



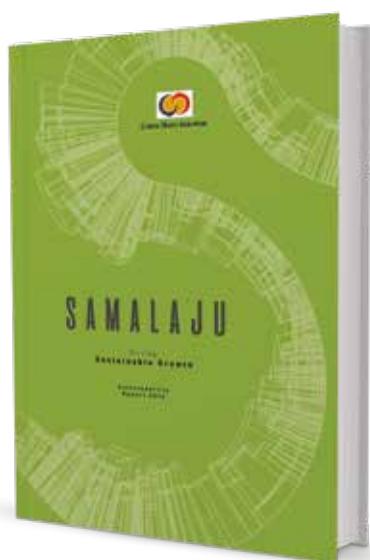
CAHYA MATA SARAWAK

SAMALAJU

Driving
Sustainable Growth

**Sustainability
Report 2018**

SAMALAJU – Driving Sustainable Growth



The cover of our 2018 Sustainability Report pays tribute to the Samalaju area, one of five growth nodes under the Sarawak Corridor of Renewable Energy (SCORE) initiative. Samalaju is also home to the Samalaju Industrial Park (SIP), the nation's single largest industrial park and SCORE's biggest success story to date. Cahya Mata Sarawak Berhad (CMS or the Group) is proud to be playing a key role in the development of various components within the SIP. These are of immense strategic value to our business and are primed to drive the next wave of sustainable business growth for the Group.

Today, given the increasingly ambiguous environment that we operate in, CMS has embarked on a two-pronged strategy to ensure that the Group continues to deliver a robust performance. The first prong of this strategy calls for us to reposition and fortify our traditional core businesses, as well as our strategic investments; the second prong mandates that we work to reposition and strengthen the CMS Brand.

In line with the first prong of our strategy, we continue to strengthen our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance, as well as Property Development businesses, and make them more efficient. We also continue to ramp up our efforts on the strategic investment front even as some of these businesses begin to bear fruit.

In 2018, the ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak) Sdn Bhd turned around and became the biggest profit after tax and non-controlling interests (PATNCI) contributor to the CMS Group after the Cement Division. Come the end of 2020, the integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd will come onstream and begin making significant contributions to the Group. In fact, the Group is working towards ensuring that these two businesses within the SIP and our other strategic investments generate some 50% of our profits within the next five years. Coupled with the other 50% of profits from our traditional core businesses, we look forward to experiencing the next wave of growth for CMS. The finer details of our two-pronged strategy are spelt out in the CMS Integrated Annual Report 2018.

Moving forward, the CMS Group is well positioned to benefit from the key economic growth drivers within Sarawak. These include the energy-intensive industries under SCORE; impactful infrastructure development projects; upcoming water and electricity grid projects; as well as the rollout of Sarawak's digital economy initiative. Through leveraging on our strategy, continuously reinvesting into our core competencies, and capitalising on the State's key economic growth drivers, we will continue to create good value for our stakeholders, as well as establish a long-term, sustainable growth pathway for CMS and Sarawak.

TABLE OF CONTENTS

About This Report	01	Economic	14
Who We Are	02	Environmental	20
CMS at a Glance	04	Social: Labour Practices and Decent Work	44
Joint Leadership Message	06	Social: Society	59
Our Four-Stakeholder Group Model	09	Social: Product Responsibility	82
Materiality Mapping	12	Ensuring a Sustainable Future	87

About This Report

Welcome to Cahya Mata Sarawak Berhad's (CMS or the Group) Sustainability Report 2018. This, the Group's fourth Sustainability Report (Report), aims to disclose 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 2018.

Together with our Integrated Annual Report 2018, which highlights the financial and operational aspects of our business, as well as our strategies and value creation efforts, these two reports provide a clear, comprehensive and transparent representation of our performance in managing the Economic, Environmental and Societal (EES) aspects of our operations. Outlined on the right is detailed information on the scope and criteria used when preparing this Report.

While there have been no changes to the boundaries of this Report from the previous Sustainability Report 2017, we have spent some time incorporating new content, most of which relate to the FTSE4Good Bursa Malaysia Index criteria. Having assessed the aforementioned criteria and understanding the need to strengthen our position, we went on to have internal discussions across the Group and identify areas for improvement. As such, the scope of this Report has been expanded to incorporate new content on the Group's strategic direction moving forward, detailed data on the Group's environmental efforts including how we are mitigating our Green House Gas (GHG) emissions, plus details of our endeavours on the human rights front, among other things.

REPORTING PERIOD

1 January to 31 December 2018 (Financial Year or FY 2018), unless specified.

REPORTING CYCLE

Annual

SCOPE

- CMS' Departments and Divisions:
 - Head Office Departments
 - Cement Division
 - Construction Materials & Trading Division
 - Construction & Road Maintenance Division
 - Property Development Division
- The activities of the Group's associate companies are not covered in this Report. At each associate company, the Board and Management teams are responsible for implementing their own sustainability agendas.
- The scope of this Sustainability Report aligns with that of CMS' Integrated Annual Report 2018 to ensure consistency in the line of reporting and financial statements.

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
- Bursa Securities Listing Requirements
- FTSE4Good Bursa Malaysia Index criteria
- MSCI ESG Indices/DJS

Who We Are

Cahaya Mata Sarawak Berhad (CMS or the Group) is Sarawak's leading infrastructure facilitator and a prime mover in the State's growth story. Our roots go back to 1974 when we began supporting the State's rapid growth as its first cement manufacturer.

Business Overview

CMS' solid progress over the last 44 years is very much a reflection of Sarawak's own dynamic progress. Today, our operations encompass more than 35 companies across 6 business divisions, and a workforce of over 2,750 people in 40 offices throughout the State.



Cement



Construction Materials & Trading



Construction & Road Maintenance



Property Development



Information & Communication Technology



Strategic Investments Investments in Unlisted Associates

- Ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak) Sdn Bhd
- Integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd
- Information and Communication business under SACOFA Sdn Bhd

Investments in Listed Associates

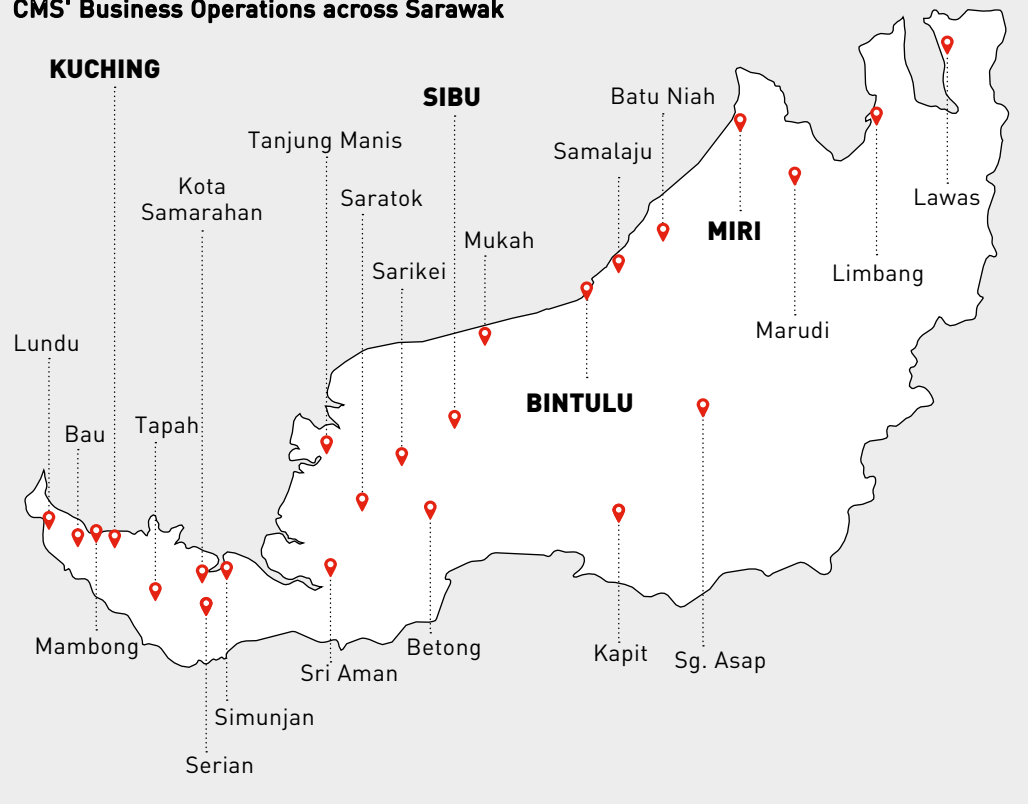
- Kenanga Investment Bank Berhad
- KKB Engineering Berhad

Other Investments

- COPE Private Equity Sdn Bhd
- CMS Education Sdn Bhd

Having steadily grown from strength to strength, we are today a listed entity on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities) with an enlarged and diversified portfolio. Our portfolio encompasses our Core Businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance, Property Development and Samalaju Development businesses; as well as our Strategic Investments which centre on export-oriented industries within the Sarawak Corridor of Renewable Energy (SCORE).

CMS' Business Operations across Sarawak



Vision

To be the **PRIDE** of Sarawak & Beyond

Stakeholders

Our Shareholders, Staff, Customers & Community

Mission



Producing Quality,
On Spec &
On Time



Respect &
Integrity



Improving,
Innovating &
Investing in
People



Delivering
Sustainable
Growth



Environmentally
Conscious, Safe
& Conducive
Workplace

Who We Are

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



Our Performance

We turned in a stellar performance in FY 2018 posting a 9% and 16% increase in revenue and pre-tax profit respectively. The Group's profit after tax and non-controlling interests (PATNCI) for FY 2018 rose by 26%, eclipsing the previous high achieved in FY 2015. This led to a higher return on shareholders' equity and earnings per share.



Our Strategy

We have developed a two-pronged strategic response to the increasingly challenging political and business landscape. This calls for us to:

- Reposition and fortify our businesses; and
- Reposition and strengthen the CMS Brand.



Our Targets

We aspire to achieve the following targets within a five-year timeframe:

- To double PATNCI to RM500 million; and
- To be the most admired public-listed company in Sarawak.



Our Commitment to Growing Our Diverse Businesses

We are very clear about our plans for our core and strategic businesses. We intend to continue extracting value from our traditional core businesses by bolstering their overall operations and optimising efficiencies. We are looking into re-focusing and growing our strategic businesses by expanding the market base of our strategic businesses beyond Sarawak, among other things.



Our Commitment to Responsible Operations

Our four-stakeholder group model guides us in the running of our business. We measure performance by using financial and non-financial performance indicators related to our strategic objectives. We leverage on good governance practices and stringent risk control measures to ensure our operations at the Group, divisional and subsidiary levels are run in a responsible and transparent manner.



Our Commitment to Sustainability

We are embedding a stronger sustainability culture in all our businesses. Our aim is to create a vibrant performance-driven workplace, be a leader in good environmental practices, and serve as a model for giving back to the community. We have made some solid progress by way of managing scheduled wastes at Samalaju.

CMS at a Glance

Cahaya Mata Sarawak Berhad (CMS) is Sarawak's leading infrastructure facilitator and a prime mover in Sarawak's growth story.

Performance Highlights

Group Revenue

RM1.71 billion
in 2018

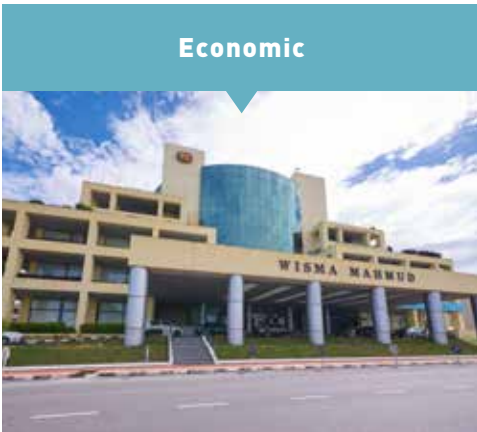
Profit Before Tax

RM372.32 million
in 2018

Profit After Tax and Non-Controlling Interests

RM262.14 million
in 2018

Economic



Our targets within a five-year timeline

To double PATNCI to
RM500 million

To be the
**most admired
public-listed
company**
in Sarawak

Environment



Replacement of LED lighting

at Premix Site Office
3,134 watts

Reduction in energy consumption

by using LED lighting
58%

Electricity Consumption

130,713,391 kWh
2017: 135,394,725 kWh

Green House Gas (GHG) Emissions

98.087 tCO₂-eq
2017: 99,462 tCO₂-eq

CMS at a Glance

Begun monitoring and reporting on

GHG Emissions

Sustainability

Maintained inclusion in
FTSE4Good
Bursa Malaysia Index

Strong Governance

Qualified under Bursa Malaysia's
Green Lane Policy

Social: Labour Practices and Decent Work



Employee Satisfaction Survey

94.22%

2017: 94.16%

Lost-time Injury Rate

4.03 days

2017: 6.00 days

Social: Society



Employee Volunteerism

50,241 man-hours

for CSR activities

2017: 48,420 man-hours

Total Funds Raised

RM105,065

2017: RM103,560

Social: Product Responsibility



Customer Engagement results at Cement Division

95% approval

on average

Customer Satisfaction results at Cement Division

82% approval

on average

Joint Leadership Message



Dear Stakeholders,

It is our pleasure and privilege to present the 2108 Sustainability Report of Cahya Mata Sarawak Berhad (CMS or the Group) which underscores the Group's commitment to upholding responsible business practices and sustainable growth. This, CMS' fourth Report to date, aims to provide concise insights into the Group's sustainability achievements for the financial year ended 31 December 2018 (FY 2018).

While the year in review was a highly challenging one, CMS stood its ground to turn in strong performances on the Economic, Environmental and Social (EES) fronts.



ROBUST STRIDES FORWARD ON THE ECONOMIC FRONT

In terms of our Economic performance, FY 2018 saw us posting total revenue of RM1.71 billion and a pre-tax profit of RM372.32 million, a 9% and 16% increase respectively over the preceding year's results. We also turned in in profit after tax and non-controlling interests (PATNCI) of RM262.14 million in FY 2018, some 26% higher than the previous year, and a record PATNCI performance for us. These results are especially noteworthy to us as they were achieved amidst very tough market and operational conditions.

We are delighted to report that CMS continues to maintain its status as a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index for the third consecutive year. Today, CMS is one of 58 companies and the only Sarawak-listed entity on the F4GBM Index. This international recognition underpins our commitment to implementing robust environmental, social and governance (ESG) practices and reinforces our position as a progressive and ethical company that is upholding a sustainability-based (and thus safer) business model. Our inclusion into the F4GBM Index also means that we will continue to gain recognition as an attractive value proposition for financial institutions who have set down strict ESG criteria for their investments.

For our ongoing efforts to uphold high standards of corporate governance conduct and good disclosure practices, we were selected as one of the Qualifying Companies under Bursa Malaysia Securities Berhad's (Bursa Securities) Green Lane Policy (GLP). As a participant of the GLP, this entitles us to a host of specific privileges including the ability to issue circulars without having to seek Bursa Securities' approval. For our efforts in upholding transparent reporting, our 2016 Annual Report received the Silver Award at the 2018 Australasian Reporting Awards (ARA) event in Sydney. This milestone event marks the first time that our Annual Report has gained recognition in the international arena.

The finer details of these developments and other initiatives, including that pertaining to our new two-pronged business strategy which will help us lay the foundations for the second wave of growth for CMS, our risk management and governance efforts, as well as our initiatives to strengthen our businesses and the State, are spelt out in the Economic section of this Report.



FTSE4Good

Joint Leadership Message

GOOD HEADWAY IN PRESERVING THE ENVIRONMENT

We acknowledge that we have an obligation to be a good steward of the resources we have been entrusted with. As such, we continue to apply innovative operating strategies and technologies, as well as best practices to operate in a manner which mitigates our carbon footprint whilst conserving the environment for future generations. For FY 2018, we not only focused our efforts on finetuning our environmental practices, but also leveraged on innovation to take our environmental preservation efforts up several notches.

For some time now, the Group's subsidiaries have been undertaking research and development (R&D) activities on scheduled wastes and by-products within the Samalaju Industrial Park (SIP). One of the biggest issues within the SIP centres on the management of scheduled wastes of new by-products by new industries. Where in other jurisdictions these by-products are treated as commodities, here they are not quite addressed by existing legislation and are treated as scheduled waste thereby requiring licensing and specific permissions by the authorities.

Given that many of these by-products can be recycled and used to replace the typical raw materials or traditional fuel used in clinker, cement and concrete operations, CMS has taken the initiative to invest in and expand our cement and premix laboratory facilities as well as set up dedicated teams to look into this. We are pleased to report that our sustainability efforts in this area have met with good success with many parties coming forward to ask if we can help them with their waste and by-product issues. The results of our waste management and product development initiatives are reported in the Environmental section of this Report.

We are also pleased to report that we have begun monitoring and reporting on our Green House Gas (GHG) emissions in this Report, as well as expanded on the details of our energy efficiency, water, materials and waste management efforts, among other things. The results of CMS' preservation efforts are spelt out in the Environmental section of this Report.

STRONG INROADS ON THE CMS FAMILY AND COMMUNITY FRONTS

Here at CMS, we have been focusing our efforts on embedding sustainability within the mindsets of our employees and our work culture. We are pleased to say that our employees have come to understand the importance of sustainable growth and are committed to advancing the Group's sustainability agenda. Today, our people are doing their best to deliver true and sustainable value while strengthening ties with our key stakeholders.

On our part, we remain deeply committed to nurturing the wellbeing of the CMS Family through affording them the warmth and camaraderie of a family environment, coupled with the professionalism of a well-run meritocratic listed company. We continue to look for the best talent, retain them, nurture them within a conducive environment, as well as work together with them to find new and innovative ways to deliver ever-increasing value to our stakeholders. As we do so, we continue to bring a host of employee engagement activities into play so that our work environment is one which fosters unity, positivity and commitment. The good inroads we have made in fostering strong ties within the CMS Family is what has led to our success thus far.

As part of the Group's endeavours to build sustainable communities, we continue to look for ways to enrich communities throughout Sarawak and build more enduring ties with them. Our efforts thus far have certainly gone a long way in improving the wellbeing of the many communities that we operate in while helping fortify CMS' position as a friend to them. Our engagement initiatives with communities in the vicinity of Mambong have proven fruitful and will serve as a model for the good things we can do with other communities.

The CMS Doing Good programme, which we introduced in 2007, serves as the flagship programme for our community-based corporate social responsibility (CSR) efforts. Some 11 years later and our employees continue to generously step up to the plate time and again to help those in need.

In FY 2018, our employees raised a total of RM105,065 (2017: RM103,560) under this initiative which was distributed to various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes. Our employees also dedicated a total of 50,241 man-hours (2017: 48,420 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more. The year also saw us organising our fourth consecutive annual CMS Tribal Run that continues to prove popular among Sarawakians. For the 2018 CMS Tribal Run event, participation ballooned to 3,288 participants with RM136,000 raised for 11 charities.

As CMS moves forward with its community efforts, we will continue to roll out diverse initiatives that will leverage on employee volunteerism to make a tangible impact on communities across Sarawak. Our aim is to ensure our programmes impact and strengthen communities for the better in a sustainable manner. As such, all our CSR initiatives going forward will come under the umbrella theme *Doing Good. Building Sustainable Communities*.

Joint Leadership Message

COMMITTED TO DELIVERING SUSTAINABLE GROWTH

As the Group ventures forth, we remain committed to upholding responsible management and sustainable development on the EES fronts to secure the future of CMS. To this end, we are currently reviewing and strengthening the Group's Sustainability Blueprint which will serve as a guide for our EES efforts. We also expect to see stronger Board and Management oversight in this area which will help drive the agenda of sustainability across the Group.

Moving forward, we are resolute about creating long-term shared value for our stakeholders. We will accomplish this by making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As we set our sights on embedding sustainability within every level of our organisation, we will continue to prioritise excellence and innovation throughout our operations to enhance efficiency and our competitive edge. All in all, we remain committed to strengthening our existing programmes and rolling out new ones so that we will truly achieve meaningful long-term, sustainable growth while creating value for all our stakeholders.

ACKNOWLEDGEMENTS

Several parties have supported our pursuit of sustainable long-term growth and we wish to acknowledge their worthy contributions. Our sincere appreciation 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.

Our heartfelt gratitude also goes to our Board of Directors for their astute insights and wise counsel which helped steer us to success.

To the loyal CMS family of employees, thank you ever so much for your diligence, commitment to excellence and resilience amidst the year's challenges.

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

Today, the building blocks are in place to ensure the sustainable growth of CMS' business for the long-term. As we move forward to secure the future of the Group and create long-term shared value for our stakeholders, rest assured that the leadership team remains committed to conducting business in a responsible manner by upholding good EES performance. We call upon all our stakeholders to continue lending us their unstinting support and cooperation.

Yours sincerely,

Y Bhg Dato Isaac Lugun

Group Chief Executive Officer - Corporate

Goh Chii Bing

Group Chief Executive Officer - Operations

Our Four-Stakeholder Group Model

As a conscientious corporate citizen, CMS is very aware of its responsibility to run its business in a responsible manner. We have a four-stakeholder group model that mandates that we run our business for four primary stakeholders, namely our employees, our customers and suppliers, the communities in which we operate, and last but not least, our shareholders.

Within CMS, our employees clearly understand that given the Group's pivotal 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. These obligations include delivering quality on spec and on time; treating all stakeholders with respect and integrity (which includes for example, releasing pertinent, transparent information to our shareholders in a timely manner and paying our vendors on a timely basis); and ensuring we embrace innovation so that we do not lag behind others.

For the CMS workforce, this is further manifested internally via the Group's commitment to upholding our employees' wellbeing and through implementing meaningful Corporate Social Responsibility or CSR activities on several levels. Employee volunteers are involved in community projects as they feel a strong affinity with and a sense of obligation to elevate the wellbeing of the communities that they operate in. At the Divisional level, there is a strong emphasis on maintaining a sustainable, ethical and honourable operational performance to uphold our obligations to the *rakyat* (community).

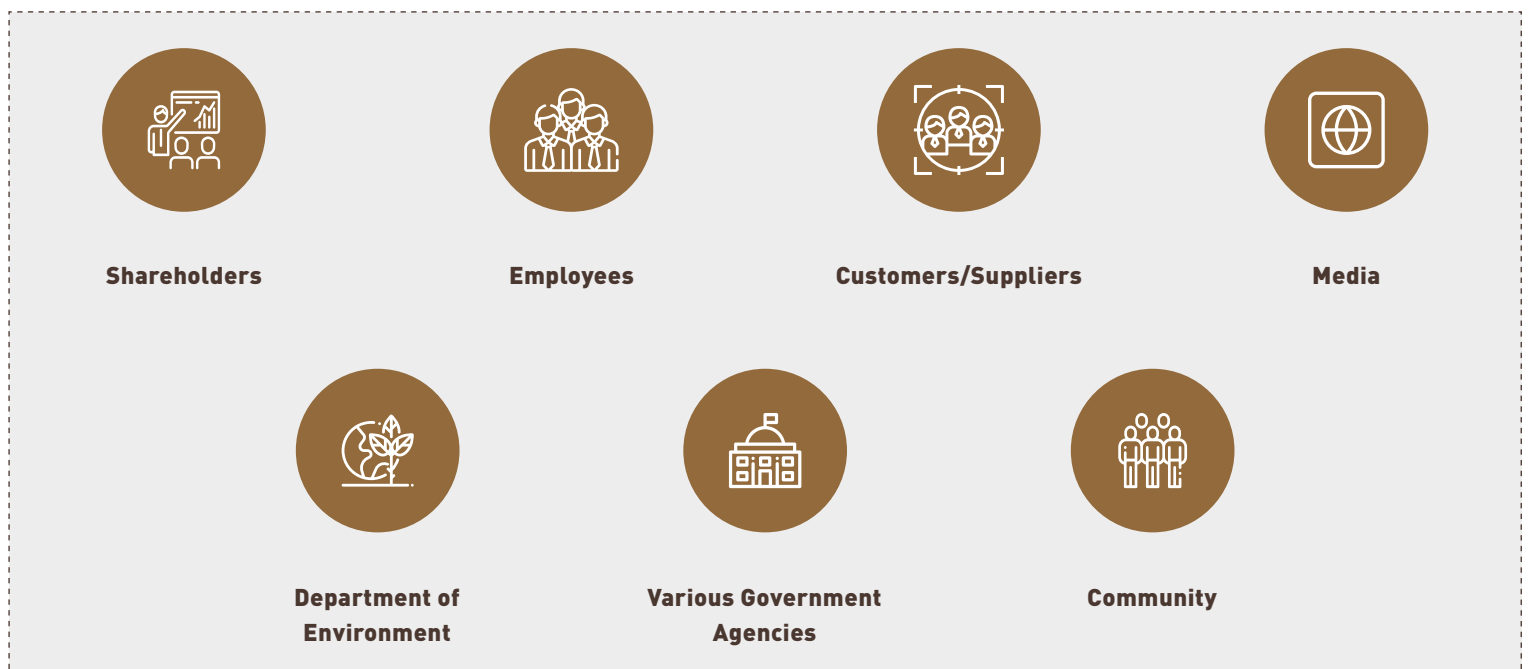
STAKEHOLDER ENGAGEMENT

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 and so we also engage with them in a responsible manner. 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.

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.

STAKEHOLDER ENGAGEMENT AT CMS






We also acknowledge that there are other stakeholders that extend beyond our four-stakeholder group model and these stakeholders consist of the many individuals and organisations that are either directly or indirectly impacted by our activities.

Our Four-Stakeholder Group Model





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

The following section highlights the diverse stakeholder engagement practices that the Group undertook in 2018 and the frequency of these activities.

Stakeholder Engagement Methods

Stakeholder	Method(s) of Engagement	Frequency
 Shareholders	<ul style="list-style-type: none"> • AGM presentation by Group Chief Executive Officer - Corporate • Quarterly results briefings • Media statements • Investor presentations • Meetings or telephone calls with (potential) investors • Comprehensive Investor Relations portal 	<ul style="list-style-type: none"> • Annually • Quarterly • Regularly • Regularly • Regularly • 24/7
 Employees	<ul style="list-style-type: none"> • Koffee Talk sessions • Town Hall sessions • Management/Senior Management retreats • Employee Satisfaction Surveys • Departmental meetings • <i>OurCMS</i> Magazine • CMS intranet • E-blasts on various work-related items • Annual dinners • CMS Friendly Games • Safety Month • <i>OurCMS</i> Blog • Family Day • Bowling games/birthdays • Festive open houses • Employee engagement initiatives • Incentive trips 	<ul style="list-style-type: none"> • Biennially • Annually • Annually • Biennially • Regularly • Tri-annually • Daily • Regularly • Annually • Biennially • Annually • Regularly • Annually • Ad hoc • Annually • Ad hoc • Regularly
 Customers	<ul style="list-style-type: none"> • Customer surveys • Customer training within the respective Divisions • Code of Ethics and Business Conduct • Dialogue with customers/dealers 	<ul style="list-style-type: none"> • Regularly • Ad hoc • Regularly • Regularly

Our Four-Stakeholder Group Model

Stakeholder	Method(s) of Engagement	Frequency
 Media	<ul style="list-style-type: none"> • Press releases • Meet & Greet the Media sessions • Media get-togethers 	<ul style="list-style-type: none"> • Ad hoc • Regularly • Ad hoc
 Department of Environment	<ul style="list-style-type: none"> • Meetings • Progress updates • Compliance reports 	<ul style="list-style-type: none"> • Regularly • Regularly • Quarterly
 Various Government Agencies	<ul style="list-style-type: none"> • Meetings • Project progress updates • CMS Friendly Games 	<ul style="list-style-type: none"> • Regularly • Regularly • Regularly
 Community	<ul style="list-style-type: none"> • Sponsorships and donations • Employee volunteerism • CMS Friendly Games • Corporate Social Responsibility activities • Dialogue sessions 	<ul style="list-style-type: none"> • Regularly • Regularly • Regularly • Regularly • Regularly

The various processes and methods adopted by CMS to engage with stakeholders are covered in the Group's *OurCMS* digital magazine that is available for viewing on our corporate website. *OurCMS* magazine reports all events, corporate news and feature stories about CMS and is released on a tri-annual basis. The objective of the magazine is to serve as an easily accessible and comprehensive source of information for our stakeholders.

Materiality Mapping

DETERMINING MATERIALITY MATTERS

In November 2018, we engaged an independent consultant to perform a materiality assessment exercise with the aim of prioritising the most important areas of sustainability. This, the second assessment of its kind following the first undertaken in 2015, sought to discover the latest topics of significance to the Group and our stakeholders amidst the fast-changing operating landscape.

This assessment involved engagement with internal and external stakeholders to solicit feedback and gain better insights into the topics that were important or material to both CMS and our stakeholders. Material topics were defined as those which had a direct or indirect impact on our ability to create, preserve or erode Economic, Environmental and Societal value for CMS, our stakeholders and the community.

This exercise also involved a review of our materiality matrix to identify the elements which influenced our delivery of value. All in

all, this exercise provided independent insights to help us validate the issues identified, whilst uncovering new matters of significance to our stakeholders and our business.

METHODOLOGY

The independent consultant developed an online materiality survey which was made available to groups of internal and external stakeholders that included employees, local communities, suppliers and vendors as well as customers, investors and analysts. Our Board of Directors and members of our Senior Management team also took part in the survey with their responses representing the views of CMS.

Respondents were requested to indicate how important each criterion was to them on a scale of 1 (least important) to 5 (most important). A 5-point Likert Symmetric Scale was chosen so respondents could specify their level of agreement with 3 being neutral.

MATERIALITY ASSESSMENT CRITERION

Top issues raised by CMS' stakeholders

Material Issues Index	Material Issues	Categories
M1	Product Information/Customer Satisfaction	Economic
M2	Developing Local Economy	Economic
M3	Safety & Health	Social
M4	Employee/Employer Relations	Social
M5	Economic Performance	Economic
M6	Diversity & Equal Opportunity	Social
M7	Compliance of Products & Services	Economic
M8	Environmental Impact of Products & Waste	Environmental
M9	Training & Education	Social
M10	Water	Environmental
M11	Effluents & Waste	Environmental
M12	Fair Employment Practices	Social
M13	Equal Remuneration for Men & Women	Social
M14	Corruption	Economic
M15	Non-discriminations	Social

Top 5 issues raised by the CMS Board & Senior Management Team

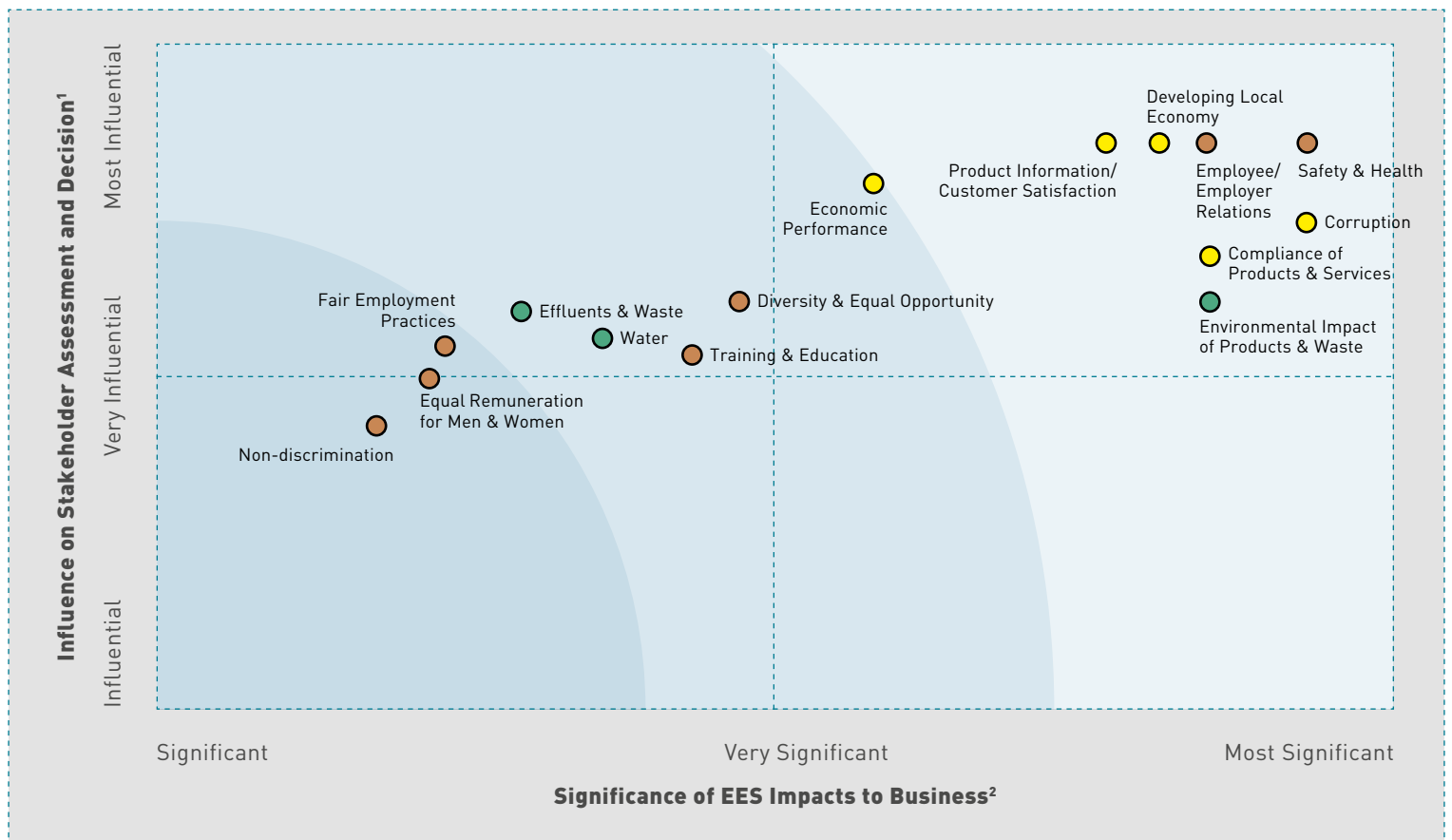
M14	Corruption	Economic
M3	Safety & Health	Social
M7	Compliance of Products & Services	Economic
M8	Environmental Impact of Products & Waste	Environmental
M4	Employee/Employer Relations	Social

Materiality Mapping

Materiality Findings

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

The issues that could impact our ability to create value are 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 stakeholders and CMS and will be prioritised moving forward. These issues have also been mapped to the Economic, Environmental and Social pillars in line with the holistic approach we have adopted in formulating our business strategies.



● Economic ● Environmental ● Social

Axes Definitions

¹ "Influence on Stakeholder Assessment and Decision" is defined as the importance of a sustainability matter to a stakeholder

² "Significance of EES Impacts to Business" is defined as the importance of a sustainability matter to CMS

As per the matrix, the top five material matters for the 2018/2019 period are:

- 1 Product Information/Customer Satisfaction
- 2 Developing Local Economy
- 3 Safety & Health
- 4 Employee/Employer Relations
- 5 Economic Performance

Applying the findings

Moving forward, the Group will be finetuning its sustainability efforts based on the findings of our latest materiality assessment. We will take proactive steps to ensure that future reports provide a more balanced, accurate and comprehensive assessment of our strategy, performance and prospects in response to material matters. Our aim is to present a holistic and clear-cut view of our strategic thinking and responses to the issues that are most significant to our stakeholders and which have the most influence on our long-term value creation efforts.

Economic



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



Here at CMS, we view this economic dimension of sustainability as an integral component of our business for a strong, stable and sustainable financial and economic system supports not just the Company but diverse other activities essential to our business. These activities include our ability to continually create good shareholder value, to ensure the wellbeing of our workforce and the communities that we operate in, to ensure a strong focus on improving product and service quality, as well as to ensure the preservation of our environment. These and other economic activities are critical to our make-up as a conscientious corporate entity and underscore our absolute commitment and focus on delivering long-term sustainable economic growth.

GROWING FROM STRENGTH TO STRENGTH

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

Our First Wave of Growth (2009-2015)

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





A Strong Turnaround in 2018

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

Economic

Fruitful Initiatives

The Group's efforts to date have proven fruitful even as we have sought to maximise opportunities on several fronts these last few years. The following are some of the key initiatives that the respective business segments have implemented that have led to our turnaround as a company:

 <p>Cement Division</p> <p>This business has strengthened itself by improving its operational efficiencies, increasing its production capacity to 2.75 million metric tonnes per annum (MTpa) and establishing bulk terminals in Miri and Sibü to ensure a pan-State delivery capability. This ensures that the Division is more than able to meet the State's demand of approximately 1.6 million MTpa. It has also introduced new cement types, as well as pre-cast products and is also exploring exports.</p>	 <p>Construction Materials & Trading Division</p> <p>This business has enhanced its capability by increasing its production capacity through new plant acquisitions, offering a wider range of services and undertaking private sector sales.</p>	 <p>Construction & Road Maintenance Division</p> <p>Where it first began with a road maintenance contract for some 800 kilometres (km), this business has grown steadily and now is responsible for the maintenance of 6,260 km of State roads throughout Sarawak. This business continues to improve its efficiency by applying state-of-the-art technology and leveraging on research and development (R&D) activities. It is now focusing on instructed works, new technologies and division-initiated projects to strengthen itself.</p>
 <p>Property Development Division</p> <p>Through its offer of quality commercial and residential properties in a wider range of locations, this business continues to strengthen its foothold in the State.</p>	 <p>Strategic Investments</p> <p>In FY 2018, the ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak) displayed an impressive turnaround even as its plant achieved full production and commodity prices improved. By the end of 2020, the integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS) is expected to come onstream and begin making significant contributions to the Group.</p>	

All in all, the Group is working towards ensuring that our traditional core businesses (namely our Cement, Construction Materials & Trading, Construction & Road Maintenance, and Property Development Divisions), and our strategic investments will generate equal profits within the next five years, as well as double our Group's profits. We are getting set to experience what we envisage is the second wave of growth for CMS.

Economic

LAYING STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

OUR TARGETS

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

- ✓ To double PATNCI to RM500 million
- ✓ To be the most admired public-listed company in Sarawak

A TWO-PRONGED STRATEGIC RESPONSE

To ensure we skilfully navigate an increasingly changing political and business landscape and achieve our targets, we have formulated a two-pronged strategic response:

- ✓ Reposition and fortify our businesses
- ✓ Reposition and strengthen the CMS Brand

Laying Key Foundation Stones

To ensure the smooth rollout of our two-pronged strategy, we have set several key foundation stones in place. These include:

- **A clear business strategy**

This calls for us to strengthen our traditional core businesses and fully implement our strategic businesses so that they equally contribute towards doubling the Group's PATNCI within the next five years. Under this strategy, we will continue to extract value from our traditional core businesses, as well as work on strengthening and making them more efficient. At the same time, we will ramp up our efforts to fully implement our strategic businesses, namely that under OM Materials (Sarawak), MPAS and Sacofa, as well as our investments in listed associates Kenanga and KKB.
- **A dynamic, cohesive and engaging top leadership**

The Group's history has shown that growth can only happen if there is a sustained, dynamic, cohesive and engaging leadership in place. To this end, we have pulled together a new team made up of leaders at the very top and throughout the senior management team. From our new Chairman, to the new Group Chief Executive Officers (GCEOs), to several new core and strategic business heads, as well as the heads across our technology and communications functions, there has never been such massive across-the-board leadership changes in the history of the Group. This new blood bodes well for CMS as we embrace a new era of business.
- **Increased efficiency in all businesses by doing business faster, better and cheaper**

Aside from enhancing operational efficiencies and optimising cost management, we are also strengthening our Achilles heels or the weakest links within our organisation by reducing over-reliance on government contracts especially in the fast changing political landscape. To strengthen our project implementation and management capability which has been one of our weaker links in the past, a new Project Management Office (PMO) has been set up to oversee all major projects implementation and management. We also continue to ensure that we are in strict compliance with all laws and regulations. We are also expanding the capabilities of our R&D laboratories in the cement and premix areas as we recognise that innovation will be a game changer for CMS.
- **Completion of the rollout of the Group's digital transformation programme**

This key initiative is set to make waves across our organisation as it will do much to increase the Group's efficiency, agility and communications, in particular within support functions such as our finance, human resources and procurement departments. Our move to embrace innovation and 'all things digital' aligns with the State's own digital economy aspirations and we are confident that this will do much to make our operations even more efficient and cost effective for the long-run.
- **A strong sustainability culture embedded in all businesses**

Today, we are focusing our efforts on embedding a stronger sustainability culture in all our businesses. A new Sustainability Blueprint is being developed and will help us build on the impactful sustainability initiatives already in place. In late February 2019, a Sustainability Awareness Session for all the Group's Directors and Senior Management including our associate companies was held to review and update the Group's Sustainability Blueprint. The session was conducted by a team from PricewaterhouseCoopers' (PwC) South East Asian Consulting Services Sustainability and Climate Change Leader, who are also helping to develop Bursa Malaysia's Sustainability framework. With stronger Board and Management oversight in this area moving forward, we expect to see the agenda of sustainability at CMS gaining stronger momentum.

Economic



- **A stronger CMS Brand**

Following the Board's endorsement of a strategic plan to strengthen the CMS Brand, brand building activities are being ramped up. Our in-house Corporate Communications unit has been renamed the Corporate Reputation and Communications Unit, while a new experienced head has been brought in to drive reputation-building efforts. At the same time, the role of the current corporate communication consultant has been expanded. By way of corporate donations, efforts are being redirected to ensure all initiatives truly impact beneficiaries for the better while enhancing the reputation of CMS. Engagement efforts are also underway on a Group-wide basis to foster employee volunteerism in a manner in which our people take strong ownership of CMS Doing Good projects that are relevant to their communities.

Moving forward, as a leading proponent of the Sarawak growth story, CMS will continue to identify strategies that will help build and strengthen linkages between markets, businesses and communities, as well as create real value for our diverse stakeholders as we prepare to embrace the next wave of growth.

REINFORCING THE GROUP'S POSITION OF STRENGTH

Enlarged Quarry Operations

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

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

Economic

The BGSB quarry is targeting an annual production of 1.0 million MT. This, coupled with our second production line at Sibanyis Quarry with its annual production output of 1.3 million MT, provides our quarry operations a significantly enhanced capacity. This is particularly timely as demand for stone materials for the Pan Borneo Highway project (particularly the requirement to use granite stones for the premix wearing course) is anticipated to peak between 2019 and 2021.

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

Increased Control over MPAS' Operations

In line with our plans for our strategic investments to drive the next wave of growth, the Group through wholly-owned subsidiary, Samalaju Industries Sdn Bhd (SISB) has increased its stake in Malaysian Phosphate Additives (Sarawak) Sdn Bhd or MPAS to 60% from 49.94% previously. January 2019 saw SISB subscribing for 64,242,800 new ordinary shares in MPAS for a total cash consideration of RM64.24 million. With this enlarged stake, we now have Board and Management control of the integrated phosphate complex under MPAS while joint venture partners, Malaysian Phosphate Venture Sdn Bhd and Arif Enigma Sdn Bhd now hold a 27.17% and 12.83% stake respectively. This strategic move also increases the Group's footprint within SCORE.

The MPAS project, involving the construction of Southeast Asia's first integrated phosphate complex in two phases, represents the Group's first major direct investment in SCORE. Under Phase 1, three plants at a cost of RM1 billion are targeted for completion by end 2020. These plants, which are currently undergoing construction, are expected to have an annual production capacity of 48,000 MT of Yellow Phosphorous, 75,000 MT of Technical Grade Phosphoric Acid, and 60,000 MT of Food Grade Phosphoric Acid. Our involvement in these energy-intensive industries within the SIP is set to drive the next wave of growth for CMS.

Robust Risk Management and Governance Measures

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

In the area of Risk Management practices, CMS is focused on implementing measures that will help inculcate a strong risk awareness culture among our people, enhance internal controls and ensure the sustainable long-term growth of the Group. This includes introducing a codified practice to standardise the categorisation and

appraisal of events so that everyone across the Group, regardless of position or function, can contribute to the full identification, prioritisation and management of risks. Communication is the key to good risk management, and early diagnosis of risks, may give the time to turn a prima facie negative into an opportunity.

In 2018, the Group introduced the APEX Risk Report which serves to gather input on potential on-the-ground risks within every Division. These risks are then reported to the respective Divisional Boards who apply stringent checks and balances before elevating the results (if necessary) up to the Group Board-level for consideration. This system was first introduced to the Construction Materials & Trading Division in May 2018 and then fully implemented across all Divisions by November 2018. A review of the implementation process will be undertaken via a Risk Scorecard.

As part of the Group's efforts to enhance awareness on risk management, the Group Risk Unit engaged EY Advisory Services Sdn Bhd to conduct a Risk Awareness Programme (RAP) for CMS' Senior Management Team. The RAP incorporated an interactive approach which introduced the basics of Enterprise Risk Management (ERM) and then highlighted the latest developments and standards in ERM by looking at the key strategic risks that affect organisations. Real-life case studies of risk management were also analysed. Moving forward, the Board together with Management will focus its efforts on embedding stronger risk management practices within CMS' corporate DNA so that it is applied seamlessly throughout the Group's decision-making processes and operational activities.

In November 2018, Bursa Securities advised us that we had been selected as one of the Qualifying Companies under their Green Lane Policy (GLP) thus entitling us to specific privileges. These privileges include our ability to issue circulars without having to seek Bursa Securities' approval, while our more complex circulars will be fast-tracked. This recognition underpins the high standards of corporate governance conduct and the good disclosure practices that the Group has been upholding.

Our efforts to uphold good reporting standards also saw our 2016 Annual Report receiving the Silver Award at the 2018 Australasian Reporting Awards (ARA) event in Sydney, marking the first time that our Annual Report has gained recognition in the international arena. CMS was among the few companies in the region who met the high standards set by ARA who recognised the Group's emphasis on corporate governance and transparent reporting. Our Annual Report fittingly captured the challenges and accomplishments of the year and provided a credible record of our corporate journey as we progressed towards our vision.

CMS continues to maintain its position as a constituent on the FTSE4Good Bursa Malaysia Index which speaks volumes of our efforts to develop a sustainable business model. CMS is today one of 58 Companies on this Index and the only Sarawak listed entity there. We will continue to implement tangible corporate practices on the EES fronts as well as entrench ourselves as a responsible and ethical company to maintain our position.

Economic

IN SUPPORT OF THE STATE'S ECONOMIC PROGRESS

Sarawak is set to register higher economic growth, as well as achieve more balanced economic development under the State's RM11.91 billion budget for 2019 – its largest to date. Over 75%, or RM9.07 billion of the funds have been allocated for development expenditure which will include part of the funding for the implementation of several major infrastructure projects including the Coastal Road, Second Trunk Road and the State's water and electricity grid projects. Encompassing socio-economic and rural transformation initiatives, walkabout projects, as well as initiatives under the Digital Economy, the development-based and rural-focussed State Budget 2019 aims to stimulate a higher level of economic activity and economic progress for Sarawakians.

In relation to this, CMS continues to explore multiple avenues to assist the State Government to implement projects at lower cost and with enhanced efficiency. Our efforts include the development of concrete roads, high-performance concrete and various new types of cement, among other things.

On 9 November 2018, CMS announced at a launch event that its Cement Division had achieved another major milestone with the introduction of a new eco-friendly product – Portland Limestone Cement (PLC). Taking almost two years to develop, PLC is an eco-friendly product, manufactured by grinding a special blend of clinker, gypsum and high-quality limestone under stringent quality control. As limestone material is readily available and cheaper in price, the production of PLC with more than 20% limestone addition is reducing overall operational costs, thereby, increasing profit margins. Priced lower than Portland Cement 42.5N, PLC also provides customers flexibility through its offer of a product that will meet their various requirements and budgets. PLC in essence will help make construction activities in Sarawak more economical.

While our flagship product, Portland Cement 42.5N is an all-purpose product that can be used for all types of structures, PLC with a strength class of 32.5N is targeted for low-rise concrete structures such as single storey residential, office and commercial buildings. Its high workability and plasticity, makes PLC ideal for plastering and bricklaying and it is less susceptible to cracks during the drying process. It can also be used for construction of drains and rural or village roads.

PLC also has potential as a binder for soil stabilisation and this should go down well given Sarawak's soft soil conditions that have always presented a huge challenge for construction works. Early trials done with Universiti Malaysia Sarawak (UNIMAS) on soil stabilisation have indicated that PLC has certain properties which makes it ideal for use in such conditions.

Through our offer of more options in terms of product types, applications and prices, the Group is progressively cementing its role as a strong and reliable supporter of the construction industry in the State.

UPHOLDING SUSTAINABLE PROCUREMENT

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

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

At the same time, 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:

- With common shareholders, directors, management and/or operating premises; or
- With shareholders or directors as their close family members.

The Group's tendering processes have specific processes, checks and balances built into them. These are based on many years of experience averting the above issues from occurring. Periodically, these measures have resulted in tenders being recalled and suppliers and their managers being banned as vendors.

Environmental



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



Here at CMS, we are committed to being a good steward of the resources we have been entrusted with through our focus on operating in a sustainable manner which mitigates our carbon footprint whilst conserving the environment. To this end, we have been applying innovative operating strategies and technologies, as well as best practices to minimise our environmental footprint. Our efforts to date have centred on finetuning our environmental practices by developing more robust and integrated energy, air, materials, waste and water environmental strategies that go beyond meeting basic compliance standards. We also continue to implement KPIs, policies and various initiatives to ensure that the environment is preserved for the enjoyment of future generations.

Environmental

ENERGY MANAGEMENT

Energy management is an integral part of an organisation's sustainability efforts as it encourages long-term savings through minimising costs while lessening the negative impact of electricity generation on the environment. At CMS, we are constantly exploring new avenues and devising new ways in which we can 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 roll out many of our proven energy management initiatives while introducing new measures to strengthen our sustainability efforts.

Implementing ISO 50001 throughout CMS' Cement Division

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



Continually improve

energy management

In line with efforts to adapt the standard, our Cement Division has 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 of the Division's Chief Executive Officer (acting as advisor), the General Manager of Production and respective plant managers as management representatives. It also includes engineers, energy managers and other positions of influence in order to ensure the success of this new strategy within the Division.

May 2016 saw our clinker plant at Mambong attaining full ISO 50001:2011 certification, while the implementation process for our Pending grinding plant which began in 2017 is still underway. The timeframe for full ISO 50001:2011 implementation at the Pending grinding plant was extended due to recent movements of key personnel including electrical and management staff who had either retired, resigned or were transferred internally. Nevertheless, the target is for this plant to be certified by the third quarter of FY 2019. To date, an internal audit for the plant has been completed and corrective actions are now underway to close-out all non-conformities and observations.

We will follow suit with certification for our Bintulu grinding plant in 2019. As the Bintulu plant prepares for certification, all the relevant data for the system such as electrical energy usage data and data on reduction programmes through mill output optimisation from 2014 onwards have been collated.

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

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

Environmental

Improving Energy Efficiency at the Cement Division

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

In 2018, the Division's average heat consumption of 884 kcal/kg was still above the target of 800kcal/kg due to plant reliability issues and low plant-specific output.

To date, the Cement Division's plants are leveraging on a variety of energy-efficient technologies to reduce consumption. These include:

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

Though the Bintulu cement mill is still in the preparatory stage for ISO 50001 certification, owing to the recent throughput optimisations and higher cement sale volume, the mill was able to reduce its specific power consumption from 43.38 kilowatt hours per tonne (kWh/t) in 2017 to 40.72 kWh/t in 2018 - a reduction of 2.66 kWh/t.

The Pending grinding plant's specific power consumption increased from 34.51 kWh/t in 2017 to 34.75 kWh/t in 2018 - an increase of 0.24 kWh/t.

At the Mambong integrated plant, the power consumption dropped from 43.81 kWh/t in 2017 to 43.27 kWh/t in 2018, thereby according the plant savings of 0.54 kWh/t.

The Cement Division continues to explore all avenues to further improve kiln line reliability and performance factors so as to further improve specific power consumption.

Use of Energy Efficient Lighting throughout the Group

As part of efforts to decrease the negative effect of toxic chemicals on the environment while minimising our operational costs, many of the Group's companies have been converting to energy-efficient lighting. Light-emitting diode (LED) bulbs have proved to be the most feasible option as they are energy efficient, have a long life and are free of toxic chemicals.

The Cement Division has implemented LED lighting at its grinding plant in Pending and is planning to replace the high mast lighting at Jetty No. 2 in accordance with International Ship and Port Facility Security Code (ISPS Code) criteria. This will tentatively be carried out in 2019. 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.

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

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

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

Environmental

Replacement of LED lighting

at Premix Site Office

3,134 watts**Reduction in energy consumption**

by using LED lighting

58%

The premix operations business under the Construction Materials & Trading Division, having made the switch to LED lights, registered a 58% reduction in energy consumption, the details of which are presented below.

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

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

The Group's efforts to implement 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 architectural design 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 off the sea to naturally cool the premises and to reduce the solar heat. To facilitate long-term savings, energy-efficient lighting fixtures have been planned for the hotel from the onset. The usage of LED lighting has translated into an estimated 50% cost savings to light up the hotel as compared to conventional lighting. A total of 34 units of 80-watt LED street lights have been installed at the Samalaju Eco Park Apartments.

Environmental

Electricity consumption (kWh)



Cement Division

3.6%

reduction in FY 2018



Construction Materials & Trading Division

10.9%

reduction in FY 2018



Construction & Road Maintenance Division

1.4%

reduction in FY 2018



Property Development Division

6.9%

reduction in FY 2018



Samalaju Properties Sdn Bhd

45.8%

increase in FY 2018 due to higher occupancy by tenants at the Lodges

Electricity Consumption at CMS

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 is presented in the following table.

Electricity Consumption (kWh)

Division/Company	2016	2017	2018
Cement	133,144,504	128,054,580	123,397,662
Construction Materials & Trading	5,582,464	5,136,685	4,576,074
Construction & Road Maintenance	697,800	761,480	750,612
Property Development	209,533	215,368	200,477
Samalaju Properties Sdn Bhd	1,915,639	1,226,612	1,788,606
Total	141,549,940	135,394,725	130,713,391

In 2018, all Divisions with the exception of the Samalaju Development Division posted lower consumption of electricity on the back of the various energy efficiency measures undertaken. The increase in electricity consumption for Samalaju Properties Sdn Bhd was due to higher occupancy by tenants at the Lodges.

WATER MANAGEMENT

Water is a necessary but precious commodity and good stewardship is essential in order to maintain the long-term sufficiency of this valuable resource that is integral to both economic and environmental stability. Here at CMS, we have made it our goal to reduce water wastage through optimal planning, development, distribution and management of our water resources. Some of the water-saving initiatives we have implemented to date include a reduction in the usage of treated water from the water board by using an alternative source as well as the maintenance and regular inspection of the water circulating system.

Water Consumption at CMS (m³)

Water consumption by CMS' Business Divisions for the last three years is presented below.

Division/Company	2016	2017	2018
Cement	146,710	125,430	329,075
Constructions Materials & Trading	69,913	59,971	55,920
Construction & Road Maintenance	3,470	4,135	5,958
Property Development	1,443	1,082	1,342
Samalaju Properties Sdn Bhd	175,067	262,950	654,695
Total	396,603	453,568	1,046,990

Environmental

The year 2018 saw a significant increase in water consumption at the Cement Division compared to the amount of water used in the previous year. While a number of coordinated actions were taken to reduce incidents of inlet pipe blockages, as well as inefficiencies within the water-cooling towers and heat exchangers in the bearings cooling systems, we are looking to reduce water consumption and improve efficiency in the long-term by undertaking the following investments and maintenance activities:

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

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

At the Mambong integrated plant, a portion of the old existing underground cooling black pipeline has been upgraded and is now above ground. This will lend to easier maintenance and will prevent corrosion. Underground portions of the pipeline have also been replaced with better quality ductile iron pipe to reduce water leakage. The plant has its own dedicated water supply operation and maintenance team for the underground tube well who are also able to carry out repairs and undertake replacements in the event of leakages. Under the existing water-cooling process, the supply of water comes from the plant's own underground wells via a closed loop system, so the water circulating in the cooling tower is actually recycled water.

The higher consumption of water by the Construction & Road Maintenance Division in 2018 was due to higher consumption from the Sarawak Museum project and due to the construction of the Pan Borneo Highway project (WP06) undertaken by PPESW BPSB JV Sdn Bhd.

Meanwhile, Samalaju Properties Sdn Bhd saw a significant increase in water consumption compared to the amount of water used in the previous year. This was due to the growing number of tenants at Samalaju Lodges, the inclusion of the Eco Park Apartments, and the supply of water to the construction site at Samalaju Central.

Samalaju Properties Sdn Bhd continues to take the following steps in its effort to conserve water at its lodges:

- A centralised laundry has been established to optimise and reduce water usage;
- Periodic checks on the water mains, water tanks and pumps are carried out to detect potential leakages;
- Sub-meters have been installed to track water consumption;
- Routine checks are undertaken to mitigate wastage of water, especially at washrooms; and
- Rainwater and recycled water from natural ponds are being used to water plants.

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

Using Recycled Water to Cool Machinery

At the Bintulu grinding plant, water supplied to the process equipment is 100% reused after cooling within a closed loop system. A modification is planned for 2019 which will realign the underground hydrant pipe so that it is above ground for easy monitoring of any leaks.

CMS Quarries Sdn Bhd recycles water to cool its machinery. The company has two water ponds for this purpose that can store 2.43 m³ and 3.3 m³ of water respectively.

Rainwater Harvesting Programme

Rainwater harvesting is the process of collecting rainwater with the intention of reusing it on-site. At the Pending grinding plant, two rain harvesting systems have been installed which are used for the purposes of gardening and washing. The Bintulu grinding plant plans to install one rain harvesting system for the same purposes.

In 2010, we kicked off a rainwater harvesting programme at our Mambong integrated plant. Following a suspension of the project, we relaunched the programme in 2016. Rainwater is now collected for general use at the plant including for the flushing of toilets and watering of plants.

Environmental

MATERIALS MANAGEMENT

We aim for zero wastage when it comes to the management of materials. Even as we focus on reducing the use of natural resources in our operations wherever possible, we continue to proactively undertake R&D and explore new ways in which to replace raw and natural resources with recycled materials.

Ongoing R&D efforts

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

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

Product Development

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

Alternative Raw Materials

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

Alternative Fuels

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

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

Innovative Use of Scheduled Wastes and By-Products

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

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

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

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

Silica fume is an ultrafine powder collected as a by-product of silicon and ferrosilicon alloy production. Consisting of spherical particles with an average particle diameter of 150 nm, it is supplied by OM Materials (Sarawak) Sdn Bhd and Pertama Ferroalloys Sdn Bhd. By adding silica fume to produce blended PCC or by using it in concrete, this strengthens the performance of the cement and lends to higher durability. CMS Cement Industries Sdn Bhd (CMSCI) has already received the relevant approvals from the Department of Environment (DOE) and conducted several plant trials in relation to the use of silica fume.

Use of Tyre-Derived Fuel (TDF) as an alternative fuel

Since 2015, CMSCI has been by burning small quantities of shredded tyres purchased from a local-based supplier to manufacture clinker. TDF fuel produces the same energy as petrol and approximately 25% more energy than sub-bituminous coal. CMSCI has been given the approval by DOE to proceed with the trial of 300 metric tonnes (MT) of TDF which it hopes will eventually lead to the commercial production of TDF.

Use of furnace slag to partially replace clinker in the production of Portland Cement

Furnace slag is one of the by-products from Malaysian Phosphate Additives (Sarawak) Sdn Bhd which can be used to substitute clinker in cement production or as Alternative Raw Material (ARM) in clinker production. Laboratory tests on furnace slag are ongoing and more samples are expected to be brought in from China for further testing.

Environmental

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

Silicon manganese is by-product for the ferro silicon smelting plants of OM Materials (Sarawak) and Pertama Ferroalloys. It is available in two types – the coarser and glossy air-cooled type and the sandy water-cooled type – both of which have the potential to be used as aggregate replacements in concrete. Preliminary tests done undertaken by CMS Concrete Products Sdn Bhd (CMSCP) show an increase in concrete strength with a 50% replacement of the coarse aggregate. Further testing is required to ensure the consistency of the quality produced. In this respect, 10 MT of slag was recently delivered to CMSCP.

Granulated blast furnace slag for production of slag cement

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

Leveraging on Cold-in-Place Recycling technology

CMS Pavement Tech Sdn Bhd (CMS Pavement Tech) is a specialist provider of pavement works covering construction, rehabilitation and maintenance. The company promotes sustainable engineering and construction using locally-sourced, alternative materials. As the conventional method of pavement rehabilitation tends to be costly, inefficient, slow and environmentally-unfriendly, the company specialises in using cement stabilisation technology to reconstruct and rehabilitate pavements using the Wirtgen WR2500S machine. Under the Cold-in-Place Recycling method, existing pavements are recycled, stabilised with cement and enhanced with a higher strength, new bounded base. The company is also capable of performing stabilisation works using other agents such as lime, emulsion, bitumen and soil stabilisers. Clients that leverage on CMS Pavement Tech's technology can take advantage of cost savings, quicker construction times as well as improved pavement performance and design life.

The Group's sustainability leadership efforts in the area of recycled waste and by-products are slowly gaining recognition. Currently, we are in collaboration with Universiti Malaysia Sarawak (UNIMAS) to study the performance of our Portland Limestone Cement and also the addition of silica fume in concrete. Updates on the various innovations here can be found within other parts of the Environmental section.

Natural Resources for Clinker and Cement Production

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

Natural Resources for Clinker and Cement Production (MT)

Product	2016	2017	2018
Clinker	1,060,232	935,652	962,895
Gypsum	46,773	38,333	38,616
Anhydrite	15,250	14,182	15,280
Limestone	880,353	875,533	770,231
PA	6,018	1,532	3,060
Sandstone	86,405	80,537	63,028
Shale	146,318	142,600	138,438
Cu Slag	16,834	24,065	21,730
Gy	21,502	24,393	24,987
Total	2,279,685	2,136,827	2,038,265

Clinker Production Capacity (MT)

Product	2016	2017	2018
Cement	1,179,087	1,025,997	1,517,160
Clinker	656,637	653,111	575,007

Clinker to Cement ratio

	2016	2017	2018
Cement Division	60	61	61

Environmental

Natural Resources for Quarry Production

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

CMS Quarries Sdn Bhd's Production (MT)

No.	Location	Type of Stone	2016	2017	2018
1	Stabar	Microtonalite	487,534	719,827	569,283
2	Penkuari	Microtonalite	242,515	-	-
3	Sibanyis	Microtonalite	847,304	956,811	986,455
4	Akud	Limestone	366,704	441,957	330,830
5	Sebuyau	Granite	564,146	394,691	499,256
TOTAL			2,508,203	2,513,286	2,385,824

Raw Materials for Premix Production

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

Company: CMS Premix Sdn Bhd Operation: Miri, Kuching, Sibul, Sarikei, Lundu

Raw Materials	Total Tonnes		
	2016	2017	2018
Bitumen	22,052	21,248	28,350
Actual	-	-	-
3/4" Agg	143,895	137,441	180,063
3/8" Agg	73,419	44,727	37,015
Quarry Sand	322,700	301,215	347,658
DCR 1.5"	15,198	21,914	65,510
Hydrated Lime	158	49	339
Cement	-	-	1,716
Riversand	94	22	3,864
Total	577,516	526,617	664,515
Production	542,456	506,088	628,782
Wastages	35,061	20,507	35,733
Diesel Usage (Litres)			
Plant	4,271,274	3,997,729	4,145,866
Machinery	197,342	114,468	280,152
Total	4,468,616	4,112,197	4,426,018

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

Raw Materials	Total Tonnes		
	2016	2017	2018
Bitumen	13,369	9,508	9,302
Actual	-	-	-
3/4" Agg	64,340	54,897	66,683
3/8" Agg	60,950	26,300	13,679
Quarry Sand	181,685	133,301	120,986
DCR 1.5"	40,727	22,744	21,942
Hydrated Lime	-	-	4
Cement	-	-	-
Riversand	-	-	-
Total	361,071	246,751	232,597
Production	334,811	228,639	208,739
Wastages	26,260	18,112	23,858
Diesel Usage (Litres)			
Plant	3,329,072	2,421,222	2,347,557
Machinery	59,472	94,311	129,815
Total	3,388,544	2,515,533	2,477,372

Environmental

Company: Betong Premix Sdn Bhd
Operation: Betong

Raw Materials	Total Tonnes	
	2017	2018
Bitumen	590	567
Actual	-	-
3/4" Agg	3,958	2,186
3/8" Agg	1,907	2,078
Quarry Sand	5,614	5,079
DCR 1.5"	45	518
Hydrated Lime	-	4
Cement	-	-
Riversand	-	-
Total	12,113	10,431
Production	10,412	9,188
Wastages	1,702	1,244
Diesel Usage (Litres)		
Plant	127,910	150,287
Machinery	-	27,861
Total	127,910	178,148

Raw Materials for Wire Production (MT)

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

Company: CMS Wires Sdn Bhd
Operation: Kuching

Wire Rod Size (MT)	2016	2017	2018
5.5 - 10K	556	398	477
6.0 - 12K	467	200	538
6.5 - 12K	693	41	384
7.0 - 12K	230	579	461
8.0 - 12K	804	641	1,185
9.0 - 12K	787	869	1,474
9.5 - 15K	0	21	0
10 - 12K	20	0	51
11 - 12K	642	424	677
Total	4,199	3,173	5,247

Production Volumes by CMS Wires Sdn Bhd (MT)

Item	2016	2017	2018
Wire Mesh	2,689	2,617	3,942
Drawn Wire	1,446	918	1,302
Total	4,136	3,535	5,244

Cement Division's Alternative Fuel and Raw Materials Committee

During the year in review, the Cement Division's Alternative Fuel and Raw Materials Committee held four 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 waste from Samalaju and Samajaya Industries has been tested and an allocation of RM300,000 applied to R&D activities. Today, we are collaborating with the Natural Resources and Environment Board (NREB) Sarawak, Trienekens (Sarawak) Sdn Bhd, Resource Co Asia, ZHA & Carasimo Sdn Bhd and Triple C Recycles Sdn Bhd on various recycling initiatives. The oil sludge from PETRONAS and the ship yards are also undergoing tests and will be given further consideration in 2019. For now, the design of the feeding flow system for alternative fuel has been given priority status.

The strategy to reduce clinker consumption is through the production of blended cement whereby the ratio of clinker replacement is higher. In November 2018, CMS commenced commercial production of Portland Limestone Cement with 20% replacement of clinker.

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

- 1 Reduction of natural raw materials usage switching to Alternative Raw Material (ARM) – target maximum 3% as per the DOE's current guidelines.
- 2 Currently researching clinker replacement using Yellow Phosphorous Slag from Malaysian Phosphate Additives (Sarawak) Sdn Bhd in 2019 – target 3% ARM usage or 4,000 tpm

Time-specific targets to reduce natural resources for clinker production (tpm)

Year	2019	2020	2021	2022
Natural Resources	1,000	2,000	3,000	4,000

The percentage of clinker content in cement production is set for all plants based on cost and environmental factors.

Environmental

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

Reusing Waste in the Production of Clinker

In 2018, a total of 256.26 tonnes (2017: 259.54 tonnes) of Calcium Hydroxide Ca(OH)² sludge was incorporated in the raw mix pile. Future volumes are subject to the availability of the sludge from various waste generators.

In 2019, we will close several deals with waste generators for Scheduled Waste codes SW427, SW207, SW204 and SW104 from several industrials in Sarawak. We are pressing for SW427 supplies from EOx Linde Kota Kinabalu, BIG Miri and Bintulu, Piasau Gas Miri and Sibu Gas. The additional quantity per month will be around 200 to 300 tpm.

We are also continually looking into additional sources of sludge from within the industry. Following extensive research into 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 an identified source. The plant has also considered replacing its Light Fuel Oil (LFO) with Residual Fuel Oil (RFO). We are currently in discussions with PETRONAS and 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% by replacing this with sludge, old kiln bricks and ash.

In line with this initiative, our Cement Division's environmental team contacted the waste generators from the Samajaya Free Industrial Zone (namely LONGI (Kuching) Sdn Bhd, Linde EOx Sdn Bhd, HGST Malaysia Sdn Bhd, Tai Yo Yuden Sarawak Sdn Bhd) and the SIP (namely OM Sarawak, Pertama Ferroalloys Sdn Bhd and OCI Malaysia Sdn Bhd). During the year, R&D activities were conducted on waste generated within SIP in the laboratory and then on an industrial scale. Subsequently, the applications were submitted to and approved by the DOE in Putrajaya. Scheduled Wastes Transportation licences especially on the sea route are being negotiated with the DOE. The Cement Division's Alternative Fuel and Raw Materials Committee is working with the DOE and the plant teams to actualise the 3% substitution target. In 2019, alternative raw materials usage will increase significantly once approval to use waste from the waste generators at the SIP and the Samajaya Free Industrial Zone is granted.

Tyre-derived Fuel

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

As the trials did not produce any significant negative effects at the clinker plant, the company is seeking the relevant approvals from governmental authorities, the Sarawak DOE and the NREB for the commercial production of TDF. The DOE Putrajaya and Sarawak asked for the installation of a CEMS-Gas Analyser as a prerequisite for the trial burn. The CEMS-Gas Analyser was successfully installed in December 2017. As a trial, we used 46 tonnes of TDF in 2016, some 157.32 tonnes in 2017, and 41 tonnes in 2018 under strict watch using the existing feeding system (until such time as a new TDF feeding system is installed). The company has also established a long-term TDF supply contract with ZHA Sdn Bhd, a Sarawak based company.

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

Locations	2016	2017	2018
Mambong	46	157	41
Integrated Plant			

Manganese Slag Premix Aggregates Replacement for Road-based Materials

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

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

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

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

Environmental

Manganese Slag Premix Aggregates Replacement for Road-based Materials				
Material	2016	2017	2018	Unit
Premix	27,738	27,877	34,660	Tonnes
Aggregates	45,589	35,250	29,640	Tonnes
Bitumen (Coldpave)	174,665	177,819	210,271	Litres

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

Cold-in-Place Recycling (CIPR)

CMS Pavement Tech Sdn Bhd (CMS Pavement Tech) 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. Under this method, existing pavements are recycled, stabilised with cement and enhanced with a higher strength, new bounded base. The subsidiary 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 the company's technology, clients can take advantage of cost savings, quicker construction times as well as improved pavement performance and design life.

In 2018, the total amount of recycling-in-place that the company conducted amounted to 184,300 MT. The total amount of off-site pavement milling conducted during the year was 6 km.

Revitalising the Industrialised Building System (IBS) business

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

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

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



Environmental

WASTE MANAGEMENT

CMS' commitment to sustainable and ethical practices encompasses all our operations including our waste management practices. We take the practice of collecting and disposing of waste and effluent produced in our plants very seriously. Improper waste management can potentially have a negative effect on the community's health and similarly it can negatively impact the environment. Positive waste management systems, however, can avoid the negative impact that waste has on the environment. As a responsible industry player, CMS is committed to finding innovative and environmentally-friendly ways to re-utilise waste, as well as to dispose of it.

Solid Waste

The Cement Division ensures it disposes of all solid industrial waste produced throughout its annual production cycle in a responsible manner. To this end, the Division discards the following items in ways that are deemed environmentally-friendly: wooden pallets, zinc and acrylic cladding sheets, old bag filters, contaminated gloves and rags, used personal protection equipment (safety helmets, safety shoes, dust masks), used industrial pollution control systems like filter bags, hoses, spent greases, lubrications, hydraulic oil, broken-off belt conveyor rollers, used and worn off slings, conveyor belts, ducting, old kiln bricks, and hacked-off castables, among others.

Our Cement Division only records the weight of cement/clinker and scrap iron solid waste as our focus is primarily on minimising or eradicating waste.

Those industrial wastes which contain calorific value are co-processed at the calciner. Contaminated or mixed raw materials such as gypsum and limestone with cement or clinker, also regarded as waste, are put back into the operations mix. Old basic and alumina bricks are crushed at the limestone crusher and used later as alternative raw material.

In 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 and old metal plates, among other things are co-processed at CMS Cement Industries Sdn Bhd and sold as scrap. The Bintulu grinding plant disposes of used pre-slings and used tyres to Fonsen Enterprise and ZHA Sdn Bhd.

Meanwhile, PPES Works (Sarawak) Sdn Bhd not only re-sells its leftover construction materials, it also reuses construction waste such as timber and formwork, as well as demolition waste or broken slabs. Waste paper is recycled for internal photocopying and printing, while waste from land clearing is utilised as the base for an access road in a swampy area.

Recycling Capabilities for New Premix Plants

Moving forward, as part of our environmental sustainability endeavours, we plan to incorporate recycling capabilities into the design of all new premix plants that we commission in the future.

Scheduled Waste

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

As it is hazardous and difficult to dispose off 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 2018, some 6,800 litres (2017: 9,000 litres 2016: 7,000 litres) of the waste oil, spent lubricant and hydraulic oil (classified under SW421), which was generated and collected by the Cement Division, was sent to CMS Concrete Products Sdn Bhd. Here the used oil was used as separator material for isolating concrete materials with mould tools. Containers contaminated with chemicals and scheduled waste (classified under SW409 - IBC Tank) were sold to a DOE-Approved Scheduled Waste Contractor. All materials that had come in contact with the oil, such as contaminated gloves and used cotton rags were also properly disposed of as well.

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

Types of Scheduled Wastes in the Cement Division

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

Environmental

The procedures for handling scheduled waste are summarised below:

The operator ensures all scheduled wastes generated are properly stored in appropriate containers.

1. Contaminated parts are cleaned with diesel before being disposed of at the scrap storage area;
2. Once the drum is full, it is transferred to the scheduled waste store. The total quantity of waste is recorded in a record book;
3. The Waste Management Team (WMT) leader submits the records to the DOE on a monthly basis;
4. 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.

The waste generated by the Cement Division's various operations between 2016 and 2018 is presented below.

Cement Division's Hazardous Waste Generation (MT)

Location	Types of Scheduled Waste	2016	2017	2018
Pending Grinding Plant	SW421	7	9	6.8
	SW409	0.0093	0.0205	0.028
	SW410	0.003	0.031	0.105
	SW430	Nil	0.035	Nil
	SW102	10 units	32 units	Nil
	SW110	12 units	100 units	125 units
	SW429	0.6609	0.1214	0.3753
Bintulu Grinding Plant	SW305	10.8	7.6	5.4
	SW306	0.8	Nil	1
	SW104	Nil	Nil	Nil
	SW409	8	3.8	2.65
	SW410	2.6	1	1
	SW430	Nil	Nil	Nil
	SW102	Nil	Nil	1
	SW110	Nil	0.2	Nil
SW429	0.4	0.2	Nil	
Mambong Integrated Plant	No scheduled waste generation			

Non-recycled Waste Generation (MT)

Location	2016	2017	2018
Pending Grinding Plant	206	360	62
Bintulu Grinding Plant	No record	No record	No record
Mambong Integrated Plant	All generated waste is being co-processed at the calciner		

Waste Recycled (MT)

Location	2016	2017	2018
Pending Grinding Plant	3.6	5.5	3.9
Bintulu Grinding Plant	No record	0.9	0.74
Mambong Integrated Plant	No Record	No Record	Less than 500MT

The Construction & Road Maintenance Division's scheduled wastes were as follows:

Construction & Road Maintenance Division, Scheduled Waste (KG)

Material	2016	2017	2018
SW 410	185.9	257.16	410.6
SW 310	94.3	114.84	57.05
Total	280.2	372	467.65

At CMS Wires Sdn Bhd, spent lubricants and hydraulic oil, classified under SW 305 and SW 306 respectively are generated and subsequently collected by a licensed contractor. Cotton rags and contaminated gloves are sent to Trienekens (Sarawak) Sdn Bhd, the operator of Sarawak's integrated waste management system, for proper disposal. All scheduled waste collected must be kept not more than 180 days as recorded from the first date of generation or as soon as reaching an inventory of 20 tonnes. Under the new DOE requirements, scheduled waste is recorded in the Electronic Scheduled Waste Information System (e-SWIS) for ease of visibility and so it can be monitored on a monthly basis.

Environmental

Scheduled Waste (Litre)

Code	Items	CMS Premix Sdn Bhd	CMS Premix (Miri) Sdn Bhd	CMS Quarries	CMS Wires
SW 305	Spent Oil lubricant	1,453	1,119	12,313	55
SW 306	Spent Hydraulic oil	NIL	NIL	700	NIL
SW 312	Oily residue from workshop	209	NIL	NIL	NIL
SW 410	Oil filter	259	231	NIL	NIL
SW 430	Methylene Chloride	1,257	NIL	NIL	NIL

PPES Works (Sarawak) Sdn Bhd adopts stringent scheduled waste practice which forms part of its Environmental Impact Assessment and Environmental Monitoring Programme. The Company does not produce high quantities of scheduled waste.

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

AIR AND GHG EMISSIONS, DUST, NOISE AND VIBRATIONS MANAGEMENT

Emissions Management

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

New Ambient Air Quality Standard for Malaysia

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

The New Ambient Air Quality Standard adopts 6 air pollutants criteria that include 5 existing air pollutants which are particulate matter with the size of less than 10 micron (PM₁₀), sulfur dioxide (SO₂), carbon monoxide (CO), nitrogen dioxide (NO₂), and ground level ozone (O₃) as well as 1 additional parameter which is particulate matter with the size of less than 2.5 micron (PM_{2.5}).

The air pollutants concentration limit will be strengthened in stages until 2020. There are 3 interim targets set which include interim target 1 (IT-1) in 2015, interim target 2 (IT-2) in 2018 and the full implementation of the standard in 2020.

Environmental

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

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

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

The following measures are being adopted by the respective Cement Division plants in their efforts to manage emissions:

Pending Grinding Plant

The Pending grinding plant is taking steps to control and reduce pollution by replacing its unloading equipment which will serve to lessen clinker spillage during loading and transportation. It is also modifying the bag filters de-dusting pipe to improve the dust collection on every conveyor transfer point. Finally, it is repairing and incorporating an improved design to the clinker and gypsum shed in a bid to control and confine dust inside the storage.

Mambong Integrated Plant

The Mambong integrated plant has implemented an air pollution control equipment improvement initiative via the installation of two units of the Power Plus high frequency transformer-rectifier (T/R) at its waste gas electrostatic precipitators (ESP). The original waste gas ESP (with six chambers) that was designed and installed in

1996 used a conventional T/R set with a capacity of 66kV/1200 mA. In 2012, the waste gas ESP was upgraded to the Power Plus high frequency T/R set with a capacity of 83kV/1445mA. It also boasted an enhanced controller and control panel but only for chambers 1, 2, 4 and 5, whereas chambers 3 and 6 still used the conventional T/R set, controller and control panel.

During its January 2018 maintenance shutdown, the plant installed another two units of the 83kV/1445mA Power Plus T/R together with a new controller and control Panel at chamber 3 and 6 in order to improve the efficiency of the high voltage supplied to the ESP. A total of RM1.4 million was invested in this initiative which aims to improve the existing air pollution control equipment to ensure the protection and sustainability of our environment. Under its capex budget for 2018-2019, CMS Cement Industries (CMSCI), which manages the Mambong integrated plant, has allocated more than RM1 million for the upgrading and improvement of the plant's dust filter system.

Environmental

Bintulu Grinding Plant

The Bintulu grinding plant is using a new type of filter bag that is compatible with the process to avoid excessive dust emission from the dust collector. On-going modification of the de-dusting pipe at the clinker transport conveyor at Towers 1, 2 and 3 were completed in February 2019.

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

Based on ambient air monitoring at the Pending, Bintulu, Sibul Bulk Terminal, Miri Bulk Terminal and Mambong Integrated Plant, the average Total Suspended Particles for the Cement Division in 2018 was 124.4 $\mu\text{g}/\text{m}^3$ which was within the Malaysian Recommended Environmental Ambient Air Quality Standard of 260 $\mu\text{g}/\text{m}^3$.

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

Location	2016	2017	2018
Pending Grinding Plant	76	66	51
Bintulu Grinding Plant	129	113	238
Sibu Bulk Terminal	69	68	130
Miri Bulk Terminal	141	164	88
Mambong Integrated Plant	52	37	48
CMS Concrete Products Sdn Bhd	198	125	192
Average	665	573	747

Based on the ambient air monitoring at the Pending, Bintulu, Mambong integrated plant, Sibul Bulk Terminal and Miri Bulk Terminal, the average PM10 for the Cement Division for years 2016 – 2018 were within the Malaysian Recommended Malaysian Air Quality Guidelines – Ambient Air Standards of 150 $\mu\text{g}/\text{m}^3$.

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

Division	2016	2017	2018
Cement Division	52	59	58

Stack Emissions from Chimneys

Based on stack emission monitoring at the Pending, Bintulu and Mambong integrated plants, the average stack emission level for the Cement Division was 18.43 mg/Nm^3 which is within the allowable emission limit of the Environmental Quality (Clean Air) Regulations 2014 (i.e. less than 150 mg/Nm^3). The internal target for stack emission is a maximum 45 mg/Nm^3 (2020-2022). For handling air pollution control equipment, the permissible limit as per the Environmental Quality (Clean Air) Regulations 2014 is less than 150 mg/m^3 .

Cement Division, Average Stack Emission Results (mg/Nm^3 , dry)

Division	2016	2017	2018
Cement Division	29	28	18

The Cement Division has planned the following mitigation measures to reduce air pollution:

Pending Grinding Plant

- Installation of air pollution control bag filter and electrostatic precipitator; and
- Continuous monitoring of dust emissions by using the Continuous Emissions Monitoring System (CEMS) which is directly linked to the DOE, Putrajaya.

Mambong Integrated Plant

- Replacement of the conventional mechanical shaker type of bag filter at the blending silo with the latest technology i.e. the pulse-jet type of bag filter; and
- Refurbishment of the cooler electrostatic precipitator.

Nitrogen oxides (NO_2 and NO , referred to collectively as NO_x) are released when fuels are burned at high temperatures, and when nitric acid is manufactured. Sulphur oxides (SO , SO_2 , SO_3 , referred to collectively as SO_x) are emitted when fossil fuels are combusted, and in the making of sulphuric acid. Although not direct greenhouse gases, NO_x and SO_x have other environmental impacts, such as air pollution. CMS is committed to reducing emissions of NO_x and SO_x across our plants.

NO_x emission (MT)

Location	2016	2017	2018
Mambong Integrated Plant	Less than 0.00001 g/Nm^3	Less than 0.00001 g/Nm^3	Less than 0.00001 g/Nm^3

Environmental

SO_x emission (MT)

Location	2016	2017	2018
Mambong Integrated Plant	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm³

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

Volatile Organic Compounds (VOC) emission (kg)

Location	2016	2017	2018
Mambong Integrated Plant	Not applicable as we do not measure VOC	Not applicable as we do not measure VOC	Less than 2 mg/Nm ³

CMS Quarries Sdn Bhd and CMS Premix Sdn Bhd

By way of the Group's quarry operations, CMS Quarries Sdn Bhd has installed new bag filter systems and dust recovery systems for its premix plants. It secured a 2% improvement in dust recovery for its Kuching premix plant after the bag filter system was installed and subsequently added the dust back into the hot mix. They target 10% RAP depending on the WPC05 order and eventually 30% RAP for their dust recovery system.

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

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

Location	2016	Average Suspended Particulate (µg/m ³)	Total 2018	Period
		2017		
Quarry at Mile 7		15	14	1st Half
		n/a	71	2nd Half
Quarry at Mile 9 ½		n/a	n/a	1st Half
		25	n/a	2nd Half
Gunung Sebanjis	100 3 rd Q	n/a	16	1st Half
	75 4 th Q n	n/a	31	2nd Half

CMS Premix Sdn Bhd, Average Dust Load**Premix Plants Average Dust Load for Years 2016-2018**

* Bag House Permissible Limit is ≤50mg/m³

* Wet Scrubber Permissible Limit is ≤300mg/Nm³

Location	2016	2017	2018
Kuching			
PPP Plant			
Bag house			
Wet Scrubber	45	173	26
Almix Plant			
Bag house	4	29	27
Wet Scrubber			
Lundu			
Bag house	N/A	N/A	26
Wet Scrubber	N/A	N/A	
Sibu			
Bag house			
Wet Scrubber	97	74	219
Sarikei			
Bag house	31	31	5
Wet Scrubber			
Bintulu			
Bag house			
Wet Scrubber	122	67	106
Samalaju			
Bag house	N/A	N/A	16
Wet Scrubber	N/A	N/A	
Miri			
Bag house		N/A	N/A
Wet Scrubber	33	N/A	N/A

Remark

- Lundu and Samalaju operations started 2018
- Miri operations has ended in 2016 due to relocation requested by Government authority

Project sites under development by our Property Development Division are in compliance with the regulations as the per Natural Resources and Environment Board of Sarawak or NREB guidelines. We present our data to the NREB via the quarterly monitoring and reporting updates submitted by our consultants.

Environmental

Climate Change and Green House Gas Emissions Management

Green House Gases (GHG) refer to the sum of seven gases that have direct and indirect effect on climate change, namely carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), chlorofluorocarbons (CFCs), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

The GHG Protocol Corporate Standard classifies a company's GHG emissions into three 'Scopes'. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both in upstream and downstream emissions.

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

Scope 1 - Direct Green House Gas (GHG) emissions from owned sources:

- Emissions produced from manufacturing processes; and
- Emissions from the burning of diesel fuel in trucks.

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

- Water use; and
- Electricity use.

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

- Waste sent to municipal landfill;
- Business travel; and
- Employee commuting.

This data is typically extracted from 12-month receipts / monthly bills / distances / invoices / metre readings / quantity or units of goods purchased/ amount spent on fuel and the average cost of fuel.

The following table portrays the Group's GHG's emissions over the 2016-2018 period. This is an initial attempt at gauging the Group's GHG emissions and covers the operations at our Head Office; our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development Divisions.

	Scope 1 Emissions (tCO ₂ -eq)	Scope 2 Emissions (tCO ₂ -eq)	Scope 3 Emissions (tCO ₂ -eq)	Total
2016	3,391	99,057	421	102,869
2017	4,234	94,752	476	99,462
2018	5,878	91,479	730	98,087

Notes:

- Source of emission factors – World Resource Institute (WRI), GHG Emission Factors Compilation, 2017
- Source of emission factors – GreenTech Malaysia. Study on Grid Connected Electricity Baselines in Malaysia (2014)
- Source of emission factors – Defra Conversion Factors (2017, 2018)

On average, it appears that the Group's total GHG emissions have been reducing year on year. As we make a concerted effort to expand the scope of our data gathering efforts, as well as implement specific GHG emission management initiatives, we hope to be able to show more robust results in this area.

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

Mambong Integrated Plant, CO₂ Emission (MT/year)

Location	2016	2017	2018
Mambong Integrated Plant	197,112	221,328	222,834

The GHG released from raw materials mining extraction intensity (CO₂e per tonne) is a function of the number of machines (specific) and usage of fuel of specific equipment (carbon dioxide will increase / litre of diesel combustion).

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

Environmental

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

Location	2016	2017	2018
Mambong Integrated Plant	3,551	3,613	3,702

Risk Analysis of Climate Change at Cement Division

Climate change is recognised as a relevant risk and/or opportunity. Our risk analysis of climate change on our business has identified the following:

- Weather affecting the availability / transportation of materials and finished goods;
- Business continuity planning relating to flooding (in place);
- Prolonged disruption due to weather (assumption for operation and related risks); and
- The erection of strategy sheds and rectification of the plant drainage system to avoid flooding in the plant.

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

Noise Monitoring

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

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

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

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

Division	2016		2017		2018	
	Day-time	Night-time	Day-time	Night-time	Day-time	Night-time
Cement Division	64.0	58.5	63.0	56.6	63.6	56.3

The average noise level for the Cement Division in 2018 was 63.6 dB(A) for day-time and 56.3 dB(A) for night-time. The permissible noise level under the Malaysian Recommended Guidelines for Siting & Zoning of Industries for day time is 70 dB(A) and for night time, 60 dB(A). To reduce noise, air compressors will be replaced with quieter machines where effective. Noise from blasting is covered in our vibrations section.

Environmental

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

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

Location	1H 2018		2H 2018	
	Day-time	Night-time	Day-time	Night-time
Quarry at 7 th Mile	56.3	52.0	63.5	53.6
Quarry at 9 ½ Mile	NA	NA	NA	NA
Gunung Sibanyis	54.0	51.7	69.6	49.7

The noise levels at CMS Quarries are an improvement over the prior year. The noise level during the night was mostly generated by public vehicles along the main road. The permissible limits for day-time noise level (Leq) is 60dB(A) whereas for night-time noise level (Leq) is 50dB(A) as stated in Schedule 1 of the Planning Guidelines for Environmental Noise Limit and Control under the Urban Residential (High Density) Areas, Designated Mixed Development Areas (Residential-Commercial) Land Use category.

Dust Emissions

Good housekeeping

At our Construction Materials & Trading Division, dust emissions are minimised through regular sweeping of roads and plant compounds, as well as dampening by water sprinklers. We also ensure spillage of product/raw materials is reduced and that washing bays are in place for lorry tyres.

Upgrading of Coal Mill System

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

Baghouse Dust Collector

CMS Premix Sdn Bhd's pollution control system which was changed from a Venturi Scrubber to a Baghouse Dust Collector in 2015 has resulted in 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 into the sediment pond; and
- Achieves zero emissions.

Dust emission readings from our Construction Materials & Trading Division were similar to its air emissions reading, presented earlier..

PPES Works (Sarawak) Sdn Bhd's effort to reduce dust emissions from its projects include washing through, dewatering and cleaning its project sites.

Vibrations

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

In 2018, CMS Quarries recorded an average blasting vibration of 4.4 mm/s. At the Mambong integrated plant's limestone quarry, which comes under the Group's Cement Division, the recorded average vibration was below 0.7371 mm/s which is less than the Guideline Standard of 5 mm/s set by Jabatan Mineral dan Geosains (JMG).

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

Environmental



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



BIODIVERSITY

Our Cement Division's contribution towards biodiversity includes tree planting activities at its Mambong integrated plant on a quarterly basis. A total of 100 tree saplings were planted between 2017 and 2018. A total of 50 trees were also planted in Pending and Bintulu plants to beautify the environment.

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

Site	No. of trees
1. CMS Quarries	400
2. CMS Premix, Sibul	50
3. CMS Premix, Miri	130
4. Betong Premix	400
5. CMS Wires	100
Total	1,080

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

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

Samalaju Eco Park

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

Environmental

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

Tree Planting Plan at Samalaju Eco Park

Description	Land Size (Ac)	Green Area (Ac)	% of green area	No. of Trees	Trees/acre (green area)	Year of Planting
Samalaju Hotel Resort	23.1	18.1	78%	1100	61	2015 (complete)
160 Units Apartments	6.01	2.45	41%	123	50	2016 (complete)
96 Units Apartments	2.76	0.99	36%	50	50	2016 & 2017 (complete)
Service Centre – 34 Units	5	0.45	9%	9	20	2017 (complete)
96 Units Apartments	2.97	1.33	45%	67	50	Architect to do a site visit sometime in 2019 to plan the landscape

Over the years, a total of 44 trees have been planted around 16 units of shophouses and 209 trees at Samalaju Ecopark Apartments. The types of trees that were planted are as follows: Park Alstonia Augustiloba, (Pulai) Ficus Lyrata (Fiddle Fig-Leaf), Eucalyptus Deglupta (Eucalyptus), White Bucida, Pheltophorum Ptrerocarpum, 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.

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

Green Buildings at The Isthmus

Another innovative project that our Property Development Division is currently developing is the 246-acre development called The Isthmus in Kuching. Poised to become the city's Central Business District (CBD), the award-winning development, has adopted the Green Building Index (GBI) accreditation standard for new projects where possible at The Isthmus. One such development, the Menara Sarawak Energy Berhad building, the head office for Sarawak Energy Berhad (SEB), was completed in 2013. It is the first green building in East Malaysia and the first to be awarded the final GBI Silver Rating. Also, in 2016, it was announced that the UCSI Campus and Hotel that is being undertaken by the UCSI Group will have the GBI rating.

CMS Properties Sdn Bhd also completed the development of two signature GBI-certified buildings called The Gateway Towers which serve as headquarters for Pelita Holdings Berhad and the Sarawak Economic Development Corporation, both at The Isthmus, in 2017.

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

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

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

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

Environmental

CMS ECO WALL PANEL

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

In 2018, sales for the Eco Wall Panel declined to 116 MT (2017: 227 MT; 2016: 3,000 MT). Awareness and acceptance of the Eco Wall Panel and other IBS products in the private sector is still low plus there were fewer building projects in 2018. We note that the Federal Government is keen to continue to use Eco Wall and IBS in some schools in Sarawak. However, sales will very much depend on the magnitude of Federal funding. We are tendering for RM80,000 worth of sales on Eco Wall Panel at SK and SMK Samalaju.

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 divisions and business units who have attained ISO 14001 certification is as follows:

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

Fines

No environmental fines and penalties were incurred over the 2018 period.

RECOGNISED FOR OUR ENVIRONMENTAL PRESERVATION EFFORTS

The Group’s ongoing commitment to ensuring high environmental standards within our operations was rewarded when the Mambong integrated plant bagged the Gold Award under the Large Enterprise (Manufacturing) Category at the 8th Sarawak Chief Minister’s Environmental Award (CMEA) 2017/2018 event. The plant was recognised for its sustainability efforts on several fronts. These included its exploring alternative raw materials and alternative fuels in the clinker and cement manufacturing segment; exemplary 4R (Reduce, Reuse, Recycle and Recover) practices; strict adherence to the DOE’s Guided Self-Regulation system; good practices extending beyond ISO 14001 Environmental Management System and ISO 50001 Energy Management System requirements; as well as community engagement initiatives with communities in the vicinity of Mambong. This recognition is all the more fulfilling seeing that this was the first time that we participated in a CMEA event.

As we focus our energies on preserving the environment that we operate in, we will continue to push the boundaries on research and innovation. This will certainly help reinforce the Group’s position as a responsible corporate citizen and a forward-thinking player in the segments that we operate in.

Social: Labour Practices and Decent Work

The CMS Group acknowledges that it owes its success to its diligent and loyal employees. As such, we are committed to creating a conducive working environment, as well as implementing wholesome and decent work practices that ensure the wellbeing of our employees. We also implement initiatives that serve to inspire camaraderie, trust, excellence, initiative and professionalism, as well as strengthen the competencies of our workforce and give us a competitive edge.

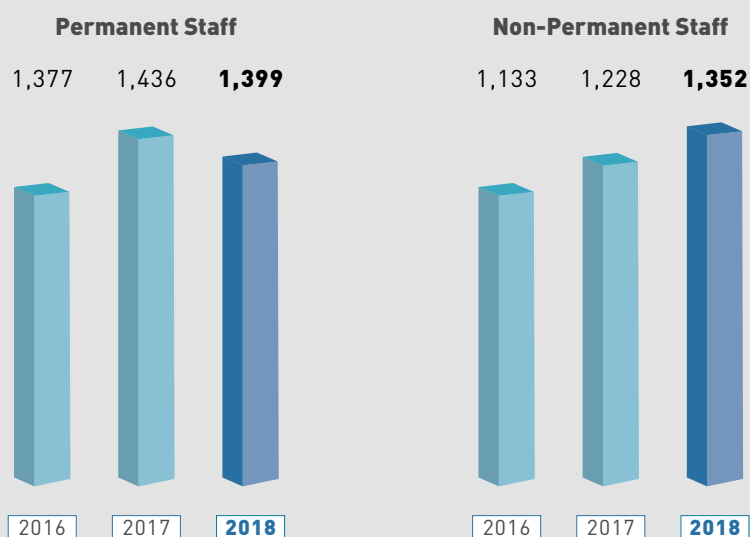
EMBRACING A DIVERSE WORKFORCE

Sarawak is well-known 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, CMS aims to embody that same spirit and perspective when it comes to supporting a diversified workforce. We continue to nurture a work culture that values the unique perspectives and contributions of every employee, thus ensuring that we attract and retain a talented workforce that contributes to the Group's success.

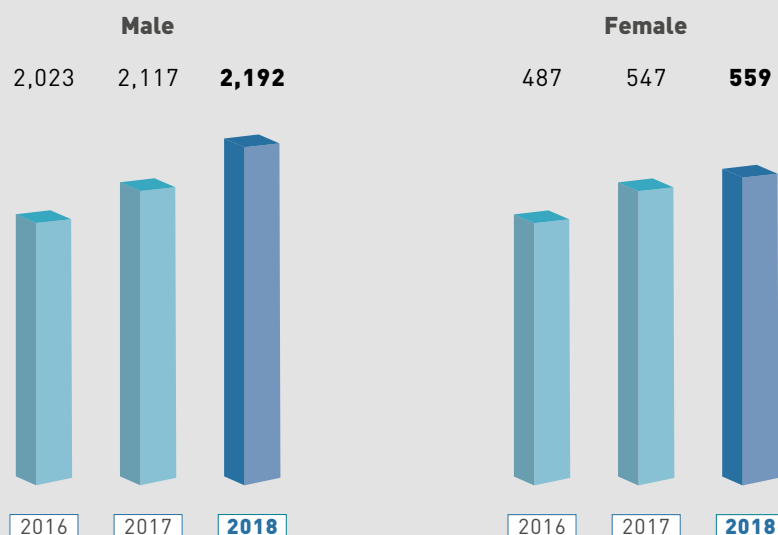
The charts on the right highlight the diversified workforce at CMS.

DIVERSIFIED WORKFORCE

Workforce by Employment Type



Workforce by Gender



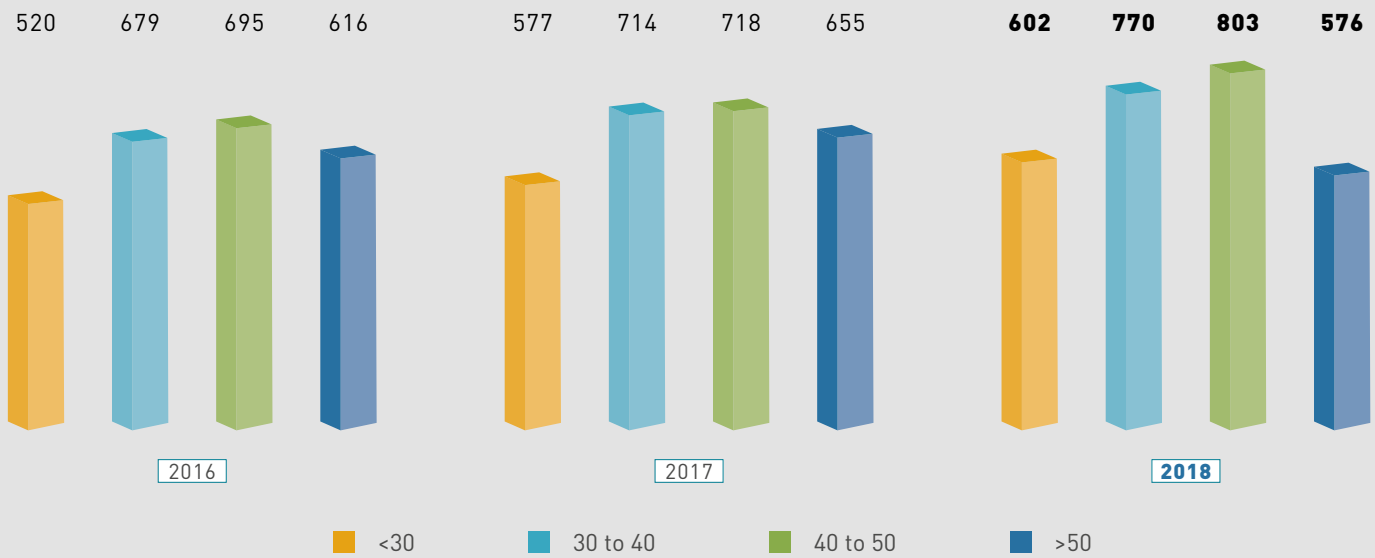
Fair Treatment for All

In respect of workforce diversity, the Group is committed to providing equal employment opportunities and makes no discrimination based on race, religion, gender, age, sexual orientation, disabilities or nationality. We practise merit-based promotion regardless of gender. Currently, 79.68% of the Group's employees are male while 20.32% are female. For managerial positions and above, male employees account for 75.34% with females at 24.66%.

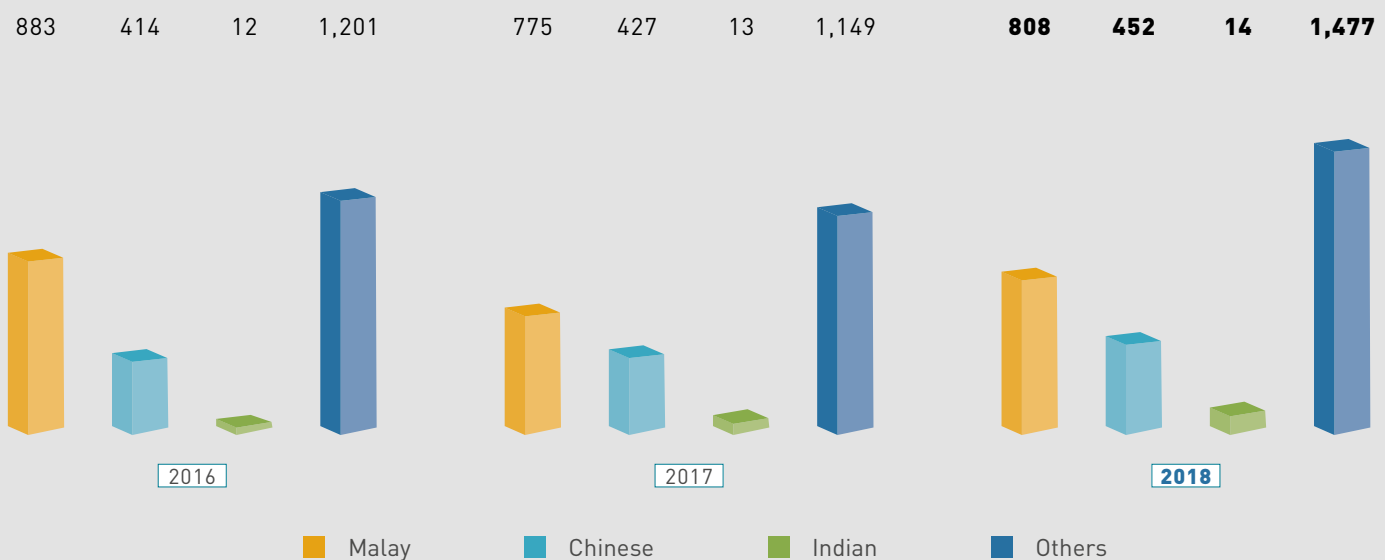
Social: Labour Practices and Decent Work

AT CAHYA MATA SARAWAK

Workforce by Age Group



Workforce by Ethnicity



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

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Employee Turnover

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

Employee Turnover Rates

Turnover	2016	2017	2018
Total Turnover (%)	5.5%	6.01%	8.8%
Turnover by Gender (No. of Employees)			
Female	23	32	57
Male	116	128	187
Total	139	160	244

EMPLOYMENT PRACTICES

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

Grievances

Grievances are defined as complaints by an employee that are not satisfactorily settled once brought to their immediate superior's or supervisor's attention. We have a formalised procedure to handle grievances transparently and fairly, as well as which aims to provide employees with a secure solution to their problems. During the year, two cases of grievances were reported and dealt with according to standard procedure.

Bullying and/or Harassment

CMS has zero tolerance towards physical or verbal discriminatory harassment in the workplace and provides a confidential reporting channel and whistleblowing system in this regard. Managers receive informal training on handling of reports or instances of bullying or harassment.

All forms of sexual harassment are strictly forbidden throughout 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 staff 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. No cases of sexual harassment were reported in 2018.

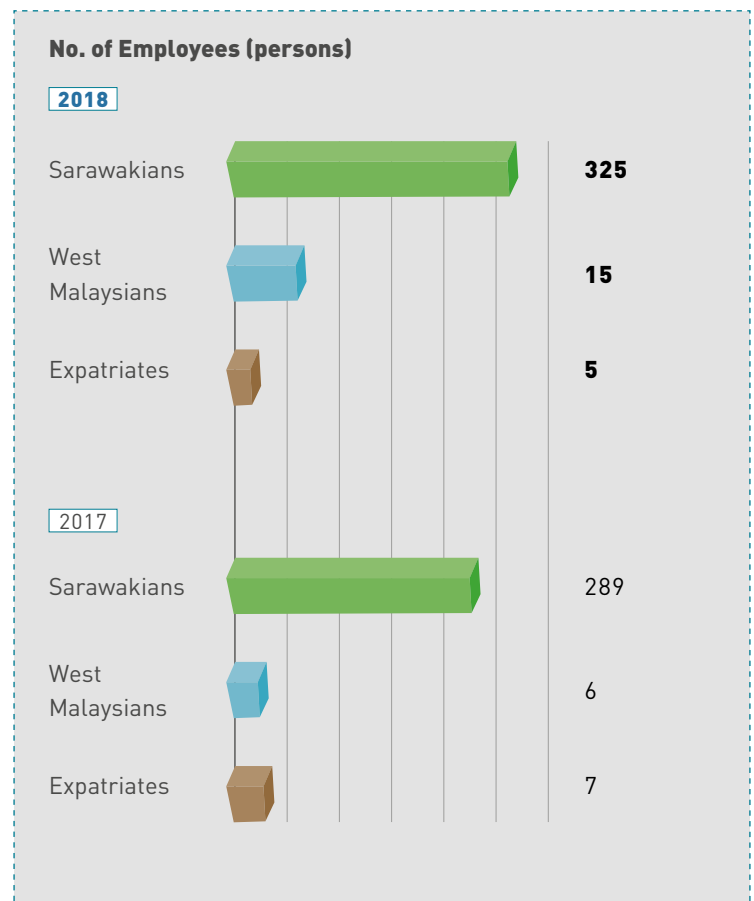
Notice Period for Operational Change

With regard to changes in employees' roles, or operational change, we take care to provide the appropriate notice in such instances. 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. A total of 218 Inter-Company Transfers took place throughout the year in review with the majority of cases being a transfer of company nominally whilst maintaining the same physical home base. 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, the employment of Sarawakians remains a priority under the Group's employment policy. This endeavour is most evident in our Construction Materials & Trading Division and Samalaju Development Division as all members of senior management have been hired from the local community. If we are unable to recruit locally, other Malaysians are considered before we look further afield.

New Employees Recruited in 2018



Social: Labour Practices and Decent Work

Our employment practices also encompass the following areas:

Minimum wages

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

Fair working hours

We uphold fair working hours and do not deliberately practice working excessive hours. Our policy, principles, and the code addressing the elimination of excessive working hours are in compliance with local laws on working hours and overtime. These are covered in the Group HR Policies and Procedures Manual 2019.

Mechanisms to engage with Management

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

Freedom of association

CMS supports the right to freedom of association in compliance with local laws on freedom of association.

Collective bargaining

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

Upholding good labour standards

The Group participates in law conventions and seminars to keep abreast of labour standards and garners updates on employment-related issues from the Malaysian Employers Federation (MEF). The Group policy on labour standards is communicated to employees through the Employee Handbook translated in the dual languages of English and Bahasa Malaysia. For 2018, there were no instances of non-compliance with labour standards.

UPHOLDING HUMAN RIGHTS – RESPECTING AND PROTECTING OUR WORKERS

In recent years, global attention has focused on the rising issue of human trafficking. Some human-rights activists claim that the growing need for unskilled workers is attracting undocumented migrants to Malaysia. In this regard, CMS strictly bans the use of forced or compulsory labour. Employing more than 2,750 people in Sarawak, we ensure our permanent and contractual employees are treated with dignity and respect.

CMS is currently reviewing the UN International Bill of Rights (consisting of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights with its two Optional Protocols, and the International Covenant on Economic, Social and Cultural Rights) and is assessing how best to adopt this. The Group is also planning to adopt the UN Guiding Principles on Business and Human Rights. At the time of writing, these initiatives remain at the exploratory stage.

These are among some of the many practices that we have in place that underscore our endeavours to uphold human rights:

Prevention of child labour

CMS strictly prohibits employing children below 18 years old and strives to prevent any occurrence of mistreatment of children. We are in full compliance with the Sarawak Labour Ordinance covering the prevention of child labour.

Prevention of forced labour

We strictly prohibit forced labour and are in compliance with the Sarawak Labour Ordinance covering the prevention of forced labour.

Human rights impact or risk assessment for potential new operations or projects (due diligence)

As part of our due diligence efforts, we assess the impact and risk for potential new operations or projects, as well as comply with the Sarawak Labour Ordinance and the Employment Act for existing Group operations and projects. An example of a recent risk assessment undertaken for a new operation is the one relating to our acquisition of Betong Premix Sdn Bhd.

Stakeholder engagement to verify human rights risks and impacts

We value the input of stakeholders and consultation was sought for Betong Premix. We also engaged with employees through gatherings and followed up on this with an official announcement.

Disclosure of actions taken following incidents of human rights violations

The Group currently discloses the number of incidents, but not how we have dealt with them.

Participation in a recognised human rights related initiative or collaboration

The Group participates in workshops on relevant human rights issues.

Being a formal member in an industry or topic-specific human rights related initiative

We would be interested to join human rights initiatives relevant to the industries we are involved in and where we could make a worthwhile contribution.

Social: Labour Practices and Decent Work

Grievance mechanisms in place for individuals and communities impacted by business activities

The Group's grievance mechanism, specifically our Whistleblowing Policy, covers human rights explicitly and is confidential/anonymous and available to internal and external stakeholders on the Group's website at <http://www.cmsb.com.my/about-us/corporate-governance-2-2-2/whistle-blowing-2/>.

Independent arbitration is confirmed

Independent mediation is elicited through engagement with the community via Village Heads (Ketua-ketua Kampung) or the Council of Village Heads (Jawatan Kuasa Ketua-ketua Kampung).

EMPLOYEE ENGAGEMENT

Employee engagement continues to be a focal point of the Group's work-based initiatives even as we work towards developing 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.

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 our employees' health and general wellbeing whilst ensuring that they remain motivated and purpose-filled in their career paths. The following are among the work-life balance initiatives and programmes implemented to date:

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

Koffee Talk Initiative

The Group's Koffee Talk Initiative 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 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 2018, we organised a Koffee Talk session to finalise the minutes of the preceding meeting and the actionable points. Key members of senior management who were involved in the session included the Group Chief Executive Office - Operations (GCEO - Operations) and the Senior General Manager of Group HR. As Koffee Talks are scheduled biennially, the next Koffee Talk session will be organised in 2020.



Social: Labour Practices and Decent Work

Board of Directors and Senior Management Strategic Retreat

Our Board of Directors came together to discuss our current operating status and strategise for the future during our annual Board of Directors Management Strategic Retreat on 23 August 2018 at the Riverside Majestic Hotel, Kuching. All seven members of the Board were involved. 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 GCEO - Corporate and GCEO - Operations also made presentations that focused on big picture issues and CMS' overall strategic direction, challenges and opportunities.

In a similar fashion, we conducted our annual Senior Management Strategic Retreat which saw 32 senior management staff (or 94% of the senior management team) gather in Bangkok from 2 to 5 September 2018. This platform aims to improve synergy, increase collaboration and instil a sense of common purpose amongst the Group's leaders.

Annual Management Retreat

We also held the annual management retreat for our managers and senior executives at the UCSI Hotel Kuching from 23 to 25 October 2018. 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 concern.



Town Hall Sessions

The CMS Town Hall sessions, which were first introduced in 2007, serve as a platform for senior management to engage with all employees to discuss important issues that affect the organisation and the workforce. For the year 2018, we organised two Town Hall sessions on 3 December 2018 at the Pullman Hotel, Miri with 683 employees in attendance, and on 7 December 2018 at the Borneo Convention Centre Kuching (BCCK) with 1,168 employees in attendance. These sessions saw our Group Executive Director, GCEO - Operations and GCEO - Corporate providing updates on the annual performance of the Group and its future direction.

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



Annual Dinner

As a gesture of gratitude for all our employees' contributions, efforts and services to 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. For the year in review, we organised two Group annual dinners at the Pullman Hotel, Miri on 2 December 2018 and at the BCCK on 8 December 2018, respectively.



Social: Labour Practices and Decent Work

Baleh Kapit Raft Safari

The Baleh Kapit Raft Safari is a two-day rafting competition which is held along the Rejang River. CMS participates in this competition biennially as part of our employee engagement efforts. In 2018, the Group was represented by a team of 26 participants. One of the key purposes of participating in this competition is for senior managers to engage with and bond with the trainees and executive staff who are mostly from the millennial generation. This platform also serves as an opportunity for CMS' senior management to share their thoughts on the Group and its future direction with the next generation of potential leaders amidst an atmosphere of fun and the challenging environment of the competition. The Baleh Kapit Raft Safari has been an integral event for CMS and we will continue to participate in the future.



CMS Inter-Regional Games and CMS Friendly Games

Every other year, CMS organises its Group-wide sporting event, the 'CMS Inter-Regional Games' for employees and 'CMS Friendly Games' with various business-related government agencies and companies as part of our efforts to foster stronger ties and Group-wide unity. For 2018's CMS Inter-Regional Games, a total of 193 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. At 2018's CMS Friendly Games, a total of 74 players competed in football, badminton and bowling.



Employee Satisfaction Survey

We distribute an employee satisfaction survey (ESS) usually once every 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.

The methodology for the ESS conducted in 2018 and the results were as follows:

Methodology for 2018 ESS

The anonymous survey was distributed 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 2018 ESS comprised the following five categories:

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

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

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

As the ESS is conducted biennially, the next will be conducted in 2020.

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

Long Service Awards

Since 2007, the Group has been holding its annual Long Service awards event to show its appreciation and accord special recognition to long-serving employees for their loyalty to CMS. Each employee who has served CMS for their first 10 years (and subsequently every five years) is rewarded with a cash award, a certificate and long service leave. For 2018, a total of 334 employees received the Long Service Award which had a combined monetary value of RM799,500 (2017: 334 employees, RM1,555,500; 2016: 128 employees, RM554,500).

Social: Labour Practices and Decent Work

Long Service Award

Length of Service (Years)	Cash Value of Award (RM)		Long Service Leave (Work Days)
	2016	2018	
10 years	3,000	3,000	2
15 years	3,500	3,500	3
20 years	4,000	4,000	4
25 years	6,000	6,000	5
30 years	8,000	8,000	6
35 years	10,000	10,000	7
40 years		15,000	10



OurCMS Blog

The *OurCMS* Blog is the Group's in-house blog covering all events, corporate news and feature stories about CMS. This blog serves as an easily accessible and comprehensive source of information for our employees all over Sarawak.

Other Forms of Engagement

Other forms of employee engagement occur regularly throughout the year. In 2018, engagement activities included regular Head Office Departments and Business Divisions operational meetings, memorandum, notices, intranet updates, circulars, workers' gatherings, office lunches, dinners and company outings.

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 that 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 CSR hours; and
- **Demerits**
covering matters such as the death or permanent disablement of a colleague or failure to highlight risks.

The KPI system is emphasised Group-wide, with all KPIs for senior management tabled to the Nomination & Remuneration Committee. For employees at the managerial level and above, the financial component comprises 60% of their total KPI; meanwhile the critical priorities component comprises at least 45% of the total KPI for employees at the executive level and below.

All Sustainability Key Performance Indicators undertaken by Divisions and the Group Human Resources Department take a holistic approach covering:

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.

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

Social: Labour Practices and Decent Work

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 KPIs

In 2015, the Group introduced its own Sustainability Key Performance Indicators (SKPIs) with the aim of managing long-term environmental performance and eventually improving business operations. Each Business Division is tasked with pinpointing their relevant environmental targets which could include materials management, energy management, water management, waste management, air emissions control and biodiversity, among other things.

In 2017, several new SKPI items were introduced. These included the following:

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

The year 2018 saw the introduction of another KPI initiative:

- Digital transformation, to identify, develop, adopt and implement a digital roadmap for the Group.

For 2018, all SKPIs were decided between the Heads of Divisions and GCEO - Operations as part of the annual KPI setting process.

COMPETITIVE BENEFITS

Here at CMS, we make 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



TRAINING

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

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



OVERTIME

Executive

Non-Executive

Others



ANNUAL LEAVE

Executive

Non-Executive



TRAVEL

Accommodation

Subsistence allowance

Mileage



HOSPITALISATION

Executive

Non-Executive

Delivery

Warding



SALARY & ALLOWANCES

Acting responsibility

Relief

Site/Hardship

Others



SALARY DEDUCTIONS

EPF

SOCSO



MEDICAL LEAVE

Sick Leave

Prolonged illness



MEDICAL CARE-OUTPATIENT TREATMENT

Married/Single employees with dependent children

Married/Single employees without dependent children



OTHER TYPES OF LEAVE

Compassionate/Calamity

Marriage, Paternity & Maternity

Examination & Study

Pilgrimage

Unpaid

Leave of absence to represent State/Country

Social: Labour Practices and Decent Work

Flexible Working

We have provisions for flexible working times (flexi-time) for fulltime 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 wellbeing 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.

A flexible working arrangement was approved for selected staff to work from home on a full-time basis in 2018 due to justified personal needs.

Educational Assistance

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

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

Employees may apply for a reimbursement of fees after completing the course. This is subject to the approval of our Management. During the year in review, four employees successfully applied for educational assistance worth a total of RM23,012.48.

EMPLOYEE HEALTH

Health Screening

CMS is responsible for and is committed to protecting the health and wellbeing 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 once in two years while employees above 40 years old are screened annually. In 2018, a total of 154 employees underwent Health Screening.

Compassionate Fund

A compassionate fund has been 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 some of the 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 RM130,350.71 was disbursed in 2018 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 10 years of continuous employment and a clean disciplinary record for the last two years. A retirement benefit of up to two and half month's salary is given. A retirement gift voucher, plaque and certificate of appreciation are presented to the retiring employee. A total of 49 employees were recipients of the retirement benefit in 2018.

OCCUPATIONAL SAFETY AND HEALTH (OSH)

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

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

- P** Provide adequate training, information and supervision to enable employees and related parties to work in a safe and healthy work environment.
- R** Regulatory compliance with OSH laws, regulations and statutory provisions.
- I** Identify and ensure measures are taken to prevent or mitigate accidents and occupational hazards at the workplace.
- D** Determination to engage participation of our employees and related parties on OSH activities and integrate OSH elements into Standard Operation.
- E** Ensure the continuous relevance and suitability of this Policy in line with changes to our business model / operations.

Social: Labour Practices and Decent Work

Group Safety Taskforce

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

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 2018, the Taskforce organised four meetings in which they organised and subsequently implemented the following initiatives:

- Strengthening of the Emergency Response Team at Wisma Mahmud building for emergency preparedness which included in-house training, fire drill and purchasing of emergency response equipment.
- Internal Training which included fire drill, first aid course, work life balance and awareness on OSH legal compliance.
- Safety Month which also incorporated sustainability initiatives such as tree planting and a recycling campaign.
- Site visits to identified work sites and plant/factories that included various employees from other subsidiary companies to enhance understanding and instil a sense of belonging among the staff.
- Reshuffling of Safety employees within the Group to strengthen the implementation of Safety, Health and Environment (SHE) measures.
- HSE and Security Audit for the whole Group carried out by Group Internal Audit plus meetings with all safety personnel within the Group to standardise policies and compliance.

Health, Safety, Security & Environment (HSSE) Department

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

The HSSE management team within the Group is helmed by 35 HSSE personnel that comprise the GCEO - Operations, the Assistant Manager of Group HR, 13 executives and 20 non-executives. These personnel, which are deployed in every Division and subsidiary company, report functionally to the respective CEOs and administratively to the Head Office (General Manager and Assistant Manager of Group HR).

An HSSE Committee is established in every Division and subsidiary company to enforce HSSE implementation and compliance with related statutory requirements. The percentage of workforce represented by these committees is approximately 95%. The remaining 5% is the subsidiary companies of trading, investments and development office.

High Risk Occupational Activities

These are workers involved in occupational activities with high incidence or high risk of specific diseases.

Approximately 1,000 workers in the Cement, as well as Construction & Road Maintenance Divisions are involved with higher Occupational Safety & Health risks, particularly mechanical, electrical, dust, noise, ergonomic and psychosocial. These workers are accorded the following protection:

- Engineering control (Isolation, Substitution, Guarding and Advanced Technology);
- Administrative control (Safety Procedures, Work-shift, Toolbox and Training); and
- Provision of proper Personal Protective Equipment (PPE).

We also provide support to our workforce, their family members and the surrounding communities in instances where serious diseases are detected.

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

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

In the event of an accident, a doctor from our panel clinic will provide counselling to the affected personnel.

The Group is committed to ensuring that the Recording and Reporting of accidents strictly adheres to the requirements of NAD00POD Regulations 2004 in the OSHA 1994. The five forms in application are JKKP6 to JKKP10. However, the HSSE Committee has produced other forms for internal usage only. Accident investigations will be conducted by the HSSE Committee.

Social: Labour Practices and Decent Work

It is with deep regret that we report two fatal occupational accidents involving employees that took place over the course of the WPC 06 Project package for the Pan Borneo Highway project. These incidents are unacceptable and we are endeavouring to pinpoint the causes of these fatalities. At the same time, we are taking the necessary actions to prevent any such reoccurrences. Over the course of 2018, there were a total of 20 contractors with no record of HSSE cases.

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

Lost-time Injury Rate (LTIR)

The LTIR is the number of lost time injuries occurring in a workplace per 1,000 workers. Lost time injuries (LTI) include all on-the-job injuries that require a person to stay away from work more than eight hours (the CMS accounting period), or which result in death or permanent disability. For 2018, the Group's LTIR dropped despite the number of personnel increasing.

	2016	2017	2018
Lost-time injury rate	4.78	6.00	4.03
No. of employees	2,510	2,664	2,703

Safety and Health Programmes

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

For 2018, a programme was initiated by Group HSSE to promote awareness on topics such as Haze, Rabies Disease and Work-Life Balance.

Any instances of a death or permanent disablement anywhere in the Group results in demerit KPIs for all employees, while higher penalties are imposed on those in the defaulting business unit.

Additionally, Division heads, safety personnel and employees of the relevant Divisions also have a safety element incorporated as part of their Critical Priorities for their KPIs. This carries a weightage of 2.5% if there is no fatality, and 2.5% if there is no case of permanent disablement.

CMS Safety Month

2018 marked the sixth anniversary of CMS' Group-wide Safety Month Campaign. The campaign, which kicks off every October of the year since its inception in 2013 aims to create awareness about Occupational Safety & Health, as well as environmental and sustainability values among employees and stakeholders.

Safety is an attitude, a frame of mind, an awareness of our environment, our actions and activities all day; put simply, safety is a way of life at CMS and is central to all of our activities. This year's campaign was themed 'Safety Starts with Me.'

As mentioned, we incorporated Health, Safety, Security and Environment or HSSE performance criteria into our staff KPIs in 2009 and we have since endeavoured to ensure excellence in HSSE management on a Group-wide basis.

Among the activities organised during the Safety Month were safety talks and training from the Department of Safety and Health (DOSH), the Social Security Organisation (PERKESO), the Fire and Rescue Department of Malaysia (BOMBA), the Health Department, and the Sarawak Government Hospital, private clinics, Personal Protective Equipment (PPE) suppliers and invited speakers from local companies. A compulsory site walkabout is also included in the programme whereby selected employees will have the chance to visit other subsidiary companies within the CMS Group to observe and provide input on other companies' OSH practices and standards. An early morning 'Heart Run' was organised to close the Safety Month campaign to emphasise our focus on a healthier lifestyle.

Social: Labour Practices and Decent Work

Safety Events held during Safety Month Campaign 2018

A variety of health and safety events were organised during the 6th CMS Safety Month Campaign in 2018. These activities centred on the importance of embracing a safe work environment and a healthy workforce, as well as inculcating a sense of belonging and accountability among staff. The campaign included the following activities over a four-week period:

6th CMS Safety Month Campaign in 2018

Week	Monday	Tuesday	Wednesday	Thursday	Friday
1 (1-5 October)	6 th Safety & Health Month 2018 launch by GCEO - Corporate and GCEO - Operations	Training by external speakers from DOSH, NREB, PERKESO and the Labour Department	Emergency response refresher training	Site visit to Sibanyis Quarry	Various activities initiated at the subsidiary company level
2 (8-12 October)	Various activities initiated at subsidiary company level	Training by external speakers from the CIDB, AADK, BOMBA and DOE	Training by internal speakers on ergonomic, psychosocial, chemical and physical hazards	Site walkabouts by Safety & Health Committees	Various activities initiated at the subsidiary company level
3 (15-19 October)	Various activities initiated at subsidiary company level Talks in Kuching by external speakers from JPAM, REHAB CONCEPT and MPP	Health screening by Columbia Hospital in Miri Training by external speakers from DOSH and PERKESO, as well as by internal speakers	Emergency response refresher training (relating to fire evacuation)	Site visit at Mambong integrated plant	Various activities initiated at the subsidiary company level
4 (22-26 October)	Various activities initiated at subsidiary company level	Talks in Kuching by external speakers from JPJ, KKM, KPDKK on Food Hygiene, Vector Disease (CDC), Rabies and JE	Talks by internal speakers on Noise, Parenting at Work, Cancer, Heat Stroke and Dust Emissions	Site walkabout by the Safety & Health Committee	Various activities initiated at the subsidiary company level
27 October	CLOSING CEREMONY – SUKANEKA				

Social: Labour Practices and Decent Work

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 2018, a total of 2007 employees attended training sessions, including teambuilding sessions.

Training	Unit	2016	2017	2018
Average training budget per employee	RM	1,365	793	960
Average number of hours of training per employee	Hours	15	16	14

In-House Training Capability (ITC)

The Group's 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.

A total of 17 sessions were held in 2018 covering topics and subjects on functional areas and regulatory requirements including IT, Human Resources, Legal and Safety. Out of the 17 sessions, 6 were specially organised for non-executives (both supervisory and non-supervisory levels). A total of 8 certified ITC Internal Trainers and 400 participants took part in the 2018 sessions.

Other Training Programmes

The following table covers the various types of trainings undertaken by our employees in 2018.

TECHNICAL SKILLS

- 1 Third Party Coal Mill Audit Training
- 2 Authorised Gas Tester & Entry Supervisor for Confined Space Refresher Course
- 3 Working Safely at Height
- 4 Basic First Aid & CPR Refresher Course
- 5 Forklift Operators Training
- 6 Shovel Loader Training

- 7 Security T-Baton Training
- 8 Environment Aspect Impact Assessment with Life Cycle Perspective for Environment Management System
- 9 Authorised Entrance and Standby Person for Confined Space
- 10 Latihan Pemantapan Kawad Kecekapan Emergency Response Team
- 11 Electrical for Non-Electrical Engineers
- 12 Chemical Hazard Management in the Workplace
- 13 Measurement Uncertainty for Testing Laboratories
- 14 1-Day Training Programme on Traffic Controller and Flagman 2018
- 15 First Aider Refresher Course
- 16 CMS Safety Month 2018 Talk
- 17 Project Management Professional Practice 2 (ITC Programme)

SOFT SKILLS

- 1 People Management Skills for Non-Executive Supervisors
- 2 Effective Communication Skills for Non-Executive Supervisors
- 3 Report Writing Skills for Non-Executive Supervisors
- 4 Safety Management for Non-Executive Supervisors
- 5 HR for non-HR - for Non-Executive Supervisors
- 6 Motivational Workshop for Non-Executives
- 7 Workshop by Legal Services
- 8 MS Excel Basic
- 9 MS Excel Intermediate
- 10 MS Word Intermediate
- 11 GIA Workshop: What the Fraud! Is it Happening at Your Workplace? Understanding the Tell-Tale Signs
- 12 BOFA Refresher for HQ ERP Members
- 13 SST Workshop 2018
- 14 Risk Awareness Programme
- 15 Tax Seminar - Employee Remuneration Reporting & Potential Risk Faced by Employers
- 16 Supervisory & Effective Leadership for CMS' Cement Division
- 17 Effective Communication in OSH Training
- 18 Public Training on ISO 17025:2017
- 19 Effective Safety & Health Committee Training

Social: Labour Practices and Decent Work

SUCCESSION PLANNING

Succession planning is essential to ensure business sustainability and the long-term growth of CMS. To this end, management conducts succession planning annually and focuses on:

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

CMS Tier 2 and Tier 3 Succession Planning

In line with our succession planning efforts over 2018, Tier 2 Succession Planning candidates had 14 individual sessions with the Group CEO – Operations, while all six Tier 3 Succession Planning Candidates had individual sessions with the Senior General Manager of Group HR.

With 2018 being announced as 'Women Empowerment Year' (TMW18), the SP Tier 3 initiative was geared towards developing six women managers. An assignment was set for eight months (May-December 2018) over which the candidates has to identify their own personal challenges and the obstacles and plans for overcoming these challenges over time to enable them to move into general management positions in the near future with support made available.

Management Trainee Development Programme (MTDP)

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

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

The selection criteria for the MTDP is as follows:

- Fresh graduates who have been conferred a degree or graduates with up to two years working experience
- Love challenges
- Problem solver
- Inquisitive nature
- ICT savvy
- Good communicator
- Team player
- Have high family values

Since the inception of the MTDP, employees have been subsequently recruited from every yearly batch. Twelve employees were recruited from Batch 1; 10 from Batch 2; and 17 from Batch 3.

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

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

The next MTDP programme will be held over the 2019/2020 period.

Social: Society

EMPLOYEE VOLUNTEERISM AND THE CMS 'DOING GOOD' CULTURE

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

Employee Volunteerism

Employees dedicated a total of
50,241 man-hours
(FY 2017: 48,420 man-hours)

CMS Doing Good

In 2018, our employees raised a total of
RM105,065
(FY 2017: RM103,560)

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

The CMS Doing Good programme serves as the flagship programme for our community-based CSR efforts and our employees continue to generously step up to the plate time and again to help those in need. In 2018, our employees raised a total of RM105,065 (2017: RM103,560; 2016: RM117,121) under this initiative. The funds were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes to assist them in their day to day expenses. In the year under

review, employees dedicated a total of 50,241 man-hours (2017: 48,420 man-hours; 2016: 45,434 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more.

The various CMS Doing Good programmes are discussed under the following sections.



Social: Society

BREAKDOWN OF DOING GOOD INITIATIVES 2016 – 2018

Breakdown of Doing Good Activities (% of Concentration)

Area of Focus	2016	2017	2018
	% of Concentration		
Rebuilding Communities	35	38.3	45.9
Sustaining Charitable Organisations	26	32.3	24.6
Environmental & Health Awareness Programmes	24	18	19.7
Saving Lives	10	8.4	8
Community Clean-ups (<i>gotong-royong</i>)	4	3	2

Breakdown of Doing Good Activities (Man-Hours Volunteered)

Area of Focus	2016	2017	2018
	Man-Hours Volunteered		
Rebuilding Communities	16,134	18,524	23,040
Sustaining Charitable Organisations	11,992	15,655	12,372
Environmental & Health Awareness Programmes	11,090	8,715	9,904
Saving Lives	4,644	4,080	3,920
Community Clean-ups (<i>gotong-royong</i>)	1,674	1,446	1,005



Social: Society

REBUILDING COMMUNITIES

Throughout 2018, our employees continued to conduct activities under the banner of the Doing Good initiative. These projects included community clean-ups and rebuilding works in numerous locations which saw several schools benefit from improved road access and amenities. Our efforts were not limited to Kuching alone, but were implemented throughout Sarawak, especially in the rural areas among schools, villages, mosques, churches and others.

Surau Darul Jannah gets access road resurfaced



Thirty-four employees from CMS Roads Sdn Bhd (CMS Roads) volunteered to help tar-seal two plots of the unsurfaced front yard of Surau Darul Jannah, Kampung Tambirat in Kota Samarahan on 17 March 2018.

Community work together for Surau Darul Ihsan



On 7 April 2018, employees from CMS Roads helped to spruce up the surau at Kampung Badong Daro. The volunteers, whom journeyed from the company's Mukah office some 120 km away, helped to clear the overgrown shrubs, paint the wooden floor, and lay gravel in the front yard for a carpark.

Gotong-royong at St. Elizabeth Tijirak



Thanks to the team from CMS' Construction & Road Maintenance Division, students of SK St. Elizabeth Tijirak, Siburan today no longer have to deal with accumulated rainwater at the front of the school due to uneven ground. On 21 April, some 45 employees from CMS Roads' Road Maintenance Unit (RMU) in Tapah visited the school to resurface the compound with premix. The team also helped beautify the school by undertaking gardening, pruning and weeding activities in and around the school's immediate vicinity.

New tar-sealed carpark for visitors to Mt. Serumbu



On 21 April 2018, a team of volunteers from CMS Roads' RMU Bau helped build a new carpark for visitors frequenting the popular Rajah Brooke Heritage trail situated at the foothills of Mt. Serumbu. The team of 40 gathered to clear the site, shovel and set the gravel before pouring premix on it. The team also went on to clean the community hall located at the base of the trail.

Social: Society

Better playground for SK St. Patrick



Also on 21 April 2018, around 500 km away, 29 CMS employees from CMS Roads' RMU Mukah joined forces with parents and teachers of SK St. Patrick to remove broken cement, gravel and debris from the school's cemented recreational area. They then patched the ground with a fresh layer of cement, as well as compacted gravel to create a walkway for students to move easily between the classroom blocks.

Gotong-royong at Kampung Pasir Pandak



Sixty employees from both our Construction Materials & Trading and Cement Divisions teamed up to construct a concrete footpath for Masjid Darul Rahman, Kampung Pasir Pandak on 22 April 2018. The volunteers from the two divisions together with 40 villagers participated in the *gotong-royong* or community clean-up along with CMS Group Executive Director, Datuk Syed Ahmad Alwee Alsree and the Heads of the two Divisions namely, Mr Chong Swee Sin and Encik Suhadi Sulaiman. The new concrete footpath replaces the previous concrete slab access to the mosque which was badly damaged during the rainy season.

Gotong-royong at St. Mathew Mundai



A total of 24 employees from CMS Quarries Sdn Bhd (CMS Quarries) participated in a *gotong-royong* at St. Mathew Mundai on 6 May 2018. Activities included laying and levelling 200 MT of quarry material donated by the company at the parking space in front of the school compound.

Generosity is always gratifying



On 12 May 2018, some 41 employees from CMS Quarries and CMS Premix Sdn Bhd (CMS Premix) hiked up the steep wooden steps of the Catholic Memorial and Pilgrimage Centre at Mount Singai, Bau. These volunteers helped transport 5 kg bags of cement, gravel and sand which were used for construction and repair works atop the mountain. Mr Chan Fook Hong, Chief Operating Officer of the Construction Materials & Trading Division made a personal donation of 100 cement bags to the church.

Social: Society

CMS Quarries constructs church carpark



Thirty-seven employees from CMS Quarries constructed a carpark for the Christ Baptist Church at Jalan Stakan, Kota Sentosa on 13 May 2018. The company also donated 615 MT of stones.

New futsal court for children's home



Three groups from our Cement Division constructed a futsal court at Rumah Kanak Kanak Toh Puan Hajah Norkiah along Jalan Kuching-Serian. The *gotong-royong* stretched over the last three weekends of July. The Division also donated RM5,000 to the home for the purchase of wire mesh, limestone and planks, among other things.

Gotong-royong at Kampung Benuk



On 18 May 2018, a total of 36 employees from CMS Cement Industries Sdn Bhd (CMSCI) built a hut for the community of Kampung Benuk. The volunteers had to transport the gravel to the hilltop by hand for the construction to take place.

New parking lot for school



On 17 November 2018, CMS Roads' RMU Betong dispatched 43 employee volunteers to SK Paku Central, 16 km from Betong town to create a new carpark for the school. The volunteers cleared the area, demolishing the old structure that held the waste disposal bins and removing the faded wooden signboard. They then laid 20 tonnes of stone aggregates and recycled waste to widen the access road leading to the school.

Social: Society

Church gets spruced up



Twenty-nine employees from our Construction & Road Maintenance Division congregated at St. Peter's Church in Kampung Simpok, Padawan to help paint the grilles and clean the inside of the building and its surrounding area on 17 November 2018.

Kindergarten gets help from neighbouring community



Eight employees from CMS Premix, Bintulu got together with the longhouse folks and the Parents-Teachers Association of Tadika Sedidik Mutiara, Rumah Sait to clean the kindergarten's compound on 18 November 2018. The volunteers levelled the front yard with cement and painted the external walls of the kindergarten. They also built a wooden rack to display the potted plants.

Combined CSR effort to assist school



In line their commitment to give back to the community, the Construction Materials & Trading Division collaborated with the Land and Survey Department of Sarawak under their Rural Transformation Initiatives to help SK Tuanku Bagus, Sebuyau with a road extension project. The project ran from 24 to 25 November 2018. CMS Quarries contributed a total of 241 tonnes of aggregates amounting to RM13,246 for this initiative, while 13 employees from CMS Quarries and CMS Premix were assigned to carry out the day's work. Together with the villagers, the volunteers dug up the earth and laid aggregates to the side of the existing pathway to the school. This increased surface height of the road will do much to minimise flooding. The volunteers also removed the huge boulders at Jalan Kampung Masjid, along the access road from the village to Sebuyau town.

Social: Society

Easier access to Kampong Gedong cemetery



On 15 December 2018, a total of 33 volunteers from CMS Roads' RMU Simunjan volunteered to widen the access road leading up to the Muslim community cemetery (*Tanah Perkuburan Islam Moyang*) at Kampong Gedong in Simunjan. They cleared shrubs and bushes, and with the help of a backhoe and an excavator, levelled the ground and extended the road for easy access and parking at the cemetery.

Army kids get a new futsal court



Fifteen employees from CMS Concrete Products Sdn Bhd worked hand in hand with 40 army personnel from the Armed Forces (*Batalion Ke-11 Rejimen Askar Melayu Diraja*), to construct a new futsal court at their Semenggo Camp at the 7th Mile, Kuching on 16 December 2018. The company also donated RM4,200 worth of concrete.

SUSTAINING CHARITABLE ORGANISATIONS

Striving to keep fit in the new year



New Year's Day saw 41 CMS employees participating in the New Year Resolution Run in Kuching. All entry fees collected were donated to local charities.

Clothes donation to Children's Home



Employees from CMS Premix's Sibü Branch donated clothes to the Methodist Children's Home in Sibü on 9 February 2018. The home cares for 64 children between the ages of 5 and 20.

Social: Society

Clothes for charity



CMS held two clothes donation drives on 2 March 2018 and 7 September 2018 respectively where employees donated their pre-loved clothes to charity. The sorted clothes were then donated to eight charities namely, the Malaysian Red Crescent Society, Yakan Kemajuan Insan Sarawak, Jabatan Kebajikan Masyarakat, Lembaga Kebajikan Anak-Anak Yatim Negeri Sarawak, the Taiwan-Buddhist Tzu Chi Foundation, the Salvation Army and BEM Kuching Evangelical Church.

Sunny smiles at Vivacity charity run



Thirty-four CMS employees completed the night run at Vivacity Megamall's inaugural Charity Run on 14 April 2018. The proceeds from the run were presented to five charities by Dato James Chan, Mayor of Kuching South City Council, prior to the flag-off time.

Car Boot Charity Sale Returns!



PPES Works (Sarawak) Sdn Bhd organised a CMS Car Boot Charity Sale on 24 March 2018 selling pre-loved items, car accessories, plants, pillows, food and beverages. The funds amounting to RM2,800 were donated to Gereja Anglika Kampung Sungai Apong.

Helping bestow the gift of sight



CMS donated RM5,000 towards the Rotary Charity Run 2018 in which 13 of our seasoned CMS runners participated in the 5 km and 10 km categories. Themed 'Gift of Sight', the run which was held on 15 April 2018 sought to raise funds for community projects, as well as elevate awareness of blindness prevention activities such as eye screenings. The proceeds went primarily towards cataract remedies and operations for low-income groups in Sarawak's rural areas.

Social: Society

Running in aid of the autistic community



Over 200 CMS employees, together with their friends and families and over 3,000 other participants, joined the Kuching Run for Autism's 3 km and 7 km runs held on 22 April 2018. The funds raised are being used to sustain the Kuching Autistic Association's educational programmes, which include vocational and living skills training for the 105 students under their care. With student numbers on the rise, the organisation is in need of more funds to build a new block of classrooms. In support of this, CMS contributed RM5,000 to the association.

COPE organises 'fruitful' donation drive for IJN Foundation



On 23 April 2018, COPE Private Equity Sdn Bhd (COPE) organised a 'Durian & Fruits Party' in Kuala Lumpur for the benefit of the Institut Jantung Negara (IJN) Foundation. The foundation was established in 1995 with the sole mission of garnering philanthropic support for the work carried out. The event helped raise RM7,440 for the IJN Foundation.

CMS sets up stalls at PERKATA's Fundraising Sale



CMS set up five stalls at the Open Day Sale organised by the Association for the Welfare of Intellectually Disabled Children (PERKATA) on 29 April 2018. Manned by the Group Human Resources (Group HR) and Group Technology Systems departments, CMSCI's Finance and Quality Control departments, as well as CMS Infra Trading Sdn Bhd, our stalls sold a variety of food to raise an impressive RM10,406.60 for the association.

Majlis berbuka puasa with COPE



In conjunction with Ramadhan, COPE treated 22 orphans from the Sekolah Maahad Tahfiz Al-Mustakim orphanage to a breaking of fast event followed by prayers. RM50 in *duit raya* was also handed out to each of the orphans by COPE's Managing Director, Dato' Hj Azam Azman on 9 June 2018.

Social: Society

CMS Tribal Run 4.0 raises RM146,000 for 11 local charities



CMS held its fourth annual Tribal Run on 5 August 2018 drawing a record 3,288 participants. All of the entry fees totalling RM136,000, plus a personal donation of RM10,000 from CMS Deputy Group Chairman, Dato Sri Mahmud Abu Bekir, were donated to 11 local charitable organisations. The beneficiaries included organisations such as Barefoot Mercy Berhad, Befrienders Kuching, Home of Peace, Kuching Autistic Association, Persatuan Sukan Orang Pekak Sarawak, Sarawak Cheshire Home, Sarawak Children's Cancer Society, STEC Kidney Foundation, the Green Ribbon Association Kuching, the Society for Critically Sick Children and the Mental Health Association of Sarawak.

B2B runs for charity



This year, CMS expanded its CSR efforts by introducing an in-house crowdfunding exercise to raise funds to run the CMS Tribal Run 4.0 and the 5th Kuching Marathon held on 5 and 12 August 2018 respectively. With the full support and backing of our Group Executive Director and Group CEOs, 12 avid runners from across the CMS Group teamed up under the name 'Back2Back' (B2B) runners. The B2B runners raised a commendable RM16,785.70 (including a sponsorship from CMS) for the Sarawak Society for Parents of Children with Special Needs (PIBAKAT).

Run to support cancer awareness



Over 3,000 people including eight CMS employees participated in the Sarawak Children's Cancer Society's 6th annual 5 km run on 17 September 2018. The event sought to raise awareness and funds in support of families and children who are battling childhood cancer in Sarawak.

Social: Society

Run for hope



Thirteen CMS employees participated in the Padungan Cat Run 3.0 which was organised by the Young Malaysians Movement Malaysian (YMM) on 21 October 2018. Proceeds from the run were donated to Hope Place Kuching that provides aid to poor families in Sarawak.

In support of the SSPCA's Christmas bazaar



On 25 November 2018, the Sarawak Society for the Prevention of Cruelty to Animals (SSPCA) hosted its annual Christmas Charity Bazaar to raise funds for the animal shelter. The funds raised will be used to provide food, vaccinations, neutering and general veterinary care. At the event, employees from CMS Roads sold their popular nasi lemak, fried noodles, fresh fruits, roti canai and cupcakes to raise RM845 for the SSPCA.

Kiss cancer goodbye!



More than 3,000 runners gathered at Saradise, Kuching to participate in the KPJ Cancer Awareness Run on 18 November 2018. Proceeds from the run were donated to the Sarawak Cancer Support Group and Sarawak Pink Ribbon, with each organisation receiving RM5,000.

Live clean, run green



Persatuan Go Green's 'Go Go Green Run' which took place on 2 December 2018 saw a host of runners, including 23 participants from CMS, show up to the race in outfits made from recyclable materials like paper, cardboard and plastic. The run was organised to raise awareness of the importance of environmental conservation. Aside from participating in the run, the Group also contributed RM1,100 to the association.

Social: Society

Christmas gifts for our special kids



CMS employees supported the Sarawak Economic Development Corporation's (SEDC) 'Love-in-a-Box' programme by contributing gifts for 177 special needs children from the Kuching Autistic Association and PERKATA Special School on 12 December 2018. The gifts comprising school bags, stationery, toys, watches, shirts, shoes, water bottles and game sets valued at RM5,847.79 were presented to the children.

ENVIRONMENTAL & HEALTH AWARENESS PROGRAMMES

CMS recycling campaign



On 26 January 2018, the Group's Internal Audit Department held its first recycling campaign for 2018, bringing in 5,630 kg worth of recyclable waste which resulted in RM1,538.70 being raised for charity.

Family run



In conjunction with the 100th anniversary of the Malaysian Palm Oil industry on 28 January 2018, the Ministry of Plantation Industries & Commodities and the Malaysian Palm Oil Council organised the Centennial Run. The family-oriented event drew a crowd of 3,000 participants in Kuching including 33 CMS employees who took part in the 3 km and 10 km runs.

Milo run promotes healthy eating



Over 7,000 people, including CMS employees, participated in the Milo Malaysia Breakfast Day Run 2018 held at the Sarawak Stadium on 1 July 2018. The 3 km run has been organised for the past six years with the aim of raising awareness about the importance of having breakfast and maintaining healthy eating habits amongst Malaysians.

Social: Society

Foursome race in Bintulu



On 15 September 2018, four employees from Samalaju Properties Sdn Bhd took part in the Maju Sarawak Night Run. The race, which had its starting and finishing points at Paragon Mall, saw participants circle around town to celebrate the Mid-Autumn Festival and promote a harmonious society.

Pledge and Plant a Tree!



CMS Property Development Sdn Bhd (CMS Property Development) sponsored RM3,000 for 20 saplings at the "Pledge and Plant A Tree" Programme at Pusat Pengajian Al-Quran Tun Abdul-Rahman Ya'kub at Petra Jaya in Kuching. The programme was initiated by the Malaysian Institute of Planners (Sabah & Sarawak Chapter) together with Dewan Bandaraya Kuching Utara (DBKU), in conjunction with World Town Planning Day 2018. On 10 November 2018, a total of 15 CMS Property Development employees planted 5 trees during the event. In total, 4 Agarwood (Gaharu) and 150 Golden Penda trees were planted by the government agencies and private developers present at the event.

SAVING LIVES

Life is precious, give blood



CMS organised two blood donation drives at its headquarters on 7 April and 5 October 2018 which successfully garnered blood from 51 and 85 donors respectively. Blood donation drives were also held at CMSCI's Pending grinding and Mambong integrated plants. The drives provided employees the convenience of donating blood without having to visit government or private hospitals.

COMMUNITY CLEAN-UPS

Rallying together for a beach clean-up



On 15 September 2018, a total of 11 employees from CMS Premix in Miri and CMS Quarries joined 1,287 other volunteers in the inaugural Miri International Coastal and World Clean-up Day. Mid-September marks the day when communities all over the world gather at their respective beaches with the common goal of clearing up trash that litters our coastline. Trash collected in Miri's event amounted to a total of 8,817.4 kg (8.8 tonnes).

Social: Society

Towards a sustainable environment



On 29 April 2018, a total of 31 CMSCI employees participated in the beach clean-up at Pasir Pandak Beach in Santubong whereby 150 kg of rubbish was collected all along the seashore. The programme sought to create awareness among employees as well as the public about keeping the beach clean and litter-free. Subsequently on 22 September 2018, some 15 volunteers from the Group Procurement Department set up new rubbish bins and cleared up the same beach

CORPORATE PHILANTHROPY

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

Property arm supports motivational youth programme



On 16 March 2018, CMS Property Development contributed RM6,604 to SMK Bandar Samariang in support of a motivational youth programme which aims to curb and eliminate social ills rampant among today's youth. The programme also seeks to instil self-discipline, time management and moral values in the students through activities that cater specifically to them. The one-year programme which was launched on 1 February 2018 sought to benefit 40 students between the ages of 14 and 16.

Social: Society

CMS sponsors squash programme



On 2 April 2018, CMS handed over a sponsorship of RM38,888 to the Squash Racquets Association of Sarawak for its CMS S1 Circuit Junior Development Programme. The Group also donated RM5,000 towards the CMS Borneo Junior Open 2018/2019 events.

Projek Bandar Samariang donates to fire victims



Projek Bandar Samariang Sdn Bhd donated a total of RM14,000 to three families from Bandar Samariang who were left homeless after their houses were razed by a fire on 6 August 2018.

CMS donates RM148,000 to mosques in Sarawak



In line with our ongoing commitment to community development, CMS donated RM148,000 to the Muslim communities in Sarawak during the holy month of Ramadhan under our 'Adopt-a-Mosque' programme. Seventy-four mosques and suraus located in Kuching, Kota Samarahan, Betong, Sarikei, Bintangor, Sibul, Miri and Bintulu each received RM2,000 to help fund their Ramadhan activities and upkeep their mosques and suraus.

CMS Land hands over caretaker house to PERKATA



CMS Land Sdn Bhd (CMS Land) and the SEDC officially handed over the newly-constructed caretaker house worth RM200,000 to the special school under the ambit of the Sarawak Association for the Welfare of Intellectually Disabled Children. The handing-over ceremony took place at the school's hall on 24 August 2018. CMS Land's involvement in the project saw it undertaking the building works thereby covering the construction and material costs.

Social: Society

Inspiring young girls



26 August 2018 marked the closing ceremony of the PurpleLily Aspiration & Leadership Building Camp for Girls 2018. This initiative continues to make an indelible mark on the lives of young girls throughout Sarawak. PurpleLily, which CMS sponsors annually as part of the company's ongoing CSR programme, is an NGO committed to promoting financial literacy and female empowerment in Sarawak. CMS has been involved in this programme since 2017 and has to date donated RM10,000 and RM16,000 towards the 2017 and 2018 camps respectively. By committing an additional RM24,000 towards 2019's camp, CMS has effectively contributed RM50,000 towards the camp over a three-year period.

7th Kuching Toastmasters Youth Communication Camp



A total of 175 students from 23 schools participated in the three-day 7th Kuching Toastmasters Youth Communication Camp which was held between 15 and 17 September 2018. CMS has been a supporter of this programme organised by the Kuching Toastmasters Club and Toastmasters International since 2012 and has to date contributed RM89,500 towards the programme.

Preserving culture and heritage throughout the generations



CMS donated RM10,000 towards the inaugural launch of the Lamin Dana Heritage and Cultural Showcase which will continue to be held annually.

Social: Society

CMS supports Sarawak Regatta 2018



On 9 October 2018, CMS presented a cheque of RM30,000 to YB Datuk Abdul Karim Rahman Hamzah, Minister for Tourism, Arts, Culture, Youth and Sports for the Sarawak Regatta 2018.

CMS aids fire victims



On 2 November 2018, CMS jointly donated a total of RM15,000 to four families whose homes were razed to the ground in a fire on 16 October 2018. The tragedy happened at Kampung Bintawa Hilir, Kuching where three houses were completely burnt while another was partially burnt.

Bonding with chemistry



On 4 November 2018, the Institution of Engineering Malaysia (IEM) Engineer's Run returned with its 5 km, 10 km and 21 km runs. CMS sponsored RM10,000 for the 'Bonding with Chemistry' themed-run to support IEM's efforts in educating the public about the importance of engineering in nation-building activities.

Reunion of alumni at Et Labora Run



Ten CMS runners participated in the Et Labora Run organised by the Old Josephian's Association on 8 December 2018 to raise funds for extra-curricular activities for students of SMK St. Joseph. CMS contributed RM10,000 towards the cause.

Social: Society

SUSTAINING COMMUNITIES

OUR SUPPORT OF THE COMMUNITIES IN THE VICINITY OF MAMBONG

The CMS Group continues to make strong strides forward in its community engagement efforts and is helping elevate the lives of people in communities across the State. This is especially true of our efforts in the vicinity of the Mambong area in Kuching where our CMS Integrated Cement Plant is situated. CMS Cement Industries Sdn Bhd or CMSCI is responsible for our operations in Mambong, as well as for ensuring the wellbeing of the communities in the vicinity through impactful engagement activities.



To date, CMS's key community engagement initiatives in Mambong and the surrounding areas include the following activities:

Employment

CMSCI has always given priority to recruiting candidates from the villages nearby the plant, subject to the suitability of their qualifications, job skills and work experience. As of August 2018, more than 60% of CMSCI's Mambong integrated plant employees are from the villages within a 20-km radius of the plant.

English reading programme

CMSCI initiated an English reading programme for students of St. Augustine Primary School in 2016. Since the implementation of the programme, there has been an increase in the percentage of passes in English which in turn has contributed to the performance of the school. In 2017, the total passing mark was 61%, the school's best result thus far over a nine-year period.

Academic collaboration

As part of a continuing partnership between Tunku Putra School and SK St. Augustine School, both schools collaborated once again in 2018 with a renewed approach towards learning together. In 2018, the Director of the Sarawak Education Department granted Tunku Putra School approval to conduct five learning sessions. The reading programme will also be extended to Primary 4 and 5 students on top of the existing Primary 6 students.

Annual grant

Since 2014, CMSCI has provided a yearly grant to SK St. Augustine to fund the school's activities for the year. On top of that, through CMS' CSR programme, CMS employees make regular book donations to the school to encourage students to cultivate good reading habits.

Social: Society

Ongoing open dialogue



As part of our commitment to maintaining clear lines of communication and fostering good relationships with the communities in the vicinity of Mambong we continue to engage in open dialogue with them. This includes conducting annual dialogue sessions between the senior management of CMS and CMSCI and the community leaders, as well as village heads or their representatives from the seven villages situated in and around the Mambong area. The preceding year's dialogue, organised on 30 August 2018, marked the fifth year that a roundtable between the various parties had been organised since it was first initiated in 2014.

Whenever we undertake surveys of quarry lands, we engage in open dialogue with the local communities that are affected to ensure they are well informed of our activities and to ensure that we do not encroach upon their land. We conduct regular dust monitoring at Kampung Mambong to ensure compliance with regulatory requirements. The results of each dust monitoring survey are shared with the community heads and kampung representatives. Our emissions from the plant are always well below the permissible regulatory levels.

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

First response teams

We also extend our support throughout the year, especially during the rainy season, where our road maintenance crews serve as first responders who are ever ready to lend a helping hand to communities whenever there is a landslide, road collapse or flood in the area.

Other activities

Today, our engagement efforts continue to bear fruit and we are enjoying a very healthy relationship with the communities in Mambong and the surrounding areas. Over the course of 2018, we undertook the following activities in the vicinity of Mambong:

January

January 2018

CMSCI installed five sets of 26" wall fans for the community at Kampung Seratau. This included the rewiring of new points and switches and three sets of high bay lights for Balai Raya Kampung Seratau.

Social: Society

April

6 April 2018



CMSCI sponsored two electrical items as lucky draw prizes for the fund-raising dinner for the construction and completion of the St. Augustine Church building in Kampung Mambong.

April

7 April 2018



CMSCI sponsored two units of electrical items as lucky draw prizes for a dinner organised by the Women's Bureau and Youth Club of Kampung Bratan. The event took place at the Community Hall of Kampung Bratan/Asah.

9 April 2018

CMSCI helped pave the compound of Our Lady of Lourdes Church at Kampung Sikog.

May

19 May 2018

A total of 36 employees from CMSCI helped the local villagers at Kampung Benuk build a hut for the locals which now serves as a recreational spot and a tourist attraction. The project saw volunteers carrying the gravel up to the hill top which was approximately 300 metres above sea level. Aside from benefiting the community, this programme had inspired staff to conserve nature through sustainable community-based forest management.

28 May 2018



CMSCI organised a UPSR Excellence Award Ceremony as part of a school engagement initiative for students of SK St. Augustine. Students of the school who had achieved outstanding results in the 2017 UPSR examination (i.e. 3As and above) received RM50 for every A that they had scored

30 May 2018



CMSCI donated 80 new plastic chairs to the St. Jerome Catholic Chapel in Kampung Patung.

Social: Society

June

1 June 2018



The Dayak Bidayuh National Association (DBNA) and Committee Members of Kampung Bratan organised a Gawai Open Day at Kampung Bratan in Mambong. CMSCI sponsored two electrical items for a lucky draw which took place during the event. At the open day event, CMSCI CEO, Encik Suhadi Sulaiman, handed over the items to the representative of DBNA, Mr Kendly Sori.

November

25 November 2018



A friendly football match was organised between the employees of CMSCI and villagers of Kampung Mambong. The match was held at the football field of Kampung Bangau.

December

8 December 2018



A Pre-Christmas Karaoke Competition was held on 8 December 2018 among CMSCI staff and villagers from the eight surrounding villages in Mambong. The event was well received with more than 200 villagers including all the Village Heads and some CMSCI staff attending. Every contestant was presented with a certificate of presentation and winners of the competition were gifted with trophies and cash prizes. Furthermore, a dinner and lucky draw were organised, all with the aim fostering a good relationship between CMSCI and the nearby communities.

14 December 2018



CMSCI handed 200 plastic chairs over to Ketua Kampung Jurin ak Semang of Kampung Simboh. Earlier, on 25 May 2015, the company had donated 200 plastic chairs to the Balai Raya Kampung at Simboh. These additional new chairs enabled the village to host the 'Perkhemahan Kelab Pathfinder Sarawak 2018' event with 600 participants from 17 to 20 December 2018.

CMSCI's CEO handed over three electrical items to Puan Maie Suja, Ketua Wanita Kampung Sikog, for their lucky draw event during the Sukaneka Tahunan held on 15 December 2018.

Social: Society

DOING GOOD. BUILDING SUSTAINABLE COMMUNITIES

As CMS moves forward with its community efforts, we continue to roll out diverse initiatives that are leveraging on employee volunteerism to make a tangible impact on communities across Sarawak. Our aim is to ensure our programmes impact and strengthen communities for the better in a sustainable manner. As such, all our CSR initiatives going forward will come under the umbrella theme *Doing Good. Building Sustainable Communities*.

The *Doing Good. Building Sustainable Communities* initiative got off to a good start on 19 January 2019 when employee volunteers from across the Group worked hand in hand with the villagers of Kampung Murud Plaman in Serian to refurbish their old church and turn it into a children's library, Sunday school venue, as well as a meeting room for the Village Committee (Jawatankuasa Kampung). Working together, the group also helped replace the entire church roof and painted both the interior and exterior of the building.

CMS will continue be on the lookout for projects such as Kampung Murud Plaman refurbishing project whereby an entire village or community will benefit from the collective efforts of CMS volunteers and the locals. One such project which is currently being considered is the Tabika Kemas at Kota Samarahan where there is a flooding issue during the king tide. This restricts the students from having a proper play area for their activities and exercise sessions.

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

Today, we are collaborating with a university to develop projects whereby university students are exposed to the workings of the real world. We are working on strengthening a final year industry-based project with potential commercial value that will help in training the engineers of tomorrow. At the same time, via embarking on our industrial lab partnership initiative whereby we are opening up our labs and resources to researchers (be they lecturers or students), we are helping expand these researchers' knowledge on specific subject matter.

In August this year, we will organise the ever-popular CMS Tribal Run for the fifth consecutive year. The CMS Tribal Run 5.0 event will see 100% of the entry fees collected being donated to several charitable organisations throughout Sarawak.

Through our Adopt-a-Mosque initiative, the Group will continue to support the Muslim communities in Sarawak by contributing RM2,000 to each mosque and surau under this programme.

To strengthen our employee volunteerism efforts moving forward, CMS' senior management team is travelling throughout Sarawak to engage our people, harness their on-the-ground ideas, and persuade them to serve communities in a more impactful manner. Currently, we have 18 Road Maintenance Units or RMUs across the State and our aspiration is to have our RMU teams serve as ambassadors and first responders in times of need to the communities around them.

In the near future, CMS is likely to get involved in supporting the expansion of a cultural centre located in Mukah which has been established to preserve the Melanau culture and heritage. While this proposal is still at the conceptual stage, it falls in neatly with our *Doing Good. Building Sustainable Communities* initiative in that the success of this centre will do much to spur the local economy.

In the offing, is our Baram Can Speak initiative which involves CMS organising a one-day workshop to train teachers in Baram on public speaking. The workshop will be conducted by a public speaking consultant assisted by CMS employees serving as facilitators who will coach teachers on public speaking. The teachers in turn will return to their schools and run workshops and public speaking contests for Secondary 4 to 6 students. Two winners from each school accompanied by their teachers will then take part in the contest final in Marudi. This programme aims to inculcate an interest in public speaking among students in the rural schools, as well as to assist them in the development of their speech writing and presentation skills. This programme is currently pending approval from the relevant authorities.

Social: Society

PUBLIC POLICY AND LOBBYING

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

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

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

CMS Wires Sdn Bhd is a member of the Malaysian Iron and Steel Industry Federation (MISIF). A primary function of the MISIF is to assist and support its members in carrying out their business efficiently and successfully. The MISIF supports its members through various

activities including making representations to the Government on issues of concern, primarily those relating to policies on the steel industry.

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

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

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

Social: Product Responsibility



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



To this end, we have made it our priority to constantly monitor our operations to ensure that they line up with the stringent quality management systems that we have set in place. Today, CMS' commitment to upholding product and service excellence is reflected in the many quality certifications that we continue to receive accreditation for.

PRIORITISING HIGH QUALITY PRODUCTS AND SERVICES

To ensure raw materials and products conform to specifications and customer requirements, the Group's Cement Division has implemented a strict testing regime (as per the Quality Control Plan) whereby samples are collected and tested on regular basis by the Quality Control (QC) Section. In the event of any non-conformance, action is taken immediately to mitigate the root cause and to prevent recurrence.

All the Division's packaging materials (i.e. 50 kg and jumbo bags) are sourced from reputable suppliers and produced in accordance with our specifications. Incoming packaging materials are sampled and tested by the QC Section. The materials to produce the bags must be able to protect the cement within from external humidity and moisture so that this cement does not turn lumpy. Cement bags that comply with our specifications will go a long way in helping reduce breakage.

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

OUR COMMITMENT TO IMPLEMENTING QUALITY SYSTEMS

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

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

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

Social: Product Responsibility

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

QUALITY CERTIFICATIONS WITHIN THE GROUP

CMS Cement Industries Sdn Bhd

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

CMS Cement Sdn Bhd (Bintulu Grinding plant)

- ISO 9001 - since 2003
- ISO/IEC 17025 - since 2010
- ISO 14001 - since 2008
- 5S Certification - since 2007
- OHSAS 18001 - since Aug 2011

CMS Cement Industries Sdn Bhd (Mambong Integrated Plant)

- ISO 9001 - since Nov 2009
- 5S Certification - since Nov 2009
- ISO/IEC 17025 - since June 2011
- ISO14001 - since Sept 2012
- OHSAS 18001 - since Nov 2013
- ISO 50001 - since May 2016

CMS Cement Sdn Bhd (Pending Grinding Plant)

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

CMS Quarries Sdn Bhd

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

CMS Concrete Products Sdn Bhd

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

CMS Premix Sdn Bhd & CMS Premix (Miri) Sdn Bhd

- ISO 18001:2007
- ISO 9001:2008

CMS Wires Sdn Bhd

- ISO 9001:2008

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

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

CMS Premix Sdn Bhd (Sibu only) & CMS Premix (Miri) Sdn Bhd (Bintulu only)

- ISO 9001:2015

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

Social: Product Responsibility

CERTIFICATES OF REGISTRATION WITH RELEVANT AUTHORITIES

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

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

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

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

PPES Works (Sarawak) is registered as a Grade G7 contractor with the CIDB allowing the company to undertake works of any value mainly relating to the construction of buildings, civil engineering, mechanical and electrical construction. As this registration is typically valid for a period of two to three years, the company's Business Development Department Manager together with the Compliance Department

oversees and monitors all matters pertaining to registration. The various departments within the company assist them by providing the relevant supporting information.

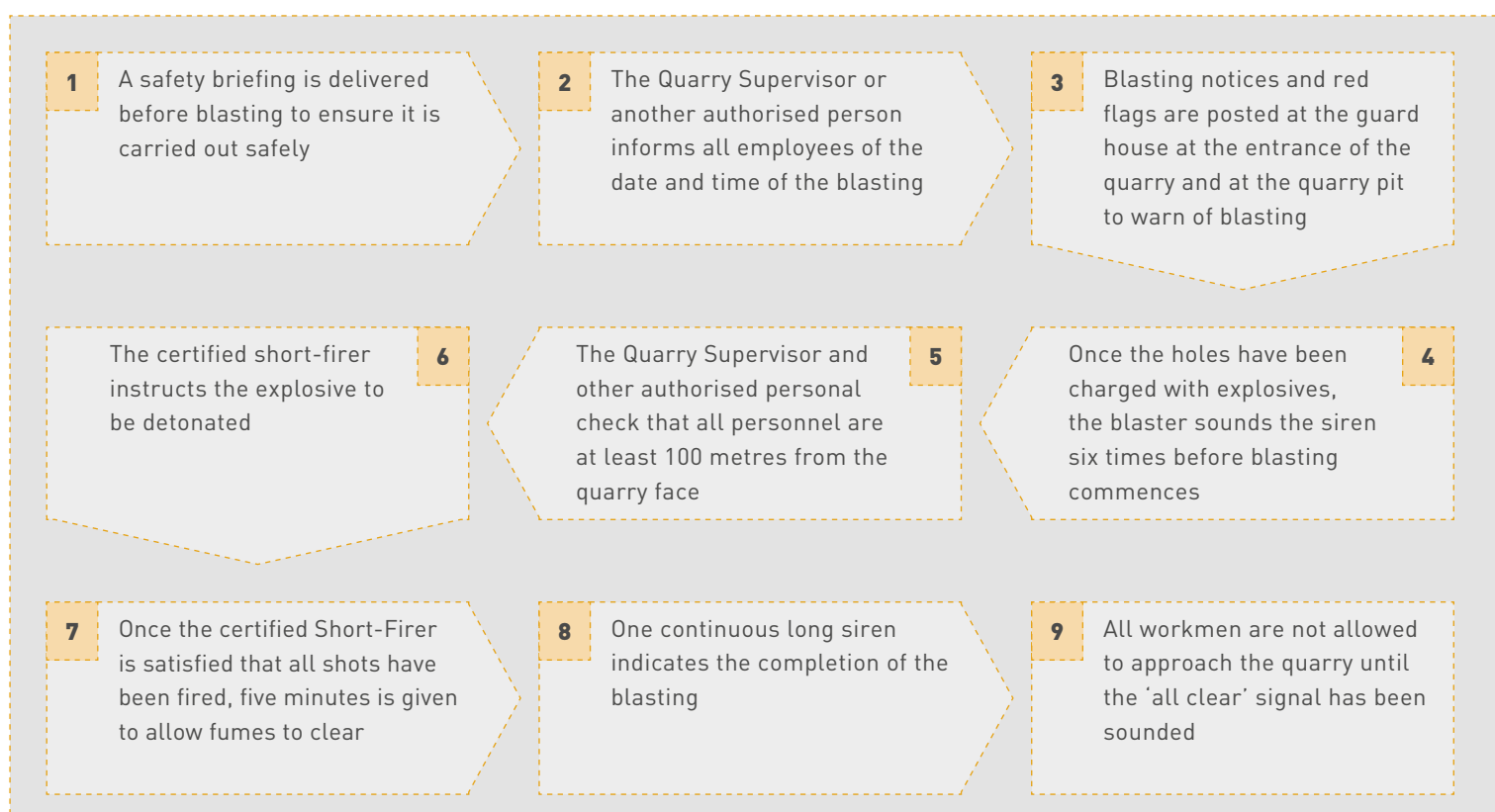
In September 2016, CMS Wires Sdn Bhd obtained CIDB Certification for its welded steel fabric for the reinforcement of concrete and is now in the process of renewing its certification.

Meanwhile, the Cement Division has obtained the necessary licenses to manufacture and sell from the relevant authorities which include Standards Malaysia (for the Division's cement and clinker operations), as well as the Malaysian Investment Development Authority (MIDA) and the CIDB (for its cement manufacturing operations).

SAFE BLASTING

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

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



Social: Product Responsibility

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

CMS Quarries Airblast and Vibration Monitoring Result 2018

No.	Date	Time	Monitoring Location	No. of Holes	No. of Rows	Blasting Location	Vibration (mm/sec)	Noise (Air) [decibel (dBL)]	Remark
61	2018	10.5hrs	Sarawak Sentosa Theme Park	8 to 28	2 to 4	Stabar Quarry	4.3972	110.4344	Production Blasting

Note:

Blasting Guildline Standard

: Vibration = <5.0mm/s

: Airblast = < 120 decibel

For 2018, Stabar Quarry recorded an average blasting vibration of 4.4 mm/s which is less than the Blasting Guideline Standard of 5 mm/s set by Jabatan Mineral dan Geosains (JMG). Its recorded air blasts were also within the Malaysian Recommended Air Quality Guideline maximum of 12dBA.

CUSTOMER PRIVACY

Where customer privacy is concerned, CMS adheres to strict regulations and procedures to guarantee our customer’s personal data is duly protected. Our customers have the assurance that the CMS Group complies with the Personal Data Protection Act 2010 (PDPA), which regulates the processing and proper management of personal data in commercial transactions.

We do not disclose personal data unless it is:

- To regulatory authorities, government departments or agencies pursuant to the requirements of the law;
- To organisations associated with CMS;
- To CMS’ strategic partners, professional advisers and third-party service providers which it engages from time to time; and
- Required or authorised by law or by court order.

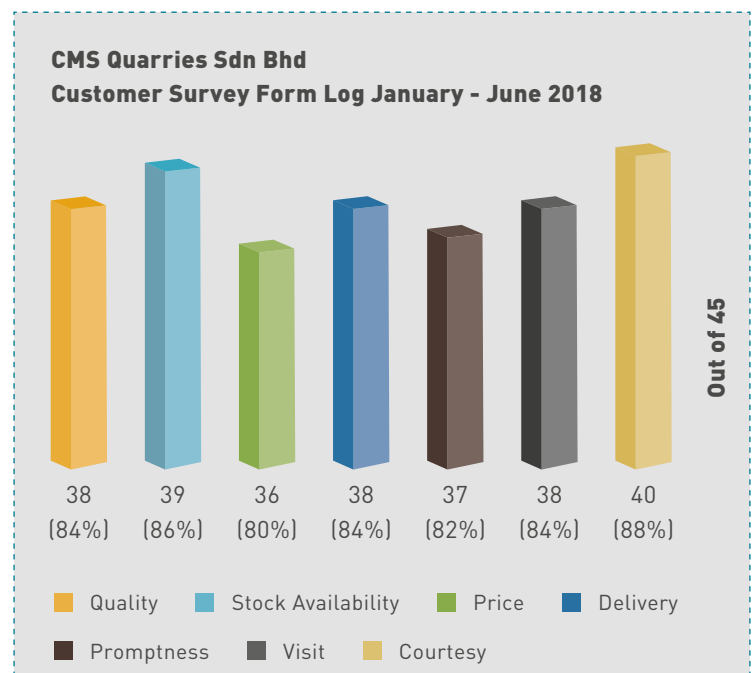
CUSTOMER SATISFACTION

Customer satisfaction plays 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 subsidiary companies carries out their own customer surveys from which all responses received, both positive and negative, are fully reviewed and analysed.

At the Cement Division, the Customer Engagement and Customer Satisfaction survey results for 2018 were rated on average 95% and 82% respectively. This indicates that the Cement Division was able to maintain the intended levels of rapport and engagement with customers and dealers and is meeting their expectations.

For CMS Quarries, 84% of customers surveyed in 2018 rated the products and services it rendered as ‘good’ (2017: 85%). At CMS Premix Sdn Bhd, 99.9% of customers surveyed in 2018 rated the products and services it rendered as ‘good’ (2017: 98.05%). Meanwhile, at CMS Wires Sdn Bhd, 81.5% of customers surveyed rated the products and services it rendered as ‘good’ (2017: 85%).

CMS Quarries uses a Customer Survey Form Log to capture data on elements such as quality, stock availability, price, delivery, promotions, visits and courtesy for analysis and for improvement purposes. The log for the January-June 2018 period below, which spells out the ratings for the aforementioned factors, also serves as a sample of the information captured from our subsidiaries’ customer satisfaction surveys.



Social: Product Responsibility

At the Construction & Road Maintenance Division, the Client Satisfaction Survey Summary for 2017 Performance using evaluation criteria such as 'work done conforms to specifications', 'timeliness', as well as 'compliance with Safety & Health control requirements', yielded aggregated results that were consistently over 75%. These results included that pertaining to surveys carried out at worksites in Betong, Kuching, Kapit, Mukan, Samarahan, Sri Aman and Serian.

ETHICAL BUSINESS CONDUCT

Fraud, bribery or kickbacks are not tolerated within our operations and dealings. We are committed to conducting business across the board in an ethical manner that is founded upon the tenets of transparency, integrity and accountability. In support of this, we have implemented the Whistleblower Policy to encourage our staff and volunteers to come forward with credible information on illegal practices or violations.

Corruption

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;
- 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 2018.

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.

Whistleblowing

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

As CMS focuses its efforts on creating sustainable stakeholder value and ensuring the Group's long-term success, the agenda of sustainability will remain a topmost priority. It is only by genuinely committing to balancing out our strong economic performance with responsible environmental and social considerations, and then by rigorously following through on our commitments, will we be able to deliver true and sustainable value to our diverse stakeholders.

As we prepare to move forward amidst an increasingly challenging political and business landscape, we will look to our two-pronged strategic response – which calls for us to reposition and strengthen our businesses and the CMS Brand – to spur us on to the next phase of growth. At the same time, as we make a concerted effort to revisit and strengthen our Sustainability Blueprint, we are confident that the reinvigorated blueprint will provide us the impetus we need to build upon the many impactful sustainability initiatives already in place. With stronger Board and Management oversight in this area, we expect to see the Group's agenda of sustainability growing from strength to strength and cascaded down in a more vigorous manner throughout our organisation and business framework.

As the Group continues to rise above all challenges and capitalise on opportunities, we remain committed to carrying out our business in a responsible manner by upholding good Economic, Environmental and Social performance.

On the Economic front, we will work hard to ensure that all our core businesses and strategic investments deliver steadfast performances in line with our five-year plan. Our efforts will centre on identifying and taking advantage of opportunities whilst optimising cost structures. We will also continue to uphold excellence and drive innovation throughout our operations to enhance business efficiency and bolster our competitive edge. We are confident that the plan for our core businesses and strategic investments to contribute equally to our profits will create a sustainable growth pathway for us over the long-term.

We acknowledged the importance of mitigating the impact of our business activities on the environment and will continue to expand and improve our KPIs, policies, technologies and environmental practices. This will go a long way in helping us conserve and maintain our ecosystems for future generations. We will also continue to build upon the solid R&D work we have achieved at Samalaju to date (in the area of managing scheduled wastes and by-products), as well as help industries and the State to develop tangible, and sustainable solutions in this area. At the same time, we will explore the production of innovative products akin to our eco-friendly Portland Limestone Cement product to assist end users to implement projects at lower costs and in a more efficient manner.

The Group will continue to leverage on continuous employee training to improve operational efficiencies and productivity, as well as implement group-wide teambuilding initiatives to strengthen camaraderie. Last but not least, the Group will continue to implement meaningful CSR activities leveraging on employee volunteerism under the banner of *Doing Good. Building Sustainable Communities*. The fact that we already have 18 Road Maintenance Units across the State in place, whose staff can serve as ambassadors to the communities around them, augurs well for us. Moreover, with our senior management already travelling to all areas of our business to engage with our people, harness their on-the-ground ideas and serve communities, we can only expect things to get better. Add to this, our trained teams who are ready to be mobilised and help coordinate relief efforts in times of natural disasters, and we can expect to see CMS entrenched more firmly as a friend to Sarawakians.

As business sustainability continues to evolve and become a way of life at CMS, it is our hope that it will become embedded within our working culture in a more significant manner. As CMS works in an unwavering manner to implement existing programmes and roll out new ones, we are confident of achieving meaningful long-term, sustainable growth and accelerating closer towards our ambition of becoming the 'PRIDE of Sarawak and Beyond'.

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