship ecosystem by leveraging on the National Blue Ocean Strategy (NBOS).



This initiative calls for the development of a regionally renowned platform for Sarawak's cultural and entrepreneurship activities, as well as its trade and market development initiatives. Borneo 744 will also serve as a growth catalyst and hub for creative groups and entrepreneurs. The overall aim for this largely community-driven project is to establish a synergistic environment

where entrepreneurs and all sorts of creative people and groups can synergise and flourish.

Featuring profitable avenues for industries such as tourism, manufacturing, recreational sports, hospitality, the performing arts and other creatives, among others, the project is set to positively impact the State's economic landscape by providing the hub and resources needed for entrepreneurship development on every level.

Located approximately 6.5km from the Kuching City Centre, the Borneo 744 initiative will be housed in the abandoned warehouses which were once used as mechanical workshops for the Public Works Department. The conversion of the warehouses into a creative hub for Kuching's economy will be similar to the Hin Bus Depot Art Centre in Penang whose conversion has been successful in attracting a creative and entrepreneurial audience. The conversions are part of a rising trend which sees developers giving new life to already established or historical buildings. Initiatives to turn these buildings into cultural and community centres have met with good success. These include the Westergasfabriek complex in Amsterdam, which was built in 1885 as a gas depot to provide street lighting for the city. Another recent success there has been De Hallen, a tram depot from 1902.

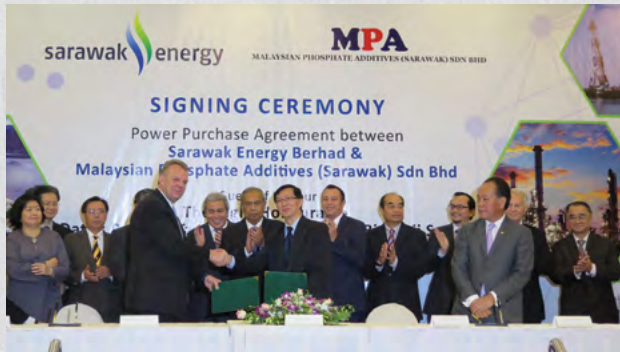
To date, two of the warehouse buildings have been earmarked for specific activities based on each building's size, facilities, access points and even acoustics. Block A will accommodate a Black Box, rehearsal and dance areas and space to accommodate galleries, events, launches and F&B outlets either on a permanent or a temporary or pop-up basis. Block B is devoted to spaces for co-working young entrepreneurs with space for small workshops. The two largest blocks, Block C and D, possess space amounting of 29,000 square feet each. Block C is geared more towards textiles and small scale manufacturing, while Block D has been designated as the zone for anything that requires substantial open space.

Being a non-profit project, Borneo 744 can offer its massive space at minimal charge so that the creative and performing arts, selected sports and leisure activities, start-up and small-scale producers and entrepreneurs from the community, are free to realise their creativity and potential without being burdened with massive overheads. The model has been gaining popularity with over 100 interested parties speaking to Borneo 744 team on space, retail opportunities and events.

A Memorandum of Understanding has been signed between the Ministry of Finance and the Sarawak Economic Development Corporation (SEDC) for a 15-year occupancy of the 10-acre site. The site is jointly owned by CMS and the SEDC who are leasing this space out rent free as part of a CR initiative to help such groups to flourish.

### *Towards Transformational Growth*

As CMS pursues transformational growth through leveraging its strategic investments, we continue to bolster our position of strength and widen our sphere of influence.



On 3 February 2016, Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) signed a Power Purchase Agreement (PPA) with Sarawak Energy Berhad through its wholly-owned subsidiary Syarikat SESCO Berhad, to power what is set to become the largest integrated phosphate additives plant in South East Asia. This was followed by MPAS signing an Engineering Design, Procurement and Construction (EPC) contract with a consortium of contractors from China to build an RM2.20 billion Integrated Phosphate Complex on a 141.63 ha site at the Samalaju Industrial Park (SIP) in Bintulu.

Scheduled for completion by end 2018, the Plant will be built and financed jointly via loans and equity. The Plant is set to have an annual production capacity of approximately 500,000 MT of food, feed and fertiliser phosphate additives; 100,000 MT of ammonia; and 900,000 MT of coke. This will be a significant increase in production compared to the output of MPAS' current phosphate plant in Lumut Port, Malaysia which produces about 30,000 MT of phosphate additives a year.

Using rock phosphate as its major raw material, the Plant's range of phosphate additive products will serve as the feedstock in the production of various foods and beverages. It will also replace the use of animal bones in halal animal feed and in the production of fertilisers, thereby ensuring the viability and sustainability of the Malaysian agro food industry.

The total economic contribution of the project is estimated to be in the vicinity of RM12.90 billion, of which RM1.10 billion would be allocated to tax revenue with the balance going to gross national income. A further RM4.70 billion

is also expected to be created in the terms of domestic direct investment and foreign direct investment. Upon the Plant commencing operations, it will provide jobs to 1,200 people while supporting other businesses and industries such as ports and logistics.

MPAS is a Malaysian joint venture company between our fully-owned subsidiary Samalaju Industries Sdn Bhd, Malaysian Phosphate Venture Sdn Bhd (MPVS), and Arif Enigma Sdn Bhd (AESB). Khazanah National Bhd's subsidiary, Malaysian Technology Development Corp (MTDC), also holds a 40% equity stake in MPVS.

### **SUSTAINABLE PROCUREMENT**

At CMS, our procurement procedures are transparent, at arm's length and conducted with a high level of professional conduct. Transactions must be conducted 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 which is accessible on our Company's website by all. Compliance with the Code is also mandatory for vendors to maintain their registration.

#### *Fair Competition*

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:

- 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.

Our tendering processes have specific processes, checks and balances built into them which are based on many years of experience. Non-compliance to the tender submitted would be investigated and tabled to the Management for a decision. Such decisions may include banning offenders from participating in future tenders for a specified period.

**READY TO RESPOND**

The Group’s commitment to developing the State extends to our continued role in the maintenance of the State’s infrastructure and to helping through our activities to sustain the community’s well-being. As a part of this duty, all CMS employees have been trained to assist the community in the case of any natural calamity within our area of business. The Group Managing Director, who champions this cause, has encouraged all employees to respond quickly in any emergency regardless of any instruction to do so from HQ. Additionally, all claims spent on helping the community during tough times, will be quickly reimbursed.



In February 2016, a torrential downpour which lasted for three days left the Tapah area in a muddy state of disrepair with landslides, embankment failures and flooding causing the roads to be impassable. Among the areas affected were Sadir Simuti, Padawan Road, Jambu Bayur

Road, Mambong Road and Braang Payang Road, with the biggest landslide taking place at Kampung Punau along Borneo Heights Road.

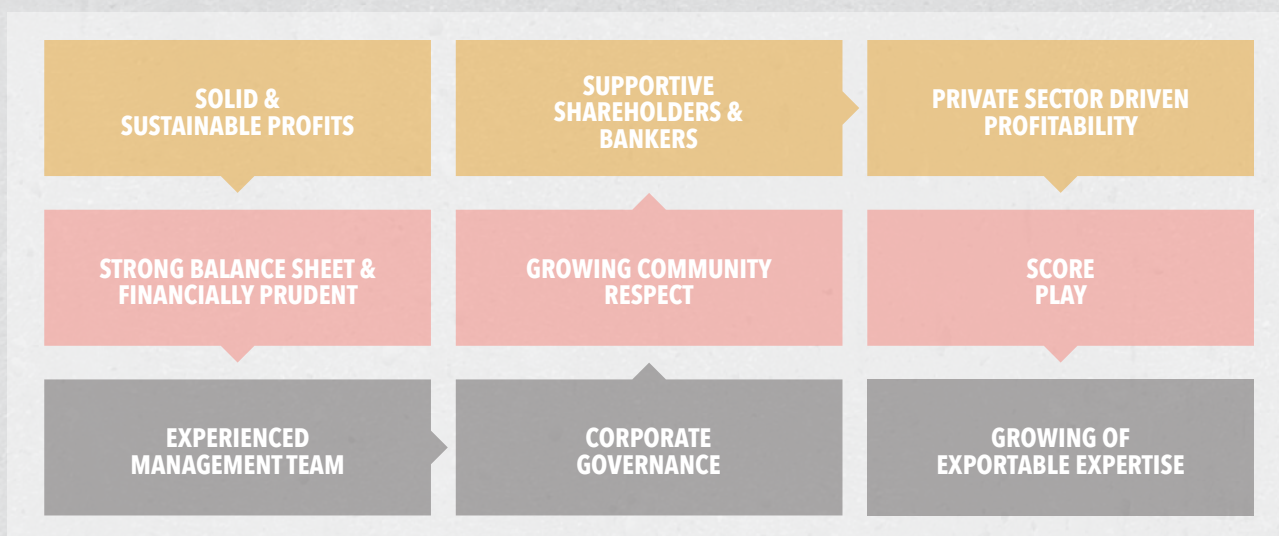
Due to the magnitude of the situation, several of our Road Maintenance Units (RMU), namely RMU Kuching, RMU Saramahan and RMU Serian, came forward to assist RMU Tapah team with clean-up activities. Following massive clearing works, which took two days to complete, the roads were made safe for travel once more in late February thereby minimising disruption to the community.

**OUR 9-POINT SCORECARD**

In line with our efforts to strengthen our foundations for economic and transformational growth, we have implemented a set of principles which will help to drive sustainable growth and help fuel a robust performance. Known as the ‘9-Point Scorecard’, this set of principles will help us to ensure that we sustain solid and sustainable profits; uphold prudent financial policies to ensure a strong balance sheet; and develop an experienced and professional management team to steer CMS forward.

We are also tasked with undertaking strong corporate governance measures; enhancing ties and building respect among the communities that we serve; as well as gaining strong support from our shareholders and bankers. Finally, we are to set our sights on private sector-driven profitability; leverage on a strong SCORE play; and develop an expertise that can help us expand globally in the future.

**OUR 9-POINT SCORECARD**



We believe that these principles will guide CMS towards becoming the best proxy-listed investment for Sarawak’s accelerating economic growth and will ensure long-term sustainable economic growth for our four stakeholder groups.



# ENVIRONMENT



THE ENVIRONMENTAL PERFORMANCE OF A COMPANY RELATES TO THE IMPACT OF ITS OPERATIONS ON LIVING AND NON-LIVING NATURAL SYSTEMS SUCH AS LAND, AIR AND WATER. HERE AT CMS, WE ARE COMMITTED TO BEING A GOOD STEWARD OF THE RESOURCES WE HAVE BEEN ENTRUSTED WITH AND ARE FOCUSED ON OPERATING IN A SUSTAINABLE MANNER WHICH MITIGATES OUR CARBON FOOTPRINT WHILE CONSERVING THE ENVIRONMENT. TO THIS END, WE HAVE INTRODUCED KPIS, POLICIES AND VARIOUS INITIATIVES TO ENSURE THAT THE ENVIRONMENT IS PRESERVED FOR THE ENJOYMENT OF FUTURE GENERATIONS.

## ENERGY MANAGEMENT




Energy management is an integral part to an organisation’s sustainability efforts as it encourages long-term savings due to the minimising of costs, while lessening the negative impact on the environment. At CMS, we are constantly exploring new ways and avenues in which we may incorporate energy-saving measures that will help us to achieve optimum energy utilisation across all our Business Divisions. For the year in review, we continued to implement many of our previously established initiatives while introducing a few new activities to our environmentally-based undertakings.

### Sustainability at Our Workplace Campaign



In 2016, the Group launched its ‘CMS Goes Green’ awareness campaign which calls for us to reduce our carbon foot print and our utility bills through the execution of the following guidelines:

### CMS Goes Green

 USE NATURAL LIGHT MORE	 TURN OFF COMPUTER & LIGHTS WHEN AWAY FROM YOUR DESK	 UNPLUG CHARGERS, APPLIANCES & DEVICES WHEN NOT IN USE
 IONISE OFFICES WITH GREENERY	 TAKE STAIRS NOT LIFTS ESPECIALLY FOR 1-2 FLOORS	 SWITCH TO ECO-FRIENDLY LOW WATTAGE OR LED LIGHT BULBS
 RECYCLE PAPER & ENVELOPES	 MINIMISE PRINTING BY WORKING ONLINE	 BE MORE PRODUCTIVE, GENERATE VALUE DAILY IN YOUR WORK

These guidelines were printed on our annual CMS standee/calendar that was placed on every employee’s desk. They were also printed on buntings and posters across all our CMS offices as a constant reminder to our employees to adopt sustainable work practices. The campaign was successful in helping to establish a culture across CMS that proactively supports sustainable business practises, as well as setting a tone that should inspire employees to replicate such practices in their homes and daily life.

### Implementing ISO 50001 at our Cement Division

In May 2016, we achieved full ISO 50001:2011 certification at our Clinker plant, thus completing the process which we had begun in the previous year. We also commenced with the implementation process in our Kuching plant during the year and will follow suit with our Bintulu plant in 2017.

Specifically, ISO 50001 provides a framework to:

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

As part of its efforts to adapt to the new initiative, our Cement Division set up a committee to specifically monitor the implementation of ISO 50001 and to ensure its success within the Division's respective companies. The committee members comprise the Division's Executive Director/Chief Executive Officer acting as advisor, General Manager of Production and respective Plant Managers as management representatives. It also includes Engineers who have been appointed as energy managers and other Engineers or Managers who have strong say and enough influence to ensure the success of this new strategy within the Cement Division.

Although the initiative is still fairly new, the committee has to date rolled out several projects with several basic energy-reduction awareness plans in the pipeline. One of the projects that was successfully implemented was the conversion of a cooler second grate drive from DC motor to AC motor which contributed direct savings of almost 30 kW per hour (kWh). The Division will apply for an energy management grant in 2017 which will enable it to be appointed as an Energy Audit Company registered with the Energy Commission or Suruhanjaya Tenaga Malaysia.

### Introducing Energy Efficient Technologies

CMS Cement Sdn Bhd aims to minimise overall energy consumption and to maintain grinding efficiency. The Company has been using the SIKA 874, a pre-grinding processing aid since 2011 to improve grinding efficiency at its Kuching plant. This has helped to reduce the plant's power consumption from 42 kWh/MT to 34 kWh/MT.

Over time the use of SIKA 874 as a grinding aid and strength enhancer to the cement during the cement milling stage has increased both throughput and cement strength from 5% to 10%. This is equivalent to 300 kWh savings per tonne of cement produced. In 2016, the usage of SIKA 874 was put under strict control to reduce operating costs due to lower cement demand and improved produced clinker quality.

Back in 2015, CMS Clinker Sdn Bhd upgraded its kiln and began to use a high-momentum burner that controls the swirl and jet air volume for a more effective flame shape. A cooler efficiency study executed in 2016 showed that heat recuperation from the cooler was well above 80% after the upgrading exercise. Heat consumption for 2016 was also above 800 kcal/kg due to the lower production output caused by several external and internal factors. This marked a significant increase from the previous year which measured heat recuperation and consumption below 800 kcal/kg.

### Energy Efficient Lighting

As part of our efforts to decrease the negative effect of toxic chemicals in the environment while minimising our operational costs, many of our companies have been converting to energy-efficient lighting. LED bulbs have proved to be the most feasible option as they are energy efficient, have a long lifespan and are free of toxic chemicals.

CMS' Property Development Division is using LED lighting in the common areas of many of its new properties such as the niche Rivervale Residences project and The Isthmus river pontoon. The Division also uses LED bulbs in its general landscaping lighting and sodium lamps (which reduces energy) at its construction sites. The year saw an addition of 47 solar lights introduced at the Rivervale Residences.

CMS Cement Sdn Bhd has also adopted the practice of using LED lights. The Company has implemented LED lighting at its Kuching plant and has begun to run the cement mill during off peak hours due to low cement demand. The plant also strictly controls the starting of the 6kV motor, choosing to kick-start the motor after a 30-minute lapse from the previous tripping or stoppage, following the plant's conversion of motors from DC to AC power.

Samalaju Properties Sdn Bhd installed two units of solar lighting at the Eco Park Sales Gallery/Site Office in 2014. The 40W LED lanterns have since been saving the office with RM35/unit per annum on electricity bills.

Our efforts in implementing energy-efficient lighting extend beyond the changing of light bulbs, as is evident at our Samalaju Resort Hotel which was built with a green concept in mind. The architecture of the building 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 from the sea to naturally cool the premises and to reduce the solar heat. To facilitate long lifespan term savings, energy-efficient lightings have been planned for the hotel from the onset. The usage of LED lightings have translated into an estimated 50% cost savings to light up the hotel as compared to conventional lighting.

### CMS' Electricity Consumption

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

#### CMS' Electricity Consumption (kWh) by Division

Division	2013	2014	2015	2016
Cement	116,434,084	124,417,379	129,166,315	133,144,504
Construction Materials & Trading	4,323,177	4,076,371	3,912,248	5,582,464
Construction & Road Maintenance	581,529	607,536	660,837	620,608
Property Development	91,624	151,509	171,074	209,533
Samalaju Development	7,767,327	3,136,491	5,394,312	5,457,000
<b>Total</b>	<b>129,197,741</b>	<b>132,389,286</b>	<b>139,304,786</b>	<b>145,014,019</b>

### WATER MANAGEMENT

As water is a necessary, but precious commodity, good stewardship is imperative in order to maintain the long-term sufficiency of this valuable resource that is essential to both economic and environmental stability. At CMS, we have made it our goal to reduce water wastage through the planning, developing, distributing and managing of our water resources optimally.

Some of the water-saving initiatives we have implemented include the reduction of treated water usage from the

water board by using an alternative source, as well as the maintenance and regular inspection of the water circulating system.

#### CMS' Water Consumption

In line with the GRI requirements for Sustainability Reporting, the Group is required to submit its total water consumption for the last three years. Our water consumption by Business Division for the last four years is presented below.

#### Water Consumption by CMS Business Divisions (m<sup>3</sup>)

Division	2013	2014	2015	2016
Cement	120,806	155,079	192,220	146,710
Construction Materials & Trading	42,617	34,877	30,730	69,913
Construction & Road Maintenance	4,128	3,854	4,615	10,372
Property Development	809	352	510	971
Samalaju Development	289,810	53,982	133,084	257,578
<b>Total</b>	<b>458,170</b>	<b>248,144</b>	<b>361,159</b>	<b>485,544</b>

#### Increased Water Consumption in Samalaju

The year 2016 saw a slight increase in water consumption as compared to the amount of water used in the previous year. This was due to the growing number of tenants at Samalaju Lodges, and the supply of water to a construction site at Samalaju Central. Samalaju Properties Sdn Bhd has since taken the following steps in its effort to conserve water:

- Organised a centralised laundry to optimise and reduce water usage;
- Periodic checking on water mains, water tanks, pumps to detect potential leakage;
- Installation of sub-meters to track consumption;
- Routine check to mitigate wastage of water, especially at washrooms; and

- Use of rainwater/reuse water from natural ponds to water plants.

#### Using Recycled Water to Cool Machinery

CMS Quarries Sdn Bhd reuses recycled water to cool its machinery. We have two water ponds for this purpose that can store 2.43 m<sup>3</sup> and 3.3 m<sup>3</sup> of water respectively.

#### Rainwater Harvesting Programme

Rainwater harvesting is the process of collecting rainwater with the intention of reusing it on-site. In 2010, we began our Rainwater Harvesting Programme at our clinker plant. Following a suspension of the project, we relaunched the programme in 2016. Rainwater is now collected for general use at the plant.

## MATERIALS MANAGEMENT

CMS does not believe in wastage when it comes to the management of materials. With the aim of reducing the use of natural resources in our operations where suitable, we continue to research and innovate so as to find more ways in which we can replace raw materials with recycled resources.

### Alternative Fuel and Raw Materials Committee

During the year in review, our Alternative Fuel and Raw Materials Committee held four quarterly meetings in which they focused primarily on the suitability of the conversion of waste into clinker or cement raw materials. In line with their discussions, all wastes from Samalaju and Samajaya Industries have been tested and research and development processes have taken place.

### Reusing Waste in the Production of Clinker

Following its extensive research in using Phosphogypsum (PG) as a replacement for limestone, our clinker plant has come to the conclusion that the waste material is viable as a material replacement. We have plans to purchase the waste material from the identified source in preparation for MPA - PG in 2017 which will be produced as a by-product after 2018. The plant has also considered replacing its Light Fuel Oil (LFO) with Residual Fuel Oil. We have sourced several recycled oil suppliers in the Kuching area.

The plant is also looking to substitute its use of limestone by up to 3% with its current replacement of sludge, old kiln bricks and ash. In line with this initiative, our Cement Division's Environmental Team has contacted all the waste generators' waste management team from the Samalaju and Samajaya Industrial Areas to submit Regulation 7/ Special Management applications to the Department of Environment (DOE) Putrajaya. Once we have obtained the approval from DOE, we will start the process of industrial trials.

### Tyre-derived Fuel

In an effort to create sustainable energy through the recycling of waste materials, CMS Clinker Sdn Bhd began to process tyre-derived-fuel (TDF) in 2015 by burning small quantities of shredded tyres purchased from a local-based supplier to manufacture clinker. TDF is a fuel derived from scrap tyres of all kinds and it produces the same energy as petrol and approximately 25% more energy than sub-bituminous coal.

As the trials did not produce any significant negative effects at the clinker plant, the Company began to actively seek the relevant approvals from Governmental authorities for the commercial production of TDF. In 2016, we did not co-process any TDF, choosing to focus instead on the approval process with the relevant authorities and sourcing out several TDF suppliers within Kuching area. With approval from The Department of Environment Sarawak and The Natural Resources and Environment

Board Sarawak, we will co-process about 300 MT TDF from April 2017 onwards under strict trial programmes. The Company has also established a long-term TDF supply contract with ZHA Environmental Sdn Bhd, a Sarawakian based used-tyre recycling company.

### Manganese Slag Premix Aggregates Replacement for Road-based Materials

In collaboration with CMS Quarries Sdn Bhd, Samalaju Industries Sdn Bhd and Sakura Ferroalloys Sdn Bhd, CMS Pavement Tech Sdn Bhd from our Construction & Road Maintenance Division has been researching the possibility of using manganese slag sourced from the Samalaju Industrial Park as aggregates for road-based maintenance and construction work. In the latest stage of the project, the companies recently completed a preliminary trial stabilisation on manganese slag road base at Sakura Ferroalloys. They are currently running a field trial on the pavement, upon which post construction monitoring will be carried out upon completion of the trial. Other potential uses for the mix such as ready-mix concrete, premix, etc., are undertaken by the respective Divisions and companies within the Group.

### Cold in Place Recycling (CIPR)



CMS Pavement Tech Sdn Bhd is a specialist provider of pavement works covering construction, rehabilitation and maintenance. As the conventional method of pavement rehabilitation tends to be costly, inefficient, slow and environmentally-unfriendly, CMS Pavement Tech specialises in using cement stabilisation technology to reconstruct and rehabilitate pavements using the Wirtgen WR2500S machine. In this new 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. As an environmentally-friendly company, CMS Pavement Tech promotes sustainable engineering and construction using locally-sourced, alternative materials. By tapping on the Company's technology, customers can take advantage of cost savings, quicker construction, as well as improved pavement performance and design life.

In 2016, the total amount of recycling-in-place that the Company conducted amounted to 58,000 MT. The total amount of off-site milling conducted during the year was 750 metres.

**WASTE MANAGEMENT**

The Group’s commitment to sustainable and ethical practices encompasses all our operations, not in the least, our waste management practices. Here at CMS, we take the practice of collecting and disposing of waste (and effluents) produced in our plants very seriously. Improper waste management can potentially have a negative effect on the community’s health, and similarly it can also negatively impact the health of the environment. Positive waste management systems, however, can prevent the negative impact that waste has on the environment. As a responsible captain of industry, CMS is committed to finding innovative and environmentally friendly ways to re-utilise waste, as well as to dispose of it.

**Solid Waste**

The disposal of solid waste, i.e. any garbage, refuse, sludge from a wastewater treatment plant, water supply treatment plant and other discarded materials stemming from industrial and commercial operations and from community activities are discarded in various ways that are environmentally-friendly.

Our Cement Division produces various solid waste over its annual production cycle. These consist of wooden pallets, zinc and acrylic cladding sheets, and old bag filters of varying sizes, to name a few. The Division does not record the weight of our solid waste as our focus is primarily on minimising or eradicating waste.

Recycling where we can, general waste is usually separated and sold to a third party vendor for reutilisation. Wood waste is donated to a nearby bricks manufacturing company and some of the waste components, including spent oil, are incinerated during clinker production. Used bag filters, paper bags, torn jumbo and pre-sling bags, old metal plates, etc. are co-processed at CMS Clinker Sdn Bhd and sold as scrap.

CMS Wires Sdn Bhd sells its waste iron oxide and scrap metal to a local steel manufacturer. In 2016, the Company recycled 23.16 MT of scrap iron and iron oxide.

PPES Works (Sarawak) Sdn Bhd, a company under our Construction & Road Maintenance Division, re-sells its leftover construction materials. It also reuses construction wastes such as timber and formwork, as well as demolition wastes or broken slabs. Waste paper is recycled for internal photocopying and printing and some waste from land clearing is utilised for example as the base of an access road in a swampy area.

**Scheduled Waste**

Scheduled waste is any discarded solid, liquid or contained gas or material that can no longer be used. As it is hazardous and is difficult to dispose of safely without special technologies and facilities, we make it a point to ensure that all scheduled waste is discarded in

compliance with operational regulations. In 2016, some 3,717 litres of waste oil (spent lubricant and hydraulic oil) classified under SW421 was generated and collected by a licensed contractor. All materials that had come in contact with the oil, such as contaminated gloves and used cotton rags were also properly disposed of as well.

Our Construction & Road Maintenance Division continues to take all the necessary measures to ensure that all waste materials from its project sites are disposed properly. To this end, the Division has allocated specific landfills for its scheduled waste, which in 2016, amounted to 280.20kg.

PPES Works (Sarawak) adopts stringent scheduled waste practices which are also part of its Environmental Impact Assessment and Environmental Monitoring Programme. The Company does not produce high quantities of scheduled waste.

At CMS Clinker, we produce relatively small volumes of scheduled waste. The types of scheduled waste that are generated and subsequently disposed of are summarised in the table below.

Type of Scheduled Wastes	Water Code
Contaminated rags, plastics, paper and filters	SW410
Spent oil lubricant and grease	SW421
Contaminated rags	SW410
Contaminated spill kits	SW410
<ul style="list-style-type: none"> <li>• Container contaminated with laboratory chemicals</li> <li>• Drums contaminated with oil, lubricant and grease</li> </ul>	SW410
Obsolete laboratory chemicals	SW430
Waste of lead batteries in whole or crushed form	SW102
Waste of electrical and electronic	SW110

The procedure of handling the scheduled waste is summarised below:

1. The operator ensures all generated scheduled wastes are properly stored in relevant containers.
2. Contaminated parts are cleaned with diesel before being disposed of 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 disposal of waste, 180 days from the date the waste was generated or when the quantity reaches 20 MT, whichever comes first.

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

### AIR EMISSIONS, NOISE, DUST AND VIBRATIONS

In the name of good environmental practices and conscientious business processes, the Group and all its subsidiary companies continue to focus on conducting regular environment monitoring to keep our practices within the regulatory standards and to prevent industrial pollution.

Based on ambient air monitoring at Pending, Bintulu, Sibul Bulk Terminal, Miri Bulk Terminal and Mambong's Cement Integrated Plant, the average Total Suspended Particles for the Cement Division in 2016 was below 130  $\mu\text{g}/\text{Nm}^3$  which was still within the Malaysian Recommended Environmental Air Quality Guidelines of 260  $\mu\text{g}/\text{Nm}^3$ .

CMS Cement Sdn Bhd is continuously focused on controlling their environment. Their environmental objectives and targets for the short, medium and long-term can be seen in their following emissions control goals:

- Short-Term - to improve the emissions from the clinker unloading/discharging activities from the current level (which is within the recommended guidelines);
- Medium-Term - to reduce the stacks emission to a level lower than 100  $\text{mg}/\text{Nm}^3$  for the Clinker plant and below 200  $\text{mg}/\text{Nm}^3$  for cement plant stacks; and
- Long-Term - to reduce emission from main stacks below the stipulated requirements under the guidelines of Clean Air Regulation 2014 with the Clinker plant below 50  $\text{mg}/\text{Nm}^3$  and the Cement plants below 150  $\text{mg}/\text{Nm}^3$ .

#### Emissions Management

The results of CMS' Total Suspended Particulates are presented below. We have included three quarries; five monitoring stations at the Sarawak Museum Campus project; and CMS Clinker's waste gas stack, cooler stack and coal stack. All readings are within the Malaysian Recommended Environmental Air Quality Guidelines of 260  $\mu\text{g}/\text{m}^3$  and the Environmental Quality Act 2014 of 50  $\text{mg}/\text{Nm}^3$  (for CMS Clinker Sdn Bhd).

#### Air Quality Results ( $\mu\text{g}/\text{m}^3$ )

Location	Total Suspended Particulate ( $\mu\text{g}/\text{m}^3$ )	Readings Taken
Quarry at Mile 7	71.0	Q1 2016
	23.1	Q2 2016
Quarry at Mile 9½	60.1	Q1 2016
	20.8	Q2 2016
Gunung Sibanyis	56.6	Q1 2016
	63.4	Q2 2016
	28.2	Q3 2016

Location	Total Suspended Campus Particulate	Readings Taken
<b>PPES Works (Sarawak) Sdn Bhd - Sarawak Museum Project</b>		
A1	34.2 $\mu\text{g}/\text{m}^3$	Q4 2016
A2	41.32 $\mu\text{g}/\text{m}^3$	Q4 2016
A3	39.5 $\mu\text{g}/\text{m}^3$	Q4 2016
A4	67.8 $\mu\text{g}/\text{m}^3$	Q4 2016
A5	17.03 $\mu\text{g}/\text{m}^3$	Q4 2016
<b>CMS Clinker Sdn Bhd</b>		
Waste Gas Stack	9.92 $\text{mg}/\text{Nm}^3$	Quarterly
Cooler Stack	11.75 $\text{mg}/\text{Nm}^3$	Quarterly
Coal Mill Stack	14.25 $\text{mg}/\text{Nm}^3$	Quarterly

#### Noise Monitoring

Based on noise monitoring at Pending, Bintulu, Sibul Bulk Terminal, Miri Bulk Terminal and the Mambong's Cement Integrated Plant, the average noise level for the Cement Division in 2016 is 70 d(B)A and is within the recommended national guideline. The Cement Division achieves this by the following:

1. For transfer chutes: put liners with deflector plate and an enlarged chute size so as to minimise noise levels.
2. Around the plant's boundary: plant more trees which help in absorbing sound and thus reducing noise levels.
3. For high pressure blowers: install inlet silencers.
4. For compressor room: Install heavy-duty doors.

A summary of the noise results at three of CMS Quarries Sdn Bhd's sites is presented below. The noise permissible level for day time is 65 d(B)A and for night time, 55 d(B)A. Noise from blasting is covered in our vibrations section.

The noise level during day-time in Q2 2016 is slightly higher in comparison to Q1 2016 due to increased activity, particularly from heavy transporting vehicles, during the period.

The noise level during night-time is mostly generated by public vehicles along the main road.

Location	Q1 2016		Q2 2016	
	Day-time (d(B)A)	Night-time (d(B)A)	Day-time (d(B)A)	Night-time (d(B)A)
Quarry at Mile 7	55.6	56.5	55.7	48.8
Quarry at Mile 9½	56.9	54.4	-	-
Gunung Sibanyis	50.5	63.4	59.2	45.1

Dust Emissions

*Upgrading of Coal Mill System*

The upgrade of the coal-mill system at CMS Cement Sdn Bhd in 2013 from a ball-mill type that was able to grind a maximum of 15 MT per hour to a new coal-mill type which has a capacity of 22 MT per hour has resulted in lower specific power consumption and lower dust emissions.

*Baghouse Dust Collector*

In 2015, CMS Premix Sdn Bhd's pollution control system was changed from a Venturi Scrubber to a Baghouse Dust Collector and this has brought about the following advantages:

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

Dust emissions from our Construction Materials & Trading Division was similar to its air emissions above. In addition, PPES Works (Sarawak)'s efforts to reduce its dust emissions from its projects include washing through, dewatering and cleaning its sites.

Vibrations

In the quarry business, ground vibrations are one of the risk factors impacting the surrounding landscape and infrastructure, as uncontrolled vibrations may cause severe damage to nearby utilities and pipelines. When blasting, CMS Quarries Sdn Bhd monitors its seismic vibrations in three directions at right angles to each other - radial, transverse and vertical. In 2016, our consultants took seismic and air vibrations measurements on various occasions. The minimum, average and maximum readings are presented below.

CMS Quarries's recorded average vibration was 5.21 mm/s, surpassing the permissible level of 5 mm/s. This was because the vibrometer was installed closer to the blast than was required due to the availability of space at the plant. In any case, the number of blast holes has now been reduced in order to further reduce the vibration levels.

In our CMS Clinker's limestone quarry, which comes under the Cement Division, the recorded average vibration was below 2 mm/s. Across all our quarries, average air blasts were recorded to be within the Malaysian Recommended Air Quality Guidelines' maximum of 12 d(B)A.

Channel/Measurement	Min.	Avg.	Max.
Radial Velocity (mm/s)	0.06	3.858	14.605
Transverse Velocity (mm/s)	0.127	4.110	11.113
Vertical Velocity (mm/s)	0.127	3.076	10.033
Vector Sum (mm/s)	0.28	5.176	17.69

CMS Quarries Sdn Bhd (Stabar Quarry) Vibrations Monitoring

BIODIVERSITY

Biodiversity, also known as the enriching or restoring, of the natural world is an integral part of our environmental efforts. We are committed to not only protecting our environment, but also to cultivating and developing it.

In 2016, our Property Development Division exceeded its target to plant approximately 200 trees across its various developments by planting 294 trees at the Rivervale Residences. A total of 17 different species of trees were planted. They consist of the following: 122 White Bucida, 18 Green Bucida, 27 pine trees, 6 Flame of the Forest, 35 Willows, 23 Hopea Oderate, 4 Leopard Trees, 1 Bucida Tikus, 4 Mouvar Ball Yellow Trees, 2 Happiness Trees, 2 Batik Leaves, 2 Philodendrons, 4 Yellow Palms, 2 Juniperus Communis, 40 Coleus Blumei, 1 Loropetalum, and 1 Fan Palm.

At PPES Works (Sarawak), the Company has been busy replanting 'quick rooting' and sustainable native vegetation. These include three pot plants, low growing native trees and shrub buffers along the stream.

Our Cement Division's contribution towards biodiversity included the planting of over 300 trees around the new cement mill or plant and some existing buildings in CMS Clinker and CMS Cement Bintulu.

Our Construction Materials & Trading Division also contributed towards the environment by planting around 900 trees at its sites across Sarawak.

To further inculcate the concept of biodiversity into our work culture, we organised the 'CMS Goes Green' competition which consisted of three categories and three prizes that included a cash prize and certificate. In the first category, the contest saw the QA Department from our Cement Division and the Group Procurement Department vie for the title of 'CMS Greenest Office.' Their initiatives included creating posters, making recycled bins available, placing more plants throughout the office and even planting a garden outside the office. The second and third categories for the contest revolved around CMS Clinker planting more trees, flowers and a herb garden and a creative recycling project respectively.

We also observed Earth Hour by switching of all lights between 8.30pm-9.30pm while several cycling enthusiasts from our offices participated in an Earth Hour Night Ride.

Samalaju Eco Park

Samalaju Eco Park Township, a 2,000-acre eco-themed township adjoining the Samalaju Industrial Park (SIP) has been the crowning development for our Samalaju Development Division, since the project was launched in 2015.

Designed and developed with the future in mind, Samalaju Eco Park was conceptualised out of a vision to provide a balanced, healthy and sustainable lifestyle to the thousands working at the SIP. The Samalaju Eco Park Township incorporates the natural semi-undulating terrain of the area, with the Township designed to preserve as much of the land's natural landforms and gentle water bodies. Green and blue spaces in the form of parks, water bodies, community gardens and, at a later stage, a golf course will dot the Township and provide living spaces for the community.

Our Samalaju Property Development unit has also planned to landscape the Township with trees that are indigenous to Sarawak. A total of 30 native tree species were selected for planting at 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.

Description	Land Size (Ac)	Green Area (Ac)	% of green area	No. of Trees	Trees/acre (green area)	Year of Planting
Samalaju Resort Hotel	23.1	18.1	78%	1100	61	2015 (done)
160 Apartment Units	6.01	2.45	41%	123	50	2016 (done)
96 Apartment Units	2.76	0.99	36%	50	50	2016 & 2017 (done)
96 Apartment Units	2.97	1.33	45%	67	50	2017 (deferred)
Service Centre - 34 Units	5	0.45	9%	9	20	2017 (planning)

Some 170 trees, consisting of nine different species were planted. The types of trees that were planted are as follows: *Alstonia Augustiloba*, (Pulai) *Ficus Lyrata* (Fiddle Fig-Leaf), *Eucalyptus Deglupta* (Eucalyptus), *Bucida white*, *Pheltophorum Pterocarpum*, *Plumeria Obtusa* (Cempaka), *Polyscias Sp* (Polyscias White), *Pseuderanthemum Jessica* (jessica plant), *Axalypha Siamensis* (small tea leaf).

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.

To aid in the site clearing work, the Company employed an Enviro Mulcher to shred the oil palm trees as it was a requirement in our contract. It was not implemented in 2016 as our site clearing works were completed in early 2015. However, it will still be on Samalaju Properties contract for any future site clearing works.

#### 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 or GBI accreditation standard for new projects where possible at The Isthmus. One such development, the Menara Sarawak Energy building, the head office for Sarawak Energy Berhad, was completed in 2013. It is the first green building in East Malaysia and the first to be awarded the Final GBI Silver Rating.

CMS Property Development Sdn Bhd also completed the development of two signature GBI-certified buildings called The Gateway Towers which will serve as headquarters for Pelita Holdings Berhad and the Sarawak Economic Development Corporation, both at The Isthmus, in 2016. Also, in 2016, it was announced that the UCSI Campus and Hotel that is being undertaken by the UCSI Group will have GBI rating. In addition, Samalaju Properties Sdn Bhd is still in the process of pursuing the BCA Green Mark Certification.

The GBI is Malaysia’s green rating tool 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, maximising solar heat gain through the building envelope, harvesting natural lighting and various other related measures.
2. Indoor Environmental Quality - achieves good quality performance for 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.

As parts of its biodiversity efforts, the development started a tree nursery consisting of 100 White Bucida trees.

**CMS ECO WALL PANEL**



As CMS Concrete Product Sdn Bhd’s answer to sustainable building materials, the ECO Wall Panel continued to see brisk sales with a total of 3,000 metric tonnes being sold in 2016. 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 reduced and it utilises quarry products such as quarry dust that are in less demand. The ECO Wall Panel is 30% lighter in weight due to its advanced hollow core design and it is equivalent to approximately 90 pieces of brick. With its compressive strength of 25 newtons per square millimetre, this make it suitable as a load bearing wall.

**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:

**CMS Cement Sdn Bhd (Kuching Plant)**  
ISO 14001 certified since 2001

**PPES Works (Sarawak) Sdn Bhd**  
ISO 14001 certified since 2004

**CMS Roads Sdn Bhd**  
ISO 14001 certified since 2005

**CMS Cement Sdn Bhd (Bintulu)**  
ISO 14001 certified since February 2008

**CMS Clinker Sdn Bhd**  
ISO 14001 certified since September 2012



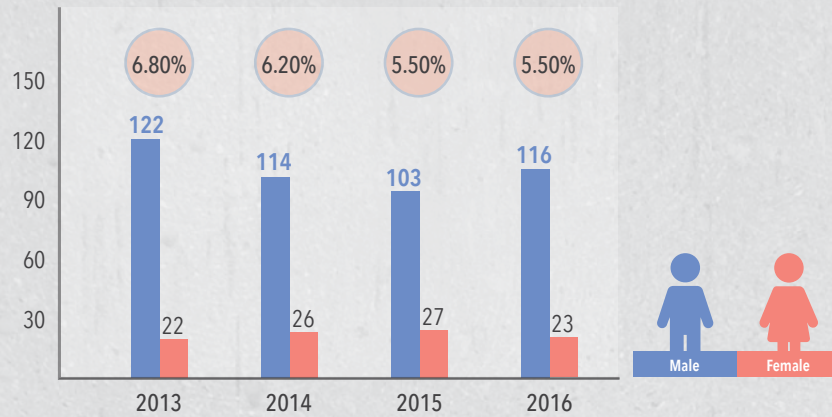
# SOCIAL: LABOUR PRACTICES AND DECENT WORK



CMS RECOGNISES THAT WE OWE OUR SUCCESS TO THE HARD WORK AND EFFORTS OF OUR EMPLOYEES. AS SUCH THE GROUP IS COMMITTED TO CREATING A HOLISTIC WORKING ENVIRONMENT THAT INSPIRES COMRADERY, TRUST, EXCELLENCE, INITIATIVE AND PROFESSIONALISM. OUR EMPLOYEE-BASED INITIATIVES HAVE BEEN FOUNDED ON OUR GOAL TO PROVIDE FAIR TREATMENT TO ALL OUR EMPLOYEES WHILE ACHIEVING EQUILIBRIUM BETWEEN PERFORMANCE, PAY AND PARTICIPATION. OUR PROGRESS IN THE AREA OF EMPLOYEE DEVELOPMENT IS EVIDENT IN THE GROUP'S RELATIVELY LOW TURNOVER RATE (AS PER THE FOLLOWING TABLE) IN THE LAST FOUR YEARS.

WE HAVE CLEAR POLICIES AND PROCESSES IN PLACE TO ENSURE THAT CANDIDATES ARE RECRUITED AND ASSESSED ON MERIT AND REWARDED BASED ON THEIR INDIVIDUAL KEY PERFORMANCE INDICATOR (KPI) PERFORMANCE.

## Employee Turnover Rates



## EMPLOYMENT PRACTICES

We aim to be an employer of choice in Sarawak through providing our employees with a value and goal-driven working environment that encourages our employees to realise their full potential on both the individual and corporate levels.

### Grievances

Grievances are defined as complaints by employees that are not satisfactorily settled once brought to their immediate superior's or supervisor's attention. We have a formalised procedure to handle grievances transparently and fairly.

In order to handle all grievances transparently and fairly, we have organised a formalised structure that provides employees with a secure solution to their problems. During the year, two cases of grievances were reported and dealt with according to standard procedure.

### Sexual Harassment

All forms of sexual harassment are strictly forbidden in our 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 employees to any written or spoken language, or visual material of a sexual nature or with sexual connotations.

Our employees are encouraged to report unacceptable 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. One case of sexual harassment was reported in 2016, the situation was duly dealt with according to standard procedure.

### Notice Period for Operational Change

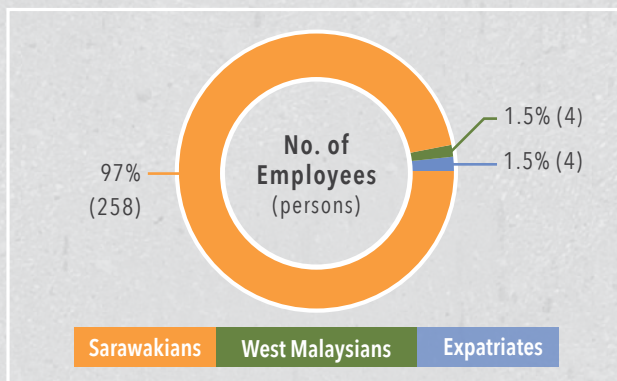
The changing of employees' roles, or operational change, is another matter in which we take care to provide the appropriate notice. The amount of time given in the notice depends on the type of operational change being made. In the case of a significant operational change which involves a transfer or secondment to another location, the employee is given reasonable notice before he or she is required to move. In other instances, a period of one week is considered adequate. Thirty-one inter-company transfers took place throughout the year in review. All cases were handled according to Company policy and procedures.

**Local Hiring**

As we are committed to the development of the local infrastructure and economy of Sarawak in all aspects, employing Sarawakians continues to be a priority in the Group’s employment drive. This endeavour is evident in CMS as 97% of employees hired in 2016 were from Sarawak. If we are unable to recruit locally, other Malaysians are considered before we look further afield.

**Total Joining in 2016 (persons)**

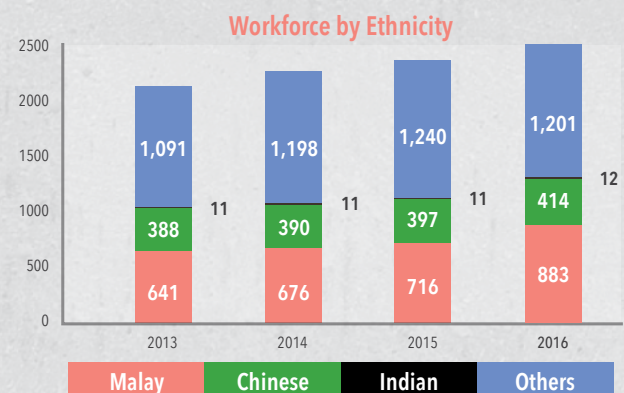
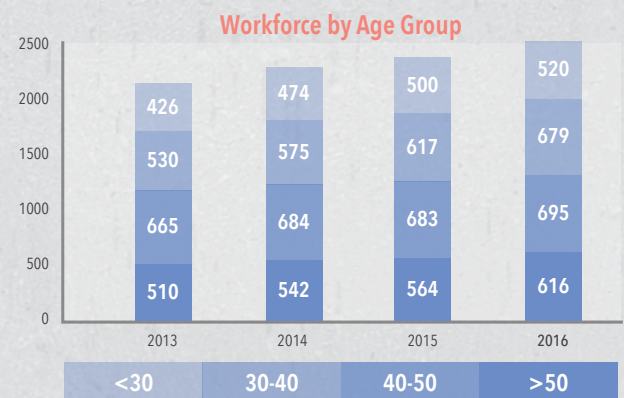
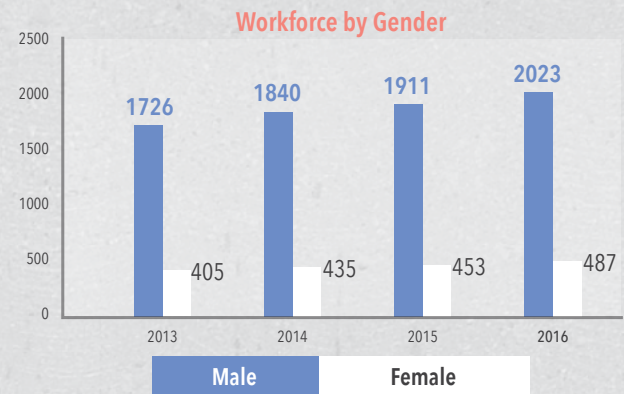
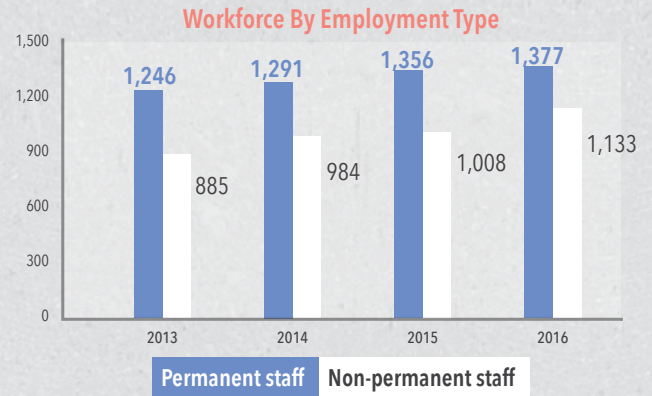
Company/Division	Overall	Sarawak	West Malaysia	Expatriates
Cement	52	52	-	3
Construction & Road Maintenance	171	171	-	-
Construction Materials	17	17	-	-
Head Office	7	6	1	1
Services (CMS Infra & TPS)	7	7	-	-
Financial Services (OPUS)	3	-	3	-
Property Development & Samalaju Properties	5	5	-	-
<b>TOTAL</b>	<b>266</b>	<b>258</b>	<b>4</b>	<b>4</b>



**Diversity in the Workforce**

Sarawak is famous for its multi-cultural and close-knit society. With a variety of ethnic groups and at least 40 sub-ethnic groups, each with its own distinct language, culture and lifestyle, Sarawak is not only tolerant of diversity, but embraces it. Being a home-grown company of the State, we hope to embody the same spirit and perspectives when it comes to supporting a diversified workforce. We continue to drive 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 following charts highlight the diversified workforce at CMS.



## EMPLOYEE ENGAGEMENT

Employee engagement continues to be a focal point of our work-based initiatives even as we work towards encouraging a work environment that fosters unity, positivity and commitment. We strive to realise corporate growth together with a fuller life for all employees through our work-life balance programmes and various other forms of engagement.

Where it is felt it is lacking in any Division or Head office Department, a KPI will be introduced, that has been used before across the Group, to ensure the management focus on this issue and the results are monitored by surveys.

### Work-Life Balance

We continue to encourage our employees to live in a responsible manner through our various annual work-life balance initiatives that have been tailored to the needs of our employees. Our initiatives emphasise the importance of the employees' health and general well-being while ensuring that they remain motivated and purpose-filled in their vocational journey. Among the work-life balance initiatives and programmes implemented to date are:

- 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;
- 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 employees' birthdays in their individual Divisions;
- Aerobic and Zumba sessions; and
- The implementation of a Work-Life Balance Policy which endorses flexible working hours, part-time employment and the payment of an additional RM300.00 to employees to cover their health and lifestyle which includes topping up their out-patient entitlement.

### Koffee Talk

CMS' Koffee Talk sessions provides a platform for our non-executive employees, the largest category of workers within the Group, to voice their work-related issues and general concerns directly to Senior Management, from outside of their Division or Head Office Departments, and Group Human Resources (Group HR). The biennial programme also encourages our non-executive employees to interact among themselves and the Senior Management in a

comfortable setting, devoid of the constraints of corporate hierarchy. All issues raised during the Koffee Talk sessions are summarised and highlighted during the following Town Hall sessions where Senior Management will explain how each issue is being addressed, thus retaining our employees' faith in the process.



In 2016, the interactive session was prefaced by a short, tailor-made presentation of the Group's high level challenges delivered by the Group Managing Director and a second one on HR benefits and policies by a member of Group HR.

In 2016, we organised ten Koffee Talk sessions in six locations across Sarawak. Around 400 employees attended the sessions. Key members of Senior Management who were involved in the sessions included the Group Managing Director, who attended all the sessions, and the Group's Human Resources' Senior General Manager, the General Manager of Operations and its Senior Manager.

### Board of Directors and Senior Management Strategic Retreat



Our Board of Directors came together to discuss our current operating status and to strategise for the future during our annual Board of Directors Strategic Retreat. During 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 Group Executive Director and Group Managing Director also made presentations that focus on big picture issues and CMS' overall strategic directions, challenges and opportunities.

In a similar fashion, we conducted our annual Senior Management Strategic Retreats which saw twenty-one senior managers gather on 5 September 2016 at CMS Clinker Sdn Bhd. The retreats serve to improve synergy, increase collaboration and instil a sense of common purpose among the Group's leaders.

### Management Retreat



On 6 September 2016, we held the annual management retreat for our managers and senior executives at the Borneo Convention Centre in Kuching. The retreat was conducted in a forum style in which participants received updates from top management on the performance and direction of the Group. Surveys and training specific to managers' needs were also conducted to help managers identify current issues relating to work performance and areas of concerns.

### Town Hall



For the year 2016, we organised four Town Hall sessions which we hold annually in Kuching, Sibul, Bintulu and Miri. The CMS Town Hall sessions, which were first introduced in 2007, saw our Group Executive Director and Group Managing Director provide an update on the annual performance of the Group and its future direction. The Town Hall sessions also served as a platform for top management to engage with all employees to discuss important issues that affect the organisation and the workforce.

If employees are unable to attend these Town Hall sessions due to work operations, 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 the Group, 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. In the month of December, we organised four annual dinners in prestigious locations in Kuching, Sibul, Bintulu and Miri.

### Baleh Kapit Raft Safari



The Baleh Kapit Raft Safari is a two-day rafting competition which is held along the Rajang River. CMS participates in this competition biennially as part of our employee engagement efforts. In 2016, the Group was represented by a team of 24 participants and three coordinators led by Dato' Richard Curtis. One of the key purposes of participating in this competition is for Dato' Richard to engage with and to bond with the management trainees and executives, who are mostly from the millennial generation. Amidst the challenging but fun atmosphere of the competition, Dato' Richard also has the opportunity to share his thoughts on CMS and its future direction with the next generation of potential leaders. The event also served as a reminder to CMS participants not to neglect the cause of continual rural development.

CMS Friendly Games



Every other year, CMS organises its group-wide sporting event, the 'CMS Games' as part of our effort to foster stronger ties and group-wide unity. In 2016, approximately 800 employees came together to engage in friendly clan warfare in the form of sports such as badminton, bowling, football, as well as track and field events. The participants were divided into four houses that were captained by the senior management of our various divisions.

Employee Satisfaction Survey

We distribute an Employee Satisfaction Survey usually once in two years. This survey examines employee-supervisor relationships and gauges employees' satisfaction. It also gauges 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. In 2016, the Group rolled out its second Employee Satisfaction Survey following 2014's survey.

Methodology for the 2014 ES Survey

The survey was distributed on 7 July 2014 to 888 CMS employees, approximately 40% of the total CMS employees. The survey was anonymous and was conducted group-wide. The results of the survey are presented in the table below.

Results of the Employee Satisfaction Survey 2014

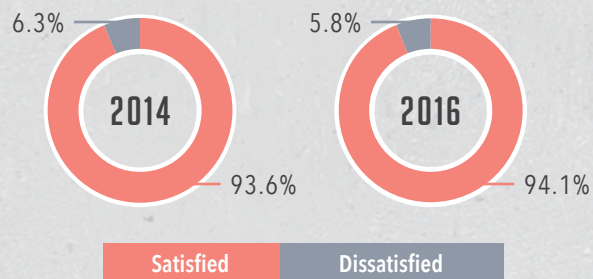
93.7% of employees were satisfied in their jobs	30.8% strongly agreed scoring 6
	45.9% agreed scoring 5
	17% somewhat agreed scoring 4
6.3% of employees were dissatisfied in their jobs	4.5% somewhat disagreed scoring 3
	1.3% disagreed scoring 2
	0.6% strongly disagreed scoring 1

Methodology for 2016 ES Survey

The anonymous survey was distributed on 12 July 2016 to 1,000 CMS employees Group-wide, approximately 40% of the total CMS employees. Each category consisted of five questions based on a 'six-point' rating scale. The 2016 ES survey comprised the following five categories:

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

The 2016 survey revealed that employees are generally more satisfied today in comparison to 2014 with their jobs across the Group. The results of the surveys are as follows:



Going forward, the Group will incorporate Employee Engagement Initiatives under the Business Process of the KPI.

Long Service Awards



We held our annual Long Service Awards event to show our appreciation and accord special recognition to our employees for their loyalty to CMS. Since the first awards ceremony in 2007, each eligible employee has been rewarded with a cash award, a certificate and long service leave after their first 10 years in their company and subsequently every five years. In 2016, a total of 128 employees received the Long Service Award which had a combined monetary value of RM554,500.00.

Length of Service (Years)	Cash Value of Awards (RM)		Long Service Leave*
	2015	2016	
10 years	RM3,000.00	RM3,000.00	2 Working Days
15 years	RM3,500.00	RM3,500.00	3 Working Days
20 years	RM4,000.00	RM4,000.00	4 Working Days
25 years	RM4,500.00	RM6,000.00	5 Working Days
30 years	RM5,000.00	RM8,000.00	6 Working Days
35 years	RM5,500.00	RM10,000.00	7 Working Days

OurCMS Magazine

OurCMS is our in-house magazine which covers all events taking place at CMS, as well as corporate news and feature stories on a triannual basis. 500 copies of the magazine were printed for circulation among our employees. OurCMS, which serves as an artery of information for our entire body of employees all over Sarawak, is also available on our corporate website for viewing.

Other Forms of Engagement

Other forms of employee engagement occur regularly throughout the year. In 2016, engagement activities included regular operational meetings, memorandum, notices, intranet updates, circulars, workers' gatherings, office lunches, dinners and company outings for Head Office Departments and Business Divisions.

PERFORMANCE MANAGEMENT

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

At CMS, our KPI system comprises five main components:

- Financial: covering the financial performance in the relevant mix according to grade, role and location of the Group, 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 CR hours; and
- Demerits: covering matters such as the death or permanent disablement of a colleague or failure to highlight risks.

The KPI system is emphasised group-wide, with all KPIs for senior management are tabled to the Nomination & Remuneration Committee. For employees at the managers and above level, the Financial component comprises 60% of their total KPI; meanwhile the Critical Priorities component comprises at least 45% of the total KPI for employees at the executives and below level.

All Sustainability KPIs or SKPIs undertaken by Divisions and Group HR take a holistic approach covering these areas:

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

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

KPI System Scoring Methodology

Score	Achievement	Weightage
Stretched	Outstanding	110% of the KPI item
On-Target	Exceeds Expectation	100% of the KPI item
Threshold	Meets Expectation	90% of the KPI item

### Management Performance Assessment (MPA)

The 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.

It 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 particular year.

### Sustainability KPI

In 2015, CMS introduced its own Sustainability Key Performance Indicator (SKPI) with the aim of managing our long-term environmental performance and eventually improving our business operations. Each CMS Business Division was required to select and to undertake relevant environmental targets for 2016. These targets could relate to materials management, energy management, water management, waste management, air emissions control and biodiversity. All SKPIs for 2016 were decided between the Heads of Divisions and Group Managing Director, Dato' Richard Curtis as part of the annual KPI setting process. As an illustration, some of the SKPIs set included the following:

Division	SKPI
Cement Division	<ol style="list-style-type: none"> <li>1. Conduct multiple in-house waste collection exercises.</li> <li>2. Introduce external waste for use in Cement production (this is subject to the approval of the Group Managing Director).</li> <li>3. Introduce the usage of Tyre Derived Fuel (TDF) as an alternative to coal for the production of Clinker.</li> </ol>
Construction Materials & Trading Division	<ol style="list-style-type: none"> <li>1. Reuse 5% of steel drums products by encouraging Kuching-based customers to return the drums after use.</li> <li>2. Construction of aggregate shed and cold feeder shed to reduce diesel consumption.</li> <li>3. Launch a tree planting campaign on sites across Sarawak.</li> </ol>
Construction & Road Maintenance Division	<ol style="list-style-type: none"> <li>1. Reuse asphalt and other aggregates as a substitute for construction materials wherever possible.</li> <li>2. Change all light bulbs to energy-efficient bulbs at all offices throughout the Division.</li> <li>3. Use 3R bins throughout all offices in the Division.</li> </ol>
Property Development Division	<ol style="list-style-type: none"> <li>1. Planting of trees around our developments.</li> <li>2. Usage of solar powered street/garden lights within our areas of development.</li> </ol>
Samalaju Properties Sdn Bhd	<ol style="list-style-type: none"> <li>1. Maintain the Samalaju Eco Park certified Green Township.</li> </ol>
CMS Head Office Departments	<p>Organise or carry out sustainability initiatives including:</p> <ol style="list-style-type: none"> <li>a. Maintain one or more oxygenating plant at work stations (e.g. Spider Plant, Geranium, Jade Plant, Lemon Balm, Golden Potholes).</li> <li>b. Clean the riverbank or premise/surrounding area of the office building (<i>gotong-royong</i>) as a department.</li> <li>c. Set-up and use Recycling Bins (paper, plastic, tin) within respective departments.</li> </ol>

**COMPETITIVE BENEFITS**

CMS makes it a priority to ensure that all our remuneration and benefits are above the enforceable statutory minimum. Our 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**

 <p><b>Training</b></p> <ul style="list-style-type: none"> <li>• An average of 24 hours of compulsory training per year for Executives and above</li> <li>• Non-Executives are required to attend an average of 18 hours of training per year</li> </ul>	 <p><b>Salary and Allowances</b></p> <ul style="list-style-type: none"> <li>• Acting Responsibility                     <ul style="list-style-type: none"> <li>• Relief</li> </ul> </li> <li>• Site/Hardship</li> <li>• Others</li> </ul>
 <p><b>Travel</b></p> <ul style="list-style-type: none"> <li>• Accommodation</li> <li>• Subsistence allowance</li> <li>• Mileage</li> </ul>	 <p><b>Other Types of Leave</b></p> <ul style="list-style-type: none"> <li>• Compassionate/Calamity</li> <li>• Marriage, Paternity &amp; Maternity</li> <li>• Examination &amp; Study</li> <li>• Pilgrimage • Unpaid</li> <li>• Leave of Absence to Represent State/Country</li> </ul>
 <p><b>Overtime</b></p> <ul style="list-style-type: none"> <li>• Executive</li> <li>• Non-Executive</li> </ul>	 <p><b>Salary Deductions</b></p> <ul style="list-style-type: none"> <li>• EPF</li> <li>• SOCSO</li> </ul>
 <p><b>Medical Care-Outpatient Treatment</b></p> <ul style="list-style-type: none"> <li>• Married/Single Employees with Dependent Children</li> <li>• Married/Single Employees without Dependent Children</li> </ul>	 <p><b>Medical Care-Hospitalisation</b></p> <ul style="list-style-type: none"> <li>• Executive</li> <li>• Non-Executive</li> <li>• Delivery</li> <li>• Warding</li> </ul>
 <p><b>Annual Leave</b></p> <ul style="list-style-type: none"> <li>• Executive</li> <li>• Non-Executive</li> </ul>	 <p><b>Medical Leave</b></p> <ul style="list-style-type: none"> <li>• Sick Leave</li> <li>• Prolonged Illness</li> </ul>

**Flexible Working**

We have provisioned flexible working (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 2016, an employee was allowed flexi-time for a duration due to justified personal needs. A specified duration was agreed upon by the employees and the Head of Department.

**Educational Assistance**

Qualified employees are eligible for educational assistance twice in the course of their employment. In order to qualify for this benefit, employees must:

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

Employees may apply for a reimbursement of fees after completing the course. This is subject to the approval of our management. Three employees successfully applied for educational assistance worth RM20,000.00 each during the year in review.

**EMPLOYEE HEALTH**

**Health Screening**

We are responsible for protecting the health and well-being of our workforce. 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 twice a year while employees above 40 years old are subjective to it annually. 240 employees underwent Health Screening in 2016.

**Improved Benefits**

We aim to lead the Sarawakian market in the way we reward our employees. We pay competitive salaries and offer rewards, recognition and promotion for good performance. We review our benefits package regularly to ensure it is at least in line and very often in excess of or extending beyond any enforceable industry benchmark.

**Revision to our Benefits in 2015**

- MEAL ALLOWANCE  
UPGRADED FROM RM5 TO RM7**
- INTRODUCED A WORK-LIFE  
BALANCE PAYMENT OF  
RM300 PER ANNUM\***
- SUBSISTENCE ALLOWANCE  
IS ACCORDED ON LUMP SUM BASIS\***

\* Subject to terms and conditions

**Compassionate Fund**

A compassionate fund was established to help employees in ways that are not covered by their employment benefits and entitlement. A loss of home due to fire, floods, landslides or other acts of God are examples of situations covered. 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. A total of RM154,202.42 was disbursed in 2016 and to date, the Compassionate Fund has never had to turn a valid claim away due to lack of funds.

**Retirement Benefits**

Employees on mandatory retirement may receive a retirement ex-gratia based on their last drawn basic salary. This benefit is received by employees with a minimum of ten years of continuous employment and a clean disciplinary record for the last two years of their employment. A retirement benefit of up to two and half month's salary is given. A retirement gift voucher, plaque and certificate of appreciation are also presented to the retiring employee. A total of seventeen employees were recipients of the retirement benefit in 2016 which amounted to RM95,179.75.

**Minimum Wage Order 2016**

On 1 January 2016, CMS implemented the Minimum Wage Order whereby the minimum wage was scaled up from RM800.00 to RM920.00. The Group's exercise was implemented six months ahead of the Government's mandatory date effective 1 July 2016. CMS' minimum wage calculation also takes into consideration the impact of the 6% GST.

**OCCUPATIONAL HEALTH AND SAFETY**

The Group recognises the importance of protecting the safety, health and well-being of employees and others associated with its businesses. We are committed to continuously safeguarding, managing and preventing job-related injuries and illnesses.

As far as is practical, we shall:

- Comply with the Occupational Safety & Health Act 1994 (OSHA) and other relevant applicable standards and statutory provisions;
- Provide the necessary information, instruction, training and supervision to enable employees and others in the workplace to perform their tasks in a safe and healthy work environment;
- Identify and ensure measures are taken to prevent or mitigate accidents and occupational hazards in the workplace; and
- Ensure our employees and others comply with applicable regulations and work procedures so as to ensure their own safety.

**Group Safety Taskforce**



We formed a Group Safety Taskforce (Taskforce) and introduced the Group Safety & Health Policy in 2009 to underline our commitment to personal safety. The tagline, 'Safe and Healthy Workplace', also became a part of our Group's Mission statement. The Taskforce is headed by our Group Managing Director, Dato' Richard Curtis.

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.

In 2016, the Taskforce held eight meetings in which they organised and subsequently implemented the following initiatives:

- Enhancement to the Emergency Response Team at the Wisma Mahmud building to ensure their ability to respond to the emergencies. This included conducting in-house training, fire drill, as well as purchasing emergency response equipment.
- Internal training which included a fire drill, a first-aid course, work-life balance activities and awareness of OSH legal compliance.
- A Safety Month which also incorporated sustainability initiatives such as tree-planting and a recycling campaign.
- Site visits to work sites and plant/factories of subsidiaries to enhance employees' understanding of OSH matters and to instil a sense of belonging among them employees.
- Reshuffling of Safety employees within the group to strengthen the implementation of Safety, Health and Environment (SHE) activities.

**OSH Structure and Roles & Responsibilities**

The Group Safety Taskforce is headed by the Group Managing Director. The Management Team of OSH in the group is driven by 35 OSH Personnel that comprise of 1 General Manager - Operations, Group Human Resources, 1 Assistant Manager, 13 Executives and 20 Non-executives. These personnel are deployed in every Division and Subsidiary company reporting functionally to the respective CEO and administratively to the HQ (General Manager and Assistant Manager).

An OSH Committee is established within every Division and Subsidiary company to enforce OSH Implementation and compliance with the related statutory requirements. Approximately 95% of workforce represented by these committees while the remaining 5% comprises the subsidiary companies of trading, investments and development businesses.

**High Risk Occupational Activities**

Workers involved in occupational activities with high incidence or high risk of specific diseases.

Approximately 1,000 workers in the Cement and Construction & Roads Maintenance Divisions are involved in occupational activities with higher safety and health risks, particularly mechanical, electrical, dust, noise, ergonomic and psychosocial risks. The protection extended to these workers is as follow:

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

In relation to preventing serious diseases, we also render assistance to assist our workforce, their family members and the surrounding communities in a number of ways.

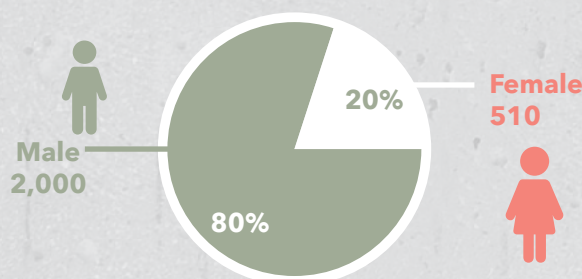
We choose to educate them on disease prevention and treatment via the circulation of a newsletter, flyers and notices throughout the Group, as well as through the enforcement of strict hygiene and healthcare practices throughout our operations. We also provide relevant and specific training sessions that are conducted by in-house trainers.

Other prevention measurements include the execution of Hazard Risk Assessments at the workplace and the medical surveillance for our workforce in accordance with statutory requirements.

In the event of an incident, an Engaged Occupational Doctor will provide counselling to the affected workforce.

The Group is committed to ensuring that the Recording and Reporting of accidents strictly adheres to the requirement of NADOOPOD Regulations 2004 in the OSHA 1994. The five application forms are the JKKP6 - JKKP10 forms. However, the OSH Committee has produced other forms for internal usage only. Accident investigations will be conducted by the OSH Committee. There were a total of 30 contractors with no record of OSH Cases in 2016.

Report on type of injury, Injury Rate (IR), Occupational Diseases Rate (ODR), Lost Day Rate (LDR), Absentee Rate (AR) and work-related fatalities for employees by region and gender FY 2016.



	Male	Female
Injury Rate (IR)	5	2
Occupational Diseases Rate (ODR)	0	0
Lost Day Rate (LDR)	80	314
Absentee Rate (AR)	0	0

\* For the whole group \* Total manpower including office employees: 2,510

The JKKP8 form, that summarises all records and statistic of accidents, will be submitted to DOSH Putrajaya before 31 January of the following year.

**Safety and Health Programmes**

We have an unwavering commitment to safety compliance and will not compromise on our employees' health. We aim to eliminate risks that may harm our employees, contractors, visitors, customers and others affected by our business.

A death or permanent disablement anywhere in the Group results in demerit KPIs for all employees although higher penalties are imposed on those in the defaulting business unit.

Additionally, Division Heads, safety personnel and employees of the relevant Divisions will also have the safety element as part of their Critical Priorities for their KPI with the weightage of 2.5% if there is no fatality and 2.5% if there is no case of permanent disablement.

**CMS Safety Month**



The month of October represents the CMS Safety Month and this initiative has been running for three consecutive years. The objective of this event is to raise awareness on safety and to prevent accidents. The theme for 2016 'Towards Sustainability', focuses on creating and sustaining a safety and environmentally aware culture that makes up the very foundation and philosophy of the company. Safety Month was launched in the first week of October 2016 by the Group Managing Director and featured a symbolic handover of banners and buntings to the respective Heads of Division.

**Safety Events held in 2016**

Other health and safety programmes held in 2016 included:

- Safety & Health talks conducted every Tuesday of the month by the Department of Safety and Health (DOSH), Department of Environment (DOE), BOMBA, The National Resources and Environment Board Sarawak (NREB), Ministry of Health, PERKESO and the Borneo Medical Centre (BMC);
- Recycling Campaign (3 metric tonnes) and Tree-Planting (85 pine trees);

- Site visits with a focus on familiarising participants with CMS Group activities. In total, there were four visits to CMS Cement Pending Plant, CMS Wires Plant, CMS Clinker Mambong Plant and the Rivervale Residence site;
- Health screening booth by the medical team from BMC on every visit day; and
- Fire Drill Evacuation at Wisma Mahmud.

**Training and Education**



We provide 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 2016, a total of 1,518 employees attended training sessions, including teambuilding sessions.

**CMS Training Budget and Hours**

Training		2015	2016
Average training budget per employee	RM	1,533.00	1,364.74
Average number of hours of training per year per employee	Hours	17	15

**In-House Training Capability (ITC)**

Our ITC programme covers critical processes and procedures of the Head Office's key functions. This role adds value to the corporate office's role as a policy maker and advisor and also removes uncertainties in procedures or processes.

The 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.

Thirteen sessions was held in 2016 covering topics/ subjects on functional areas and regulatory requirements such as IT, GST, Employment Laws, Taxation and Financials. There were ten trainers and 292 participants.

Other Training Programmes

The following tables cover the various types of trainings undertaken by our employees in 2016.

List of Technical and Soft Skill trainings undertaken during 2016

TECHNICAL

1. 5S and ISO Training (Awareness, Refresher Courses & Upgrading)
2. Forklift Operators Training
3. Shovel Loader Operators Training
4. Environmental Health & Safety (EHS) Legal Requirement Training
5. Factory Management for Manufacturing Sector Training
6. Customised Programme on Basic Handling of Chainsaw Training
7. Environmental Health & Safety (EHS) Legal Requirement Training
8. Forklift & Wheel Loader Operator Training Operators Training
9. First-Aid Training (Certification & Refreshers)
10. New Cement Mill Training

SOFT SKILLS

1. CMS Leadership Development Programme 2.0
2. Management Trainee Development Programme (MTDP) - Leadership Training
3. Emergency Response and Preparedness Plan (In-House) Training
4. GLOA Refresher Sessions
5. Occupational Emotional Intelligence

SUCCESSION PLANNING

Succession planning is essential to ensure business sustainability and long-term growth. This approach is seen as necessary to help CMS meet its long-term sustainable growth objective.

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;
- Annual mentoring through a one-to-one interview with the Group Managing Director on the availability of potential successors;
- Setting a timeframe for potential successors to fill critical positions; and
- Alternative options to support the succession plans.

During 2016, Tier-2 Succession Planning candidates had individual sessions with the Group Managing Director, Dato' Richard Curtis; all Tier-3 Succession Planning Candidates had individual session with the Senior General Manager of Group Human Resources Department and there were an additional six leadership programme sessions organised.

Management Trainee Development Programme (MTDP)



The MTDP attracts and develops executive-level talent as part of the Group's succession plans. We provide trainees with 12 months of structured training in core corporate functions and specialised functions at various Business Divisions.

The MTDP supports CMS' long-term strategy to build and maintain high-quality technical and non-technical skill sets that are critical to the organisation. The programme also addresses manpower gaps resulting from business growth and natural attrition such as resignations and retirement.

Upon completion of the MTDP, the trainees are assessed on their overall performance. Their respective mentors also consider behavioural and technical competencies before considering them for employment.

Out of 434 applications, nineteen people were selected as MTDP trainees in 2016. Twenty-two participants from the first two MTDP batches were recruited as employees.



# SOCIAL: SOCIETY

## EMPLOYEE VOLUNTEERISM

CMS initiated a 'Doing Good' culture in the mid-1990s and its Corporate Responsibility or CR role has continued to expand and evolve. Since 2007, CMS has focused primarily on direct employee participation in CR activities and we continue to inculcate a sense of concern and a caring attitude among our employee as a matter of policy. Direct employee participation takes the form of multiple year-round employee volunteerism. These projects are often led by CMS employees who have built respect within the local community.

As part of our employees' annual KPI, employees at the executive and manager or above positions are required to undertake at least 32 hours of CR activities in a year; whereas non-executives must undertake at least 24 hours of CSR activities.

In 2016, CMS employees dedicated a total of 45,534 man-hours in 2016 (2015: 43,526 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jogathons, community work and many more.

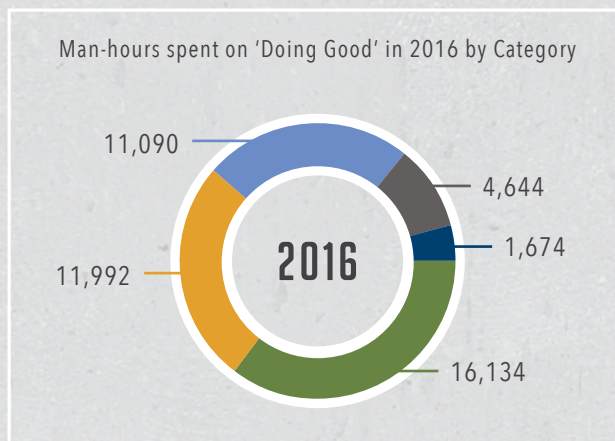
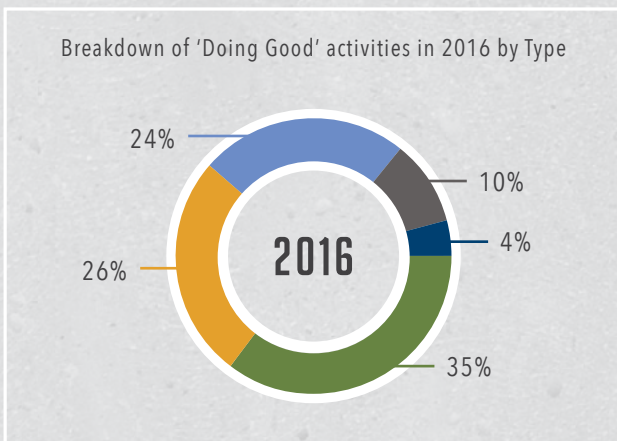
## CMS DOING GOOD

Our 'Doing Good' activities continue to champion our community-based CR efforts which have seen our employees step up to the plate time and time again to help those in need. In 2016, our employees raised a total of RM117,121.00 in funds. 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 various 'Doing Good' programmes are discussed under the following sections.

## CMS DOING GOOD

<p><b>REBUILDING COMMUNITIES</b></p>	<p><b>SUSTAINING CHARITABLE ORGANISATIONS</b></p>	<p><b>HEALTH AWARENESS EVENTS</b></p>	<p><b>SAVING LIVES</b></p>	<p><b>COMMUNITY CLEAN-UPS</b></p>
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- Rebuilding Communities
- Sustaining Charitable Organisations
- Health Awareness Events
- Saving Lives
- Community Clean-ups

### REBUILDING COMMUNITIES

Throughout the year 2016, CMS employees carried out many rebuilding works and community clean-ups at schools, villages, mosques, churches and many others, especially in rural parts of Sarawak. Several schools have benefited from improved road access and better amenities.

During the rainy season, our road maintenance crew is always quick to respond whenever there is a road collapse, landslide or flooding anywhere in Sarawak.

In 2016, CMS Clinker Sdn Bhd organised many activities at a nearby school namely, SK St. Augustine, in Mambong. The activities included friendly games and educational trips for the students. The company also donated computers and books to the school library. An access road was also constructed for the school by our Construction & Road Maintenance crew.

In collaboration with Tunku Putra School (TPS), English Reading classes were organised, the first of which was held on 22 October 2016. Fifteen teachers from TPS, including the senior management team, worked alongside the principal, five teachers and forty students from SK St. Augustine. In 2016, three English Reading sessions were held at TPS, together with other activities such as storytelling, listening and speaking skills and learning English via videos. The school was very pleased with the programme and found it so useful that the headmaster has requested TPS to continue the programme in 2017.

### School Gets Help from RMU Mukah



On 2 April 2016, twenty-seven volunteers from our Construction & Road Maintenance Division (RMU Mukah) helped to repair and improve the condition of SK Pengkalan Lobang, Mukah. The improvement works included the construction of the school's main entrance, laying of stones of the adjoining footpath and general site clearing of the school.

### Gotong-Royong at Masjid Darul Taqwa

On 28 May 2016, thirty-nine employees from our Construction & Road Maintenance Division (RMU Simunjan) and CMS Works Sdn Bhd's Fleet Management Support Unit helped Masjid Darul Taqwa, Kampung Sungai Apin, Simunjan with *gotong-royong* activities which included the laying of 28 tonnes of premix, general cleaning of the mosque and cutting of grass around its premises.

### CSR at Rumah Abit, Debak



On 18 June 2016, our Construction & Road Maintenance Division (RMU Betong) mobilised its employees to help the longhouse folks at Rumah Abit, Ng Pek, Ulu Rimbas. As the longhouse had a muddy road leading to it, forty-three employees volunteered to clear the muddy pathway. They used heavy machinery to lay and compact 500 tonnes of DCR gravel onto the access road and the 50 metre by 30 metre parking lot.

### School gets Tar-sealed Road



As part of their continuous efforts to 'Do Good' and give back to the society, CMS Roads Sdn Bhd and CMS Pavement Tech Sdn Bhd's employees jointly carried out a *gotong-royong* at SK St. Augustine, Mambong. Improvement works to the access road involved the construction of proper layby lanes, entering and exiting the school. The work was carried out by our crew from the Construction & Road Maintenance Division (RMU Tapah) with aggregates and premix supplied by CMS Premix Sdn Bhd and CMS Quarries Sdn Bhd. Two months later, on 13 August 2016, employees returned to help tar-seal the school compound and resurface the road.

**Rebuilding Works at Mosque**

On 3 September 2016, forty-two employees from our Construction & Road Maintenance Division (RMU Bau & RMU Lundu), CMS Roads Sdn Bhd and PPES Works (Sarawak) Sdn Bhd helped Masjid Nurul Ashiqin, Kampung Lidah Tanah in Bau to do general cleaning of the mosque, aside from painting it and laying premix at its parking area.

**Employees help School in Bau**

8 October 2016 - Twenty-nine employees from PPES Works (Sarawak) Sdn Bhd helped SK Kampung Bobak, Sejinjang level the ground and resurfaced the access road leading to the school, demolished the old school's toilet, painted their 'Bilik Sumber' and removed the overgrown palm trees in the school compound.

**Bridging ties with SMK St. Patrick**



On 30 October 2016, our Construction & Road Maintenance Division (RMU Mukah) together with the Parents-Teachers Association and resurface the access road leading to SMK St. Patrick. They also demolished the old school toilet, painted the resource room and removed overgrown palm trees from the school compound.

**SUSTAINING CHARITABLE ORGANISATIONS**

In 2016, CMS employees set up stalls at sale-of-work events organised by PERKATA Special School, Kuching Autistic Association, Sarawak Cheshire Home, Dyslexia Association of Sarawak and PIBAKAT. The group of employees raised the highest amount of RM23,349.85 for PERKATA, while funds amounting to RM7,362.65 and RM5,520.00 were raised for the Kuching Autistic Association and Sarawak Cheshire Home respectively.

**Run with Courage**



On 21 February 2016, sixty-eight CMS employees participated in the 5km Colour Rush Run in Kuching organised by the Sarawak Children's Cancer Society in commemoration of International Childhood Cancer Day to help raise awareness and funds to support families and children battling childhood cancer in Sarawak.

**Raising Awareness on Autism**



On 10 April 2016, CMS employees participated in a 5km Autism Fun Run organised by the Kuching Autistic Association. The event was held to create public awareness on Autism Spectrum Disorders. They raised RM71,580.00 including a RM5,000.00 donation received from CMS. On 7 August, CMS employees also participated in their Charity Sales & Food Fair by setting up stalls to raise RM7,362.65 for the association.

Chipping in for PERKATA



On 24 April 2016, CMS employees together with our management trainees set up 14 stalls at The Sarawak Association of the Welfare of Intellectually Disabled Children (PERKATA) Annual Open Day Sale. Employees sold an assorted array of food and drinks, including pre-loved books raising RM23,349.85 for the association.

Fundraising for the Deaf



17 July 2016 - More than 2,000 runners including 65 CMS employees took part in the Silent Run in Kuching. The charity run was organised to not only create public awareness for the deaf but also to raise funds for the Sarawak Deaf Sports Association. CMS employees made up the largest number of group participants at the event.

Spreading Joy Through 'Love-in-a-Box'



On 1 August 2016, CMS employees contributed gifts to the 'Love-in-a-Box' programme with the aim of spreading love and joy through gifts for the needy and less privileged children. Through the programme, 213 children from Kampung Sinar Baru received school bags, colouring books, toys and stationeries.

Run for the Braveheart



21 August 2016 - Twelve CMS employees participated in the Sarawak Heart Foundation's 'Run for the Braveheart' to raise funds for low income families who are burdened by high medical costs to treat children with heart problems while promoting a healthy lifestyle.

The Green World 2.0 Night Ride

CMS cyclists participated in this 33km bicycle ride on 4 June 2016, organised by Chung Hua Middle School No. 1 to raise funds for the school.

Courage to Go Bald

15 May 2016 - 'Go Bald' is a popular event participated by CMS employees, 15 of whom shaved their heads to raise RM5,044.00 for the Sarawak Children's Cancer Society.

TPS Donates to Taska 1Malaysia

27 June 2016 - Tunku Putra School handed over 60 units of pre-owned naptime preschool cots to the Ministry of Welfare, Women and Community Development which was later distributed to six Taska 1Malaysia in Sarawak.

CMS Clinker Donates Chairs to Kampung Masaan

12 July 2016 - As part of our contribution to the community we operate in, CMS Clinker Sdn Bhd donated 300 plastic chairs to Kampung Masaan for their community hall.

Computers for School

26 August 2016 - CMS donated four computers and a printer to SK Lepong Gaat located upriver from Kapit. The school caters for students from nearby longhouses.

World Scout Day Run

28 August 2016 - Fourteen CMS runners were amongst the 1,200 participants that took part in the World Scout Day Run held in Kuching. The run was organised to raise funds to support scouting activities whilst providing a platform to mould youths to be leaders.

### Bursa Bull Charge 2016



8 September 2016 - The annual Bursa Bull Charge run held in Kuala Lumpur raised RM1.9 million for ten deserving beneficiaries and twenty eight philanthropies which focused mainly on children and women. Group Managing Director, Dato' Richard Curtis ran the 1.5km CEO Run while our team of four ran the 2.5km Relay Run. With women making up 40% of the participants, the run echoed the call for businesses to advance women empowerment and gender equality in the corporate world. The Bursa Bull Charge is a CSR programme that aims to gather Malaysia's CEOs, youths and young executives to give back to the society.

### COPE Walks 10,000 Steps A Day

16 September 2016 - Employees from CMS Opus Private Equity Sdn Bhd celebrated Malaysia Day by participating in a charity walkathon organised at the Wetlands Park Putrajaya which encouraged everyone to walk 10,000 steps a day for a healthier lifestyle. Even the drizzle did not dampen the spirits of those taking part in the charity event. The event helped to raise funds for fifteen orphanages throughout the country.

### CMS Clinker Contributes to Mambong Community

23 September 2016 - As a community engagement initiative, CMS Clinker Sdn Bhd donated 200 plastic chairs each to Kampung Sitang and Kampung Bratan. A 43" LED Flat Screen was also donated to SK St. Augustine School for their "Blessed Draw & Sales" fundraising event.

### Nyalau school receives donation

On 18 October 2016, Samalaju Properties Sdn Bhd donated one computer and printer to SK Kampung Nyalau as part of their CSR initiative. The Company believes that active engagement with nearby communities in Nyalau is important to ensure that they feel that they play an important role in the development of Samalaju Industrial Park (SIP) and their contribution to the SIP success story.

### CMS Tribal Run 2.0 Raise RM120,000 for Charity



4 September 2016 - Themed 'Run for a Good Cause' CMS' annual Tribal Run held for the second time gathered more than 3,000 runners. 100% of the entry fees totalling RM120,000.00 were donated to 10 local charitable organisations namely The Sarawak Cheshire Home, Sarawak Society for the Blind, Kuching Autistic Association, Hope Place, Sarawak Hospice Society, SOS Kids, Barefoot Mercy, The Green Ribbon Association, Breakthrough Network Centre and STEC Kidney Foundation. Each organisation received RM12,000.00.

### Health Awareness Events

At CMS, we constantly promote healthy living amongst our employees through the Work-Life Balance Programme. Apart from promoting a safe work environment, CMS also encourages its employees to participate in charity runs.

Some employees have also taken up cycling, a new initiative this year - they participated in the DBKU Fun Ride Bandarayaku, Earth Hour Night Ride, Sejiwa Senada Fun Ride, Epic Borneo's Ride Safe Drive, Green World Night Ride in aid of Chung Hua Middle School No.1, Wildlife Conservation Society Sarawak's Ride for The Wild, Kayuhan Hari Sarawak & Pra SUKMA, Boulevard Fun Ride and the Enviro Ride on National Environment Day.

### Saving Lives



CMS organised two Blood Donation Drives at CMS HQ premise on 19 March and 1 October 2016 for its employees and the general public. It drew a huge turnout with 100 and 54 successful donors respectively.

Blood donation drives are also held at our CMS Clinker Sdn Bhd and CMS Cement Sdn Bhd (Kuching & Bintulu). This enables employees to donate blood in a convenient manner as many of the regular CMS donors who have to go to nearby government and private hospitals to donate blood, do shift work.

### COMMUNITY CLEAN-UPS

CMS has become deeply entrenched in the communities that we operate in and we continue to invest in these communities by undertaking communal clean-up or *gotong-royong* activities participated by our employees.

#### Beach Gets a Clean-Up

1 October 2016 - Thirty-four employees from our Construction & Road Maintenance Division (RMU Saratok) carried out their community obligation by clearing Grigat Beach of rubbish and debris. The aim of this CSR activity is to help maintain and upkeep the cleanliness of the beach and help instil the importance of preserving the environment. A total of thirty-four bags of rubbish and debris were collected.

The other clean-up activities that we organised in 2016 are:

- Road clearing at Kampung Sri Maimunah
- General cleaning of compound at Surau Darul Yakin, Bintulu
- Compound clearing at Kampung Seroban Cemetery, Serian
- Beach clearing at Grigat Beach, Saratok
- Grass cutting at St. Patrick Church and Community Hall of Kampung Tangga, Serian
- Beach cleaning at Kampung Kuala Nyalau, Bintulu

### SUSTAINABLE PROJECTS

The year 2016 marked the launch of our CMS sustainability awareness campaign 'CMS Goes Green' with the planting of trees at The Isthmus, Kuching led by Group Managing Director, Dato' Richard Curtis. To promote 'CMS Goes Green', CMS employees together with other Government departments and private sectors, also planted trees at the Sarawak Botanical Garden, Petra Jaya in conjunction with National Landscape Day.

For the first time, CMS also collaborated with the Forest Department of Sarawak to plant 600 mangrove seedlings at the RAMSAR Site, within the Kuching Wetlands National Park.

At CMS, we carry out recycling campaigns regularly - each Division organises its own recycling campaign and the money raised goes to welfare funds and charitable organisations in Sarawak.

#### Recycling at the Workplace



CMS regularly organises recycling campaigns for our employees. On 19 January 2016, our Group Internal Audit department organised its annual recycling drive and a total of recyclable items consisting of newspapers, bottles, plastics weighing 4,729kg raised RM1,138.50. A similar recycling event was held on 29 July 2016 which racked in a total of 3,238kg raising RM943.50. All monies went to welfare and charitable organisations in Sarawak.

Go Green Gets the Thumbs Up



4 March 2016 - The year 2016 marked the launch of our CMS sustainability awareness campaign 'CMS Goes Green' with the planting of trees by 50 of our senior and middle managers at The Isthmus, Kuching led by CMS Group Managing Director, Dato' Richard Curtis. This sustainability initiative saw the planning of 10 trees to signify the beginning of CMS' greening journey. 'CMS Goes Green' posters were presented to all Division Heads and "green" competitions were also rolled out for employees to compete in.

Tree Planting on National Landscape Day



6 March 2016 - This was the first time National Landscape Day was celebrated in Sarawak. Participants from various Government departments and private sectors including CMS employees planted saplings at the 206-acre Sarawak Botanical Garden in Kuching. Participants were also given plant samplings to take home.

Water is Life

28 May 2016 - Every living thing needs water to survive and yet many are using water with scant regard for conservation and continue to pollute our rivers. CMS employees participated in the first 'Water is Life Run' organised by Kuching Water Board (KWB) to increase awareness on the importance of water. KWB handed a donation of RM2,000.00 each to three charitable organisations.

Riding Towards A Greener Future

22 October 2016 - The National Environment Day was celebrated across Malaysia with the theme 'Alam Sekitar Tanggungjawab Semua' (The Environment is Everyone's Responsibility). Of the many events organised, our CMS cyclists opted to take part in the 30km Enviro Ride. The programme included a recycling campaign and booth display of products made from recyclable materials.

Planting Trees to Save the Fragile Ecosystem



29 October 2016 - For the first time, CMS collaborated with the Forest Department of Sarawak to plant 600 mangrove seedlings at the RAMSAR Site in the Kuching Wetlands National Park. The site was unfortunately sacrificed when the riverbed was deepened to mitigate floodwaters from the city. CMS volunteers travelled by land and boat to reach the site before being briefed on the importance of mangrove forests and estuaries for our ecosystems, namely to provide protection against soil erosion and flooding, as well as serve as a breeding ground for marine wildlife.

### Say "NO" to Shark Fins

22 May 2016 - The 38km 'Ride for The Wild', jointly organised by the Wildlife Conservation Society (Malaysia Chapter), Sarawak Biodiversity Centre (SBC) and Swinburne University of Technology aimed to encourage people and corporations to participate in wildlife conservation, mainly focusing on two species, the Orangutans and sharks through the non-consumption of shark-fins during personal or corporate events. A total of 260 cyclists including CMS cyclists took to the road which passed by some major hotels in Kuching that supported shark conservation before stopping at one to witness the signing of the pledge by thirteen organisations to have 'no shark-fins on their menus'. They were also briefed on the importance of wildlife conservation. CMS has prohibited the ordering of shark fins at Group events or dinners hosted by CMS employees.

### CORPORATE PHILANTHROPY



At CMS, we aim to do our best for society via our 'Doing Good' platform by lending financial support to initiatives that have a positive impact on local communities. A full list of these initiatives would be too voluminous to report. However, we prioritise community development, sporting activities, health, education and culture. In 2015, we spent close to RM500,000.00 on philanthropic causes and donations. We also contributed RM154,000.00 to 68 suraus (mosques) across Sarawak under our 'Adopt-a-Mosque' programme. This programme plays a part in enabling these suraus to play more effective roles in their respective communities.

In 2016, CMS contributed a total of RM1,716,893.00 including RM685,541.00 from the CMS HQ. All donations and sponsorships were made to charitable and sports events within Sarawak, targeted at activities which were significant either to the receiving charity or to strengthen CMS' image in the community.

### CMS Sponsors The Star-Sin Chew E-Paper Package



7 March 2016 - Launched by the Chief Minister of Sarawak, The Star and Sin Chew Daily introduced a special e-paper package for East Malaysians. CMS sponsored RM20,000.00 worth of 4,000 digital subscriptions for the students of Swinburne University of Technology, Sarawak Campus and Universiti Malaysia Sarawak.

### CMS Hands Over Sponsorship to PBBS 2016

19 March 2016 - CMS contributed RM5,000.00 to Persatuan Bola Sepak Bahagian Samarahan (PBBS) for their Samarahan Football League.

### CMS Donates Over RM150,000 to Mosques in Sarawak

2 July 2016 - Under our annual 'Adopt-a-Mosque' programme, CMS donated a total of RM156,000.00 to 70 mosques and suraus in Sarawak during the holy month of Ramadhan. The donation paid towards the utility bills and upkeep of the mosques and suraus.

### CMS Sponsors of the Sarawak Squash Junior Development Programme

CMS has been a sponsor of the Sarawak Squash Junior Development Programme for the past seven years. Thus far, we have contributed an amount totalling RM253,328.00. The objectives of the programme are to provide an avenue for young players to engage in healthy competitive play and while simultaneously raising the standard of their game. It also serves as a platform to accord players invaluable experience and to scout for young talents to groom them to become State players who will eventually represent the country. By supporting a sport like squash, CMS is playing its part by opening up opportunities for the young in society to do something constructive with their time, as well as with their health from an early age.

### CMS Donates to four Schools in Mambong



At the launch of CMS' Cement Integrated Plant on 8 November 2016, CMS Cement Sdn Bhd donated RM20,000.00 to each of the four schools located in and around Mambong, namely SK St. Francis Xavier, SK St. Augustine, SK Sitang Petag and SJK Chung Hua Batu 15. The donation is for the running and upkeep of the schools.

### PUBLIC POLICY AND LOBBYING

CMS is a member of the Sarawak Chamber of Commerce & Industry (SCCI) which is a pioneer trade chamber in Sarawak. The SCCI provides the network, opportunities and the supporting environment that helps businesses in maximising their competencies in a unique working environment such as Sarawak. The SCCI runs across Sarawak, with regional committees in Kuching, Sibul, Bintulu and Miri.

CMS Cement Sdn Bhd and CMS Clinker Sdn Bhd are active members of The Cement & Concrete Association of Malaysia (C&CA). The C&CA works with the Government in the formulation of 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 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 MISIF is to assist and support its members in carrying out their business efficiently and successfully. 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.

Our Property Development Division is a member of the Sarawak Housing and Real Estate Developers' Association (SHEDA). The aims and objectives of SHEDA are to provide a forum for the advancement of interest of companies engaged in property development with a view to raise the standard of the industry and promote goodwill amongst members.

Our Group Human Resources Department (Group HR) has been a member of the Malaysian Employers Federation (MEF) since 2009. The MEF assists in providing training and Human Resources relevant market updates (such as regulatory and statutory updates) to its members. In 2016, our Group HR sent a representative to attend meetings held by the MEF which were held on quarterly-basis.

CMS is also a member of the Malaysian Investor Relations Association (MIRA) which is the first and the only professional association for Investor Relations (IR) in Malaysia. MIRA's membership comprises of public-listed companies, investment banks, brokerages and intermediaries and IR service providers. MIRA hosts IR relevant conferences, seminars, training and knowledge sharing for and among its members which is a useful platform for CMS. MIRA also offers Certificate in IR examination, in association with the Investor Relations Society of the United Kingdom, for professional qualification of IR practitioners in Malaysia. The IR representative for CMS is qualified with the Certificate in IR.



# SOCIAL: PRODUCT RESPONSIBILITY

Here at CMS, the quality of our products and services is of the utmost importance to us as it translates into the safety and well-being of our customers, as well as their general satisfaction. As such, we have made it our priority to constantly monitor our operations to ensure that they comply with the stringent quality management systems that we have implemented while emphasising excellence and sustainability.

To ensure raw materials and the product conform to specifications and customer requirements, CMS has implemented a strict testing regime (as per the QC Plan) whereby samples are collected and tested on regular basis by the QC Section. For any incidents of non-conformances, actions shall be taken immediately to mitigate the root cause and to prevent recurrence.

All packaging materials i.e. 50kg and jumbo bags are sourced from reputable suppliers and produced in accordance to our specifications. Incoming packaging materials would be sampled and tested by the QC section. The materials to produce the bags shall be able to protect the cement within, from external humidity and moisture (which could lead to lumpiness of the cement) and also have the strength to reduce breakage.

## OUR COMMITMENT TO QUALITY

We are committed to continually improving our management systems. In 2004, PPES Works (Sarawak) Sdn Bhd became the first construction-based company in Sarawak to be accredited with an Integrated Management System (IMS) which incorporates:

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

During the year in review, CMS Property Development Sdn Bhd has been applying the QCLASSIC certification criteria at Samanjang. In addition, Samalaju Properties Sdn Bhd's project team and site personnel are working closely with the contractor's QA & QC team to ensure the end product satisfies the architectural specifications and industry standards.

The complete list of the Group's quality certifications is illustrated in the following list:

## QUALITY CERTIFICATIONS OF COMPANIES WITHIN THE CMS GROUP

### CMS CLINKER SDN BHD

ISO 9001 since 2009  
ISO/IEC 17025 since 2011  
ISO14001 - since 2012  
5S Certification - since August 2004  
5S Certification - since Nov 2009  
ISO50001 - since May 2016  
OHSAS 18001 - since Nov 2013

### CMS CEMENT SDN BHD (KUCHING PLANT)

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

### CMS CEMENT SDN BHD (BINTULU PLANT)

ISO 9001 - since 2003  
ISO/IEC 17025 - since 2010  
ISO14001 - since 2008  
5S Certification - since 2007  
OHSAS 18001 - since Aug 2011

### CMS CONCRETE PRODUCTS SDN BHD

ISO 9001 - since Nov 2000  
5S Certification - since 2008  
OHSAS 18001 - since Sept 2014

### CMS QUARRIES SDN BHD

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

### CMS PREMIX SDN BHD & CMS PREMIX (MIRI) SDN BHD

ISO18001:2007  
ISO9001:2008

### CMS WIRES SDN BHD

ISO9001:2006

### CMS ROADS SDN BHD

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

### PPES WORKS (SARAWAK) SDN BHD

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

### CMS PAVEMENT TECH SDN BHD

ISO 9001 - since 2000

**Certificates of Registration with relevant Authorities**

PPES Works (Sarawak) Sdn Bhd is registered with the various construction-related bodies:

- The Construction Industry Development Board with Grade G7;
- 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.

These certifications allow PPES Works (Sarawak) to undertake works of any value mainly relating to the construction of buildings, civil engineering, mechanical and electrical construction-related activities. As each certificate carries a validity period of two to three years, the Company’s Business Development Department Manager oversees and monitors all relevant memberships, together with the Compliance

Department and with support from the Company’s departments that assist in providing the relevant information.

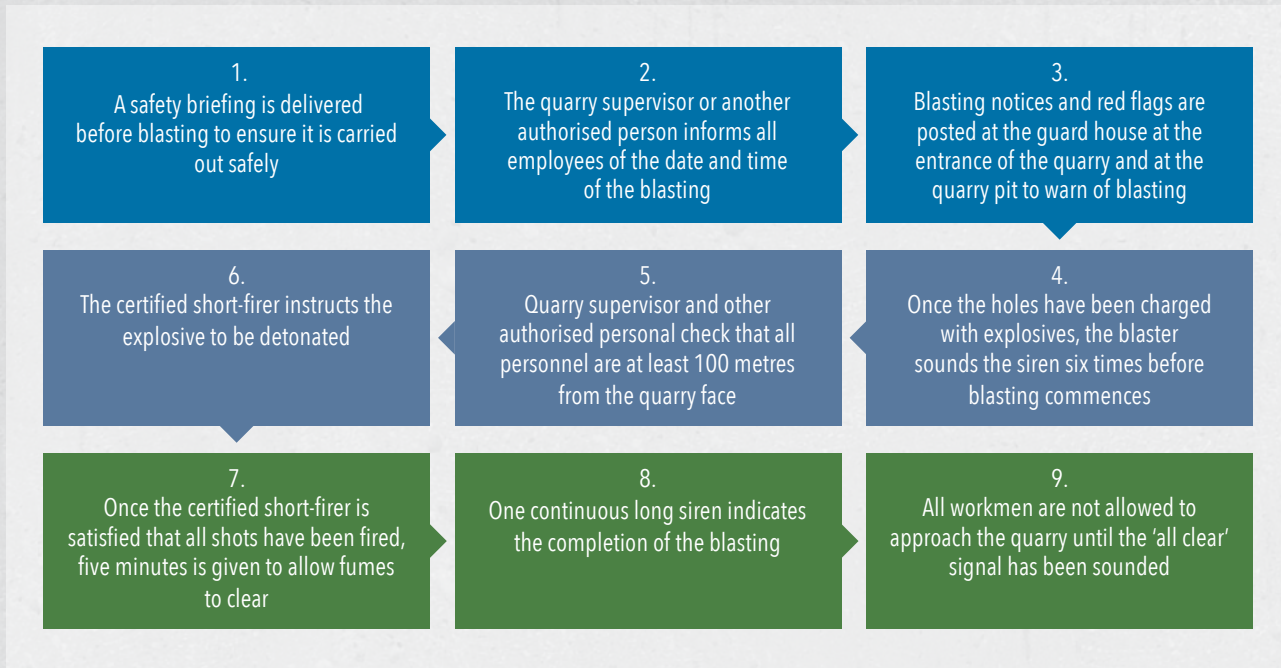
On 22 September 2016, CMS Wires Sdn Bhd obtained CIDB Certification for its welded steel fabric for the reinforcement of concrete.

**SAFE BLASTING**

Our stringent safety standards are emphasised throughout our operations, no less in CMS Quarries Sdn Bhd where we make sure that all blasting methods are performed in compliance with the correct procedures. All blasting operations that were carried out in 2016 were reportedly without incident.

Blasting operations require at least six workers, they include the Production & Maintenance Engineer, Quarry Supervisor, Chief Blaster, Mining Supervisor and Drillers.

**PROCEDURE FOR BLASTING OPERATIONS**



**CUSTOMER PRIVACY**

When it comes to privacy, we observe strict regulations and procedures to guarantee our customer’s personal data is duly protected. To this end, CMS 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 continues to play an integral role in our operations as it helps us to gauge the performance of our subsidiary companies while providing us with insight to consumer trends. Each of our subsidiaries carries out their own customer survey from which all responses received, both positive and negative, are fully reviewed and analysed.

CMS Premix Sdn Bhd’s annual survey results for 2016 revealed a slight drop of 7.1% in customer satisfaction from 100% to 92.9% thus breaking a three-year streak of achieving perfect scores.

CMS Quarries Sdn Bhd conducts a biannual customer satisfaction survey. Customers are asked to rate their satisfaction with quality, stock availability, price, delivery, visits and courtesy. The Company targets an 80% satisfaction level on average and in 2016 once again surpassed its target with 82% of customers responding that the products and services rendered were 'good'.

Some 79% of customers that were surveyed by CMS Wires Sdn Bhd in its annual survey rated the Company's products and services rendered as 'good'.

### **ETHICAL BUSINESS CONDUCT**

We are committed to conducting our business across the board in an ethical manner that is founded upon integrity. In support of this commitment, we have for our customers and suppliers a Code of Ethics and Business conduct that they are bound by and which is on the Company's website. We have also implemented the Whistleblower Policy to encourage our employees and volunteers to come forward with credible information on illegal practices or violations. Fraud, bribery or kickbacks are not tolerated within our operations and dealings.

#### **Corruption**

We have 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 2016.

#### **Anti-Fraud Management**

Here at CMS, we maintain zero-tolerance for fraud and the practice of any other form of deception for the benefit of one person that causes loss to another. In compliance with our anti-fraud policy, 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 founded 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.

#### **Whistle Blowing**

Even as we are committed to 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.

# ENSURING A SUSTAINABLE FUTURE

Sustainability is evolving to be a way of life at CMS and it is our aim that it will become embedded within our working culture in a more prominent manner. While we have endeavoured to deliver true and sustainable value, as well as establish enduring ties with our stakeholders, we remain committed to advancing our sustainability activities to greater heights.

As we explore new areas of opportunity, we remain committed to conducting our business in a responsible manner by upholding good Economic, Environmental and Societal performance. This is manifested internally amongst CMS' employees as a commitment to our four key stakeholders.

On the Economic front, we will continue to ensure good progress is made by all our core Business Divisions. This will come via a steadfast focus on identifying and taking advantage of opportunities whilst optimising cost structures. We will also continue to uphold a spirit of excellence and drive innovation throughout our operations to enhance business efficiency and bolster our competitive edge. We are confident that our core businesses will continue to create a sustainable growth pathway for us in the long run.

As a conscientious corporate citizen, we are genuinely committed to balancing out our strong economic performance with responsible Environmental and Social considerations to ensure we deliver a sustainable performance. We understand the importance of mitigating any impact of our business activities on the environment and will continue to expand and improve our KPIs and our policies to help conserve and maintain the ecosystems for future generations to enjoy.

We will also continue to roll out continuous employees' training to improve operational efficiencies and productivity, as well as leverage on group-wide teambuilding initiatives to build up our CMS Family spirit. And lastly, we will continue to implement meaningful Corporate Responsibility or CR activities. Our employee volunteers who are involved in the various community projects feel a strong sense of obligation to fulfil their responsibilities to our community.

As we steadfastly implement our existing programmes and roll out new ones, we are confident that we will achieve meaningful long-term, sustainable growth towards becoming the 'PRIDE of Sarawak and Beyond'.

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