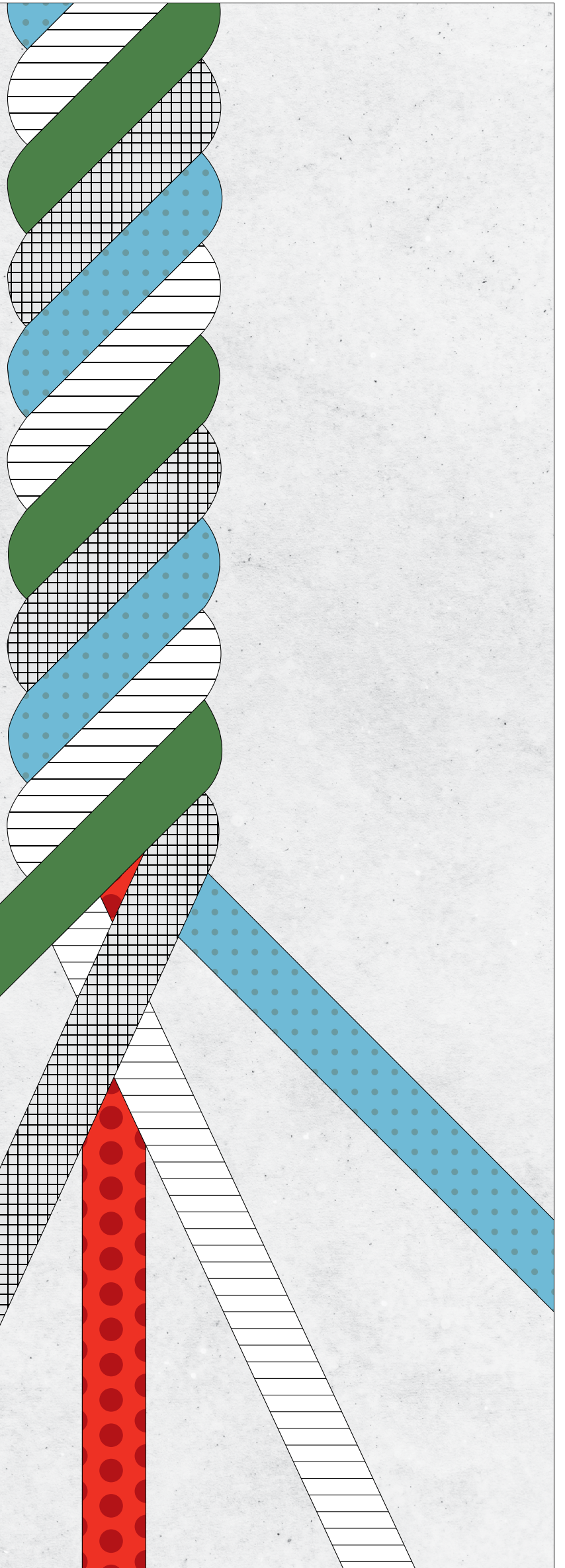




CAHYA MATA SARAWAK

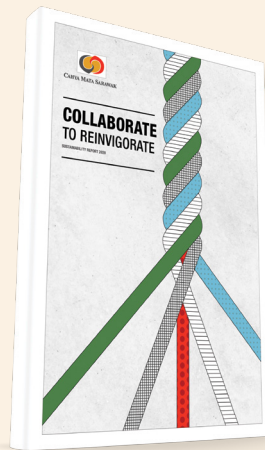
COLLABORATE TO REINVIGORATE

SUSTAINABILITY REPORT 2020



The Cover Rationale

COLLABORATE TO REINVIGORATE



The cover design of our Sustainability Report 2020 portrays distinct multi-coloured strands coming together to form a singular strong cord. This serves to conceptually convey the idea of diverse parties coming together to form a unified, resilient front. In drawing upon one another's resources, strengths and perspectives, the collaborating parties are leveraging on common synergies to reinvigorate, re-energise and strengthen themselves. The result is a much stronger position for all parties than if each went it alone.

March 2020 saw the advent of the global COVID-19 pandemic and the lockdown of economies the world over. In Malaysia, as the Government implemented the Movement Control Order (MCO) in its various forms to stem the tide of the pandemic, people and businesses moved quickly to adapt to the new normal for their very survival. Team CMS too turned to innovative strategies to help us keep our heads above water. Our efforts proved fruitful as reflected in our resilient performance over 2020.

One of the keys to staying afloat in 2020 was our resolve to leverage on collaboration to ensure that we remained resilient. This took the form of collaboration at the State, Group and Divisional levels, as well as within the communities in which we operate.

At the State level, we entered into a strategic collaboration with the Sarawak Economic Development Corporation (SEDC) to work together on the construction and quarrying fronts. This has not only helped create additional value for both parties and the people of Sarawak, but has also today placed CMS on a stronger footing to

capture business opportunities from several mega infrastructure projects. We also worked hand-in-hand with the State Disaster Management Committee along with our associate, OM Materials (Sarawak) Sdn Bhd, to ensure the safety and well-being of our Government and medical frontliners by making donations in cash and kind totalling RM2.4 million.

Across the Group, we made necessary structural changes within our leadership team. This saw new, fresh team players coming onboard with a common vision and singular agenda to take CMS to new heights of success. Amidst the MCO, some 40 of CMS' Management met virtually every alternate day to discuss the way forward for our businesses. This collaboration did much to unite us, help us realise our potential, strengthen team dynamics, and accord us a new impetus to succeed.

Within the Group's respective Divisions, our people stepped up to the plate to play their part in ensuring business continuity. Strict standard operating procedures were adhered to on the operational side and a disciplined work-from-home culture was reinforced to keep our people safe and productive. Even as we implemented focused and relevant catch-up strategies, our performance turned around for the better by the third quarter.

Team CMS also got down to the ground to lend a hand to those in need in the community, particularly those with impacted incomes. All in all, our efforts went a long way in ensuring the well-being of those in need while cementing us as a friend of Sarawak's communities.

Having proven our mettle amidst the challenges of 2020, a more resilient CMS today remains one of the best proxy investments for Sarawak's economic growth. Our businesses are back on track and are well-positioned to benefit from the key economic growth drivers within the State. By continuing to leverage on collaboration and our three-pronged growth strategy, as well as by continuously reinvesting into our core competencies and capitalising on the State's key economic growth drivers, we are confident that we will continue to create good value for our stakeholders, as well as establish a long-term, sustainable growth pathway for both CMS and Sarawak.

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•• **CMS' Group Managing Director, YBhg. Dato Isaac Lugun, discusses the year's challenges, the developments on the Economic, Environmental and Social fronts, plus the host of concrete measures that the Group is undertaking to fast-forward its sustainability ambitions.**



YBHG. DATO ISAAC LUGUN
Group Managing Director



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About This Report

Welcome to Cahya Mata Sarawak Berhad's Sustainability Report 2020, our sixth Sustainability Report (Report) to date. It serves as a tool to demonstrate to our stakeholders and other interested parties how Cahya Mata Sarawak Berhad (CMS or the Group) continues to undertake its operations in a responsible and sustainable manner.

This Report discloses our sustainability achievements in a transparent and objective manner in line with the Global Reporting Initiative or GRI Guidelines among other standards. Together with our Integrated Annual Report 2020, which features the financial and non-financial aspects of our businesses, as well as our strategies and value creation efforts in line with the International Integrated Reporting Council or IIRC's International Framework, these two reports provide a clear, comprehensive and transparent account of our performance in managing the Economic, Environmental and Social (EES) aspects of our operations.

There have been no changes to the boundaries of this Report from the previous Sustainability Report 2019. That Report saw us continuing to disclose substantial content, most of which sought to fulfil the requirements of the FTSE4Good Bursa Malaysia Index. In this year's Report, we are expanding the level of content in several sections, namely our Stakeholder Engagement and Materiality Mapping sections. We also disclose the details of CMS' Sustainability Roadmap (2021-2023) and our plans moving forward.

Today, as we continue to report on CMS' sustainability achievements in a comprehensive, factual and transparent manner, we are confident that this will bode well with our stakeholders. Outlined [beside] is detailed information on the scope and criteria used in the preparation of this Report.

Reporting Period

1 January to 31 December 2020 (Financial Year or FY 2020), unless specified.

Reporting Cycle

Annual

Scope

CMS' Departments and Divisions:

- Head Office Departments
- Cement Division
- Construction Materials & Trading Division
- Construction & Road Maintenance Division (until 31 Dec 2020)*
- Property Development Division
- Samalaju Development Division

* As of 1 January 2021, the Construction & Road Maintenance Division has been split into two separate divisions, namely the Construction Division and the Road Maintenance Division.

Note that the scope of this Report only covers the abovementioned Departments and Divisions in which the CMS Group has full Board and Management control over and to whom we apply the Group Sustainability Agenda. The activities of the Group's associate companies are not covered in this Sustainability Report.

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

References and Guidelines

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

Who We Are

Cahya Mata Sarawak Berhad (CMS or the Group) is Sarawak's leading infrastructure facilitator and a prime mover in the State's growth story.

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

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

VISION
To be the PRIDE of Sarawak & Beyond

STAKEHOLDERS
Shareholders,
Employees, Customers,
Government, Suppliers,
Communities & Media

MISSION

P
Producing Quality,
On Spec & On Time

R
Respect & Integrity

I
Improving, Innovating &
Investing in People

D
Delivering Sustainable
Growth

E
Environmentally
Conscious, Safe &
Conducive Workplace

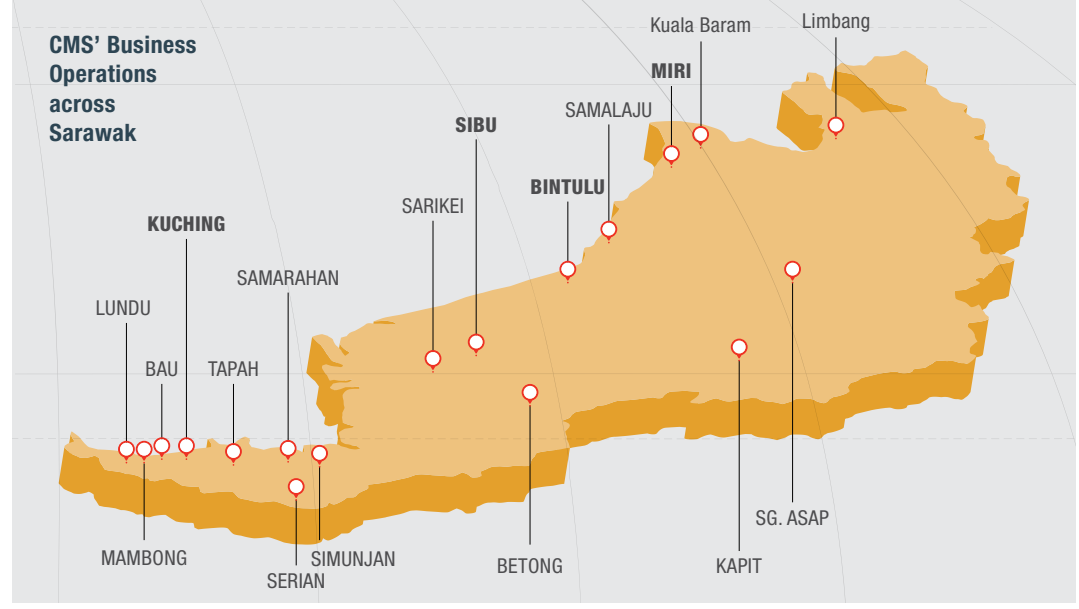


BUSINESS OVERVIEW
CMS' solid progress over the last 46 years mirrors Sarawak's own dynamic progress. Today, our operations encompass more than 30 companies across 6 business segments, and a workforce of over 2,147 people in 55 offices throughout the State.

- Core Businesses**
- Cement**
 - Construction Materials & Trading**
 - Construction**
 - Road Maintenance**
 - Property Development**
- Strategic Investments**
- Malaysian Phosphate Additives (Sarawak) Sdn Bhd**
 - OM Materials (Sarawak) Sdn Bhd**
 - SACOFA Sdn Bhd**
 - Kenanga Investment Bank Berhad**
 - KKB Engineering Berhad**



For more information on CMS' Group Directory, please scan the QR code or log on to www.cmsb.my/contact-us/



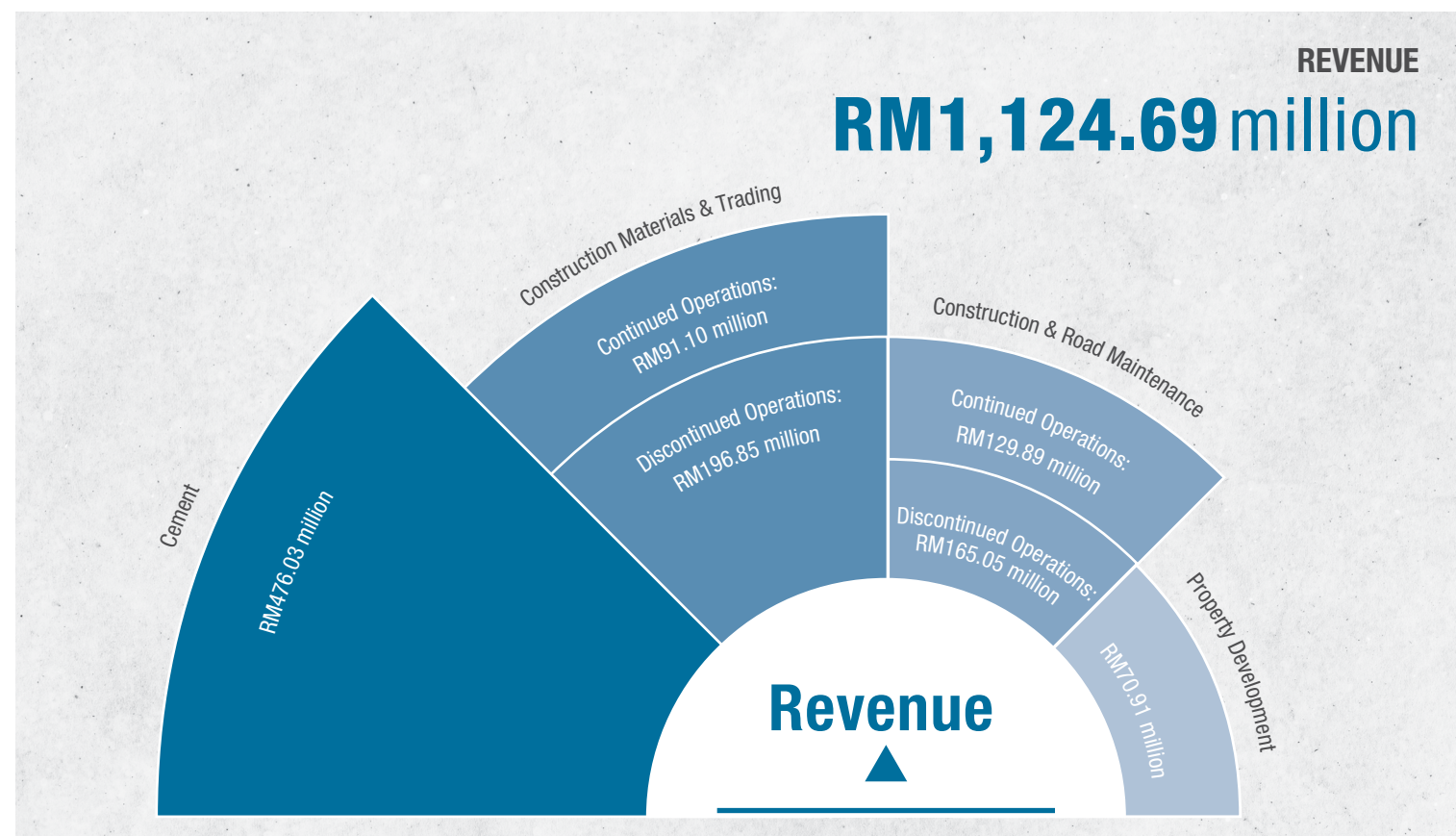
While snippets of the following content can be found throughout this Sustainability Report, for more detailed information kindly refer to the specific sections highlighted below within CMS' Integrated Annual Report 2020 which is accessible at www.cmsb.my/investor-relations/reports/annual-reports/

Our Performance	<p>The year 2020 was undoubtedly another tough year for CMS given the highly challenging conditions brought on by the COVID-19 pandemic and ensuing lockdowns. Against this backdrop, the Group registered revenue of RM762.79 million and PATNCI of RM194.81 million – a 32% drop in revenue and a 22% improvement in PATNCI in comparison to FY 2019's results. FY 2020's improved PATNCI was mainly due to recognition of a remeasurement gain and gain on disposals amounting to RM162.95 million from the divestment of our 2% stakes in two subsidiaries to Sarawak Economic Development Corporation. Excluding the gain and various impairments made during the fourth quarter of 2020, our core PATNCI stood at RM104.13 million in FY 2020. As at end FY 2020, CMS' basic earnings per share stood at 18.18 sen (FY 2019: 14.87 sen), while we turned in a Return on Equity of 7.18% (FY 2019: 6.15%).</p> <p> For more information, please refer to the Group Chairman's Message, Strategic Review by the Group Managing Director, and Financial Overview by the Group Chief Financial Officer.</p>
Our Targets	<p>We aspire to achieve the following targets within a five-year timeframe (by end 2024):</p> <ul style="list-style-type: none"> To double the annual profit after tax and non-controlling interests or PATNCI to RM500 million; and To be the most admired Sarawak public-listed company. <p> For more information, please refer to the Strategic Review by the Group Managing Director and the Creating Future Value section.</p>
Our Three-pronged Strategy	<p>Despite the headwinds buffeting our businesses, we are on track to implement our three-pronged strategic response to the increasingly challenging political and business landscape. This calls for us to:</p> <ul style="list-style-type: none"> Reposition and fortify our traditional core businesses; Fully implement and grow our strategic businesses; and Reposition and strengthen the CMS brand. <p> For more information, please refer to the Strategic Review by the Group Managing Director and the Creating Future Value section.</p>
Our Commitment to Growing Our Diverse Businesses	<p>We remain very clear about our plans for our core and strategic businesses. We intend to continue extracting value from our traditional core businesses by bolstering their overall operations and optimising efficiencies. We are also looking into re-focusing and growing our strategic businesses by expanding the market base of our strategic businesses beyond Sarawak, among other things.</p> <p> For more information, please refer to the Strategic Review by the Group Managing Director and the Creating Future Value section.</p>
Our Commitment to Responsible Operations	<p>We measure performance by using financial and non-financial performance indicators related to our strategic objectives. We leverage on good governance practices and stringent risk control measures to ensure our operations at the Group, divisional and subsidiary levels are run in a responsible and transparent manner.</p> <p> For more information, please refer to the Strategic Review by the Group Managing Director, Top Business Risks and Mitigation Strategies, as well as Governance and Risk Management sections.</p>
Our Commitment to Sustainability	<p>We continue to embed a strong sustainability culture within all our businesses. Our aim is to create a vibrant performance-driven workplace, be a leader in good environmental practices, and serve as a model for giving back to the community. Moving forward, CMS' agenda of sustainability is set to gain greater momentum across the Group with the rollout of our Sustainability Roadmap (2021-2023) by our leadership who are driving sustainability efforts from the top down to a greater extent.</p> <p> For more information, please refer to the Determining What is Material to CMS, Nurturing People, Sustaining Communities, as well as Leveraging Innovation to Safeguard the Environment sections.</p>

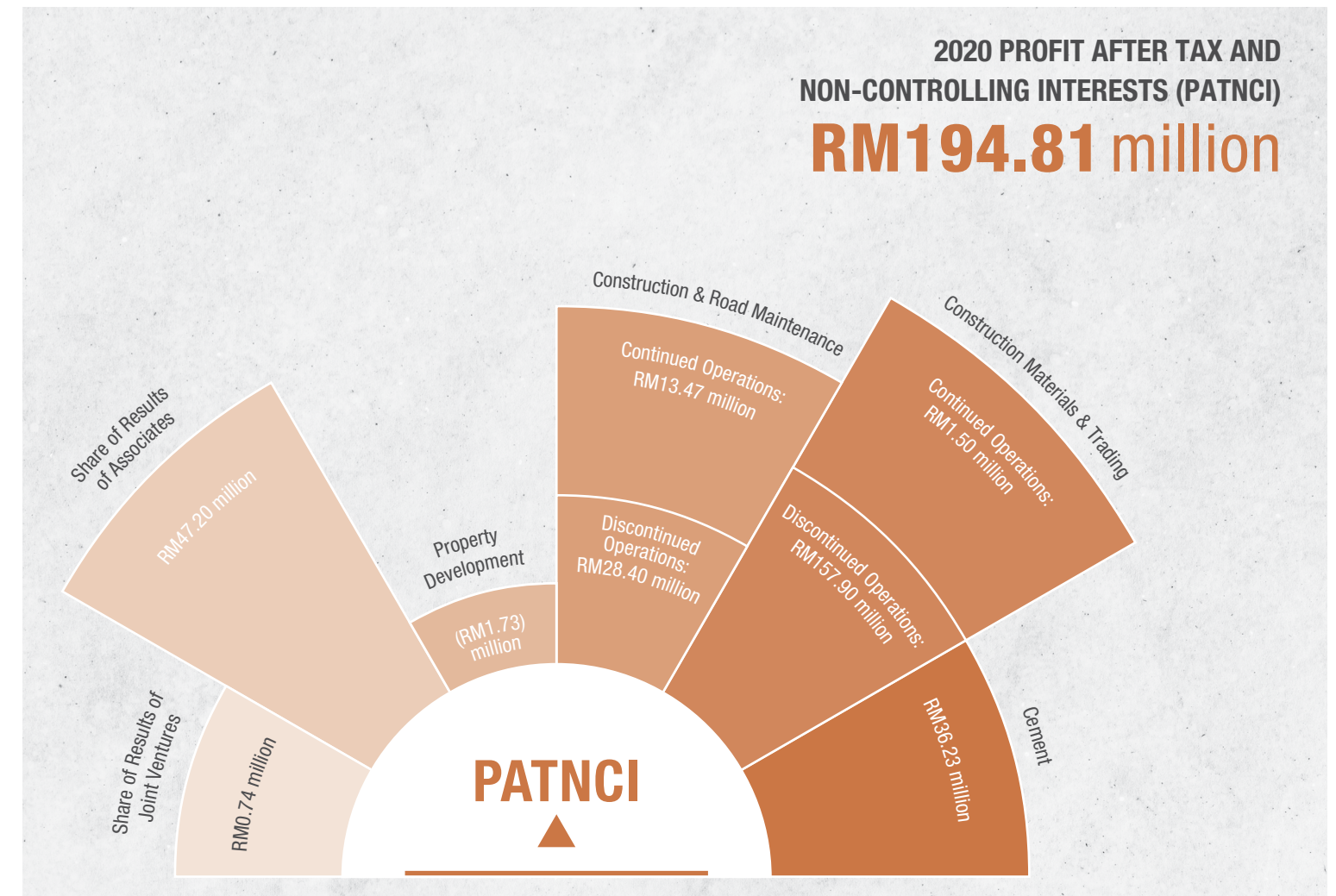
Our 2020 Performance Highlights and Achievements

FINANCIAL HIGHLIGHTS

As Sarawak's leading infrastructure facilitator and a prime mover in the Sarawak growth story, CMS continued to make steadfast progress on several fronts in FY 2020. The following are some of our performance indicators and achievements for the year in review.



For more information, please refer to the Operational Review section of CMS' Integrated Annual Report 2020.



2020 ACHIEVEMENTS

- 17 January 2020** – CMS Property Development Sdn Bhd was awarded the **SHEDA Excellence Award** in the Strata Development (High Rise) category by the Sarawak Housing and Real Estate Developers' Association (SHEDA).
- June 2020** – CMS is the only Sarawakian company and one out of 75 companies in Malaysia to be made a **constituent of the FTSE4Good Bursa Malaysia Index**. We have maintained this position for five years running.
- 25 June 2020** – Our Integrated Annual Report 2018 was awarded a **Gold Award** and nominated as a **Finalist for the 'Report of the Year'** at the **2020 Annual Australasian Reporting Awards (ARA)** event.
- 7 September 2020** – CMS **scored 3rd place** in the Industry Excellence Awards (Industrial Products & Services) category at the **MSWG-ASEAN Corporate Governance Awards 2019**.
- 14 September 2020** – Our Integrated Annual Report 2019 was awarded a **Silver Award** in the **Integrated AR & CSR: Non-Traditional Format** subcategory at the **34th ARC Awards International event** in New York, the world's premier annual report competition.
- 24 September 2020** – CMS bagged no less than **five awards** at the **12th Global CSR Summit & Awards** and **The Global Governance Awards**. These included the following:
 - CSR Leadership Award – Bronze;
 - Best CEO Award – Bronze;
 - Best CFO Award – Platinum;
 - Best Governed and Transparent Company Award – Silver; and
 - Best Corporate Communication and Investor Relations Award – Gold.
- 19 November 2020** – Our Group CFO, **Tuan Syed Hizam Alsagoff**, was named the **Best CFO for Investor Relations (Mid Cap)** for the second consecutive year at the **10th Malaysian Investor Awards (MIRA) 2020** event. CMS' website was also named the **Best IR Website (Mid Cap)**.
- 10 December 2020** – CMS received the **2019 ASEAN Corporate Governance Scorecard Award** in the **ASEAN Asset Class PLCs (Malaysia) category** from the Minority Shareholder Watchdog Group (MSWG).
- CMS continues to qualify as a **member of Bursa Malaysia's Green Lane Policy** due to our good track record of public disclosure.
- In 2020, CMS' employees raised a **total of RM32,937.38** and clocked up **18,018 man-hours** for CSR activities under the CMS Doing Good banner.

Message from Our Group Managing Director

Remaining Resilient Admire An Unprecedented Year

YBhg. Dato Isaac Lugun
Group Managing Director



CMS' Group Managing Director, YBhg. Dato Isaac Lugun, discusses the year's challenges, the developments on the Economic, Environmental and Social fronts, plus the host of concrete measures that the Group is undertaking to fast-forward its sustainability ambitions.

There is no simple way to sum up 2020. Heralding in the twin shocks of the COVID-19 pandemic and the oil price rout, it plunged the global economy into the worst peacetime recession in history.

The year 2020 in its full force was unprecedented, tumultuous, wearisome and devastating, yet it also sparked resilience, ingenuity, hope and solidarity in humanity. As we reflect on what this year meant for all of us, we ask ourselves if this was just a blip on the screen and whether things will return to what they once were, or will 2020 have a lasting impact that will extend well into the future? As we try to make sense of all this, we are grateful that by comparison with some other sectors of the economy, the Group and indeed the State of Sarawak came through 2020 only slightly the worse for wear.

Amidst the year's highly challenging operating environment, we focused our efforts on making employee safety and health our topmost priority. This saw us bringing a host of COVID-19 mitigation measures and stringent standard operating procedures (SOPs) into play. We also sought to ensure the well-being of our people by delivering them their full remuneration on schedule. At the same time, we ensured the welfare of our suppliers and contractors by making a special effort to settle all outstanding invoices in a speedy manner to help alleviate any financial challenges that they may have been facing.

As we reflect on what this year meant for all of us, we ask ourselves if this was just a blip on the screen and whether things will return to what they once were, or will 2020 have a lasting impact that will extend well into the future?

To preserve shareholder value during the lockdown in March, our team devised response plans and protocols, as well as prepared strategies to regain business momentum. This gave us the means to swiftly recommence operations in mid-May during the Conditional MCO (CMCO) period. To ensure our financial resilience, we were laser-focused on implementing catch-up strategies following the reopening of our operations across the board under the CMCO. We enhanced operational efficiencies to attain cost savings and strengthened cost control measures including rationalising our capital expenditure (CAPEX). As such, non-essential CAPEX was minimised, while essential CAPEX will be implemented in stages. On top of this, we continued to preserve cash for business operations and future investment.



Even as this unprecedented crisis took a toll on our nation, economy and people, we were heartened to see many parties proactively working together to mitigate the effects of the pandemic and the challenging but necessary phases of the MCO. As the leading listed corporation in the State of Sarawak, CMS on its part sought to protect our businesses and stakeholders while preserving value in innovative ways. Today, we continue to focus our efforts on ensuring sustainable long-term growth and upholding good shareholder returns. Despite the challenges besetting our economy, businesses and people, we are confident of getting back on track to regain whatever momentum we have lost.

01

Continuing to Champion the Agenda of Sustainability

It is my pleasure and privilege to present the 2020 Sustainability Report of Cahya Mata Sarawak Berhad (CMS or the Group) which underscores our efforts to champion the agenda of sustainability across our organisation and the State of Sarawak. This, CMS' sixth Report to date, aims to provide concise insights into the Group's sustainability endeavours for the financial year ended 31 December 2020 (FY 2020).

The case for business sustainability becomes more compelling every year. There continues to be an increased focus on the way businesses are run, with greater attention given to how businesses impact the economy, environment and society. Failure to address sustainability issues poses operational and reputational risks to a company. Sustainability when done right can contribute towards more efficient operations and supply chain cost savings. An emphasis on sustainability presents a strategic advantage which will result in more innovative products and services, increased market share and a stronger brand. The year in review showed that because we had been keeping an unwavering focus on responsible business practices and sustainable growth, we were able to remain resilient and continue creating tangible stakeholder value despite the operational setbacks.

I am pleased to report that we took our sustainability practices up several notches in 2020 when we re-engaged PwC Consulting Associates (M) Sdn Bhd (PwC), the South East Asian Consulting Services Sustainability and Climate Change Leader, to review our sustainability practices and devise a new sustainability matrix, themes and initiatives. We have also retained PwC's services for the first half of 2021 to implement a three-year Sustainability Roadmap (a revitalised version of the former blueprint). In devising the new matrix and other elements, PwC first got down to determining what was most material to CMS under current operating conditions. These and other elements are described in more detail in the section titled Materiality Mapping in this Report.

To provide direction across the Group, a Sustainability Steering Committee consisting of the C-Suite and Heads of Divisions under my oversight have formed a two-tier decision-making structure supported by our existing Sustainability Working Committee. With sustainability driven from the top down, the agenda of sustainability is expected to gain greater momentum and be embedded within CMS in a greater measure.

The Group's commitment to sustainability is evident in the steadfast progress that we continued to make on the Economic, Environmental and Social or EES fronts in FY 2020.

Message from Our Group Managing Director

02

Over the next 12 months, we have committed to engaging with various stakeholders including our supply chain, regulators and policy makers, government, as well as our peers across various sectors to forge partnerships that are committed to responsible business practices and sustainable development.

In an important corporate development, CMS inked a share sale agreement with joint venture partner, Sarawak Economic Development Corporation (SEDC), on 28 August 2020. This agreement centred on CMS' disposal of 2% equity interests in two of its 51%-owned group subsidiaries, namely SEDC Resources Sdn Bhd (SEDCR, formerly CMS Resources Sdn Bhd) and PPES Works (Sarawak) Sdn Bhd (PPESW), to SEDC for RM17.5 million cash. The transaction, which was brought to a close on 2 October 2020, effectively lowered CMS' stake in the two companies to 49% while giving SEDC the majority 51% stake in each. Today, all of SEDCR's quarry, premix and concrete product-related operations, as well as PPESW's construction operations, including its road maintenance activities, are now under the joint control of SEDC and CMS.

This exercise marked another major milestone in the long-standing collaboration between our two corporations. CMS' successful 27-year plus private-public partnership with SEDC has brought about much economic progress for Sarawak particularly in terms of the State's infrastructural development. The exercise has been a step in the right direction for CMS given that the State Government has entrusted SEDC to play a more direct and catalytic role in the economic development of Sarawak including the change in quarry licencing policy requiring SEDC to have a stake in all quarries in the State. SEDC, has in essence, assumed the mantle of the State Government's chief partner in the economic development of Sarawak.

It is a known fact that the quarry and construction industries are primarily driven by the Government especially in terms of licencing and the rollout of mega projects. At the same time, the Government relies on those companies with the necessary expertise to drive growth and development in these areas. It is therefore imperative that both CMS and SEDC, for our mutual benefit, continue to reinforce our collaboration and find new ways to create additional value for both parties and the people of Sarawak. This exercise is a

positive step towards cementing the Group's ongoing strategic collaboration with the State. Furthermore, it also places CMS on a stronger footing to capture business opportunities particularly at the time when several mega infrastructure projects are underway or in the pipeline. More details on this exercise can be found in the Economic section of this Report.

In October 2020, CMS was accepted as one of the 41 Members of the pioneering CEO Action Network (CAN) Malaysia, an informal closed group of leading CEOs collaborating for sustainability leadership. We have also confirmed our active participation in their workstream Policy Advocacy. Over the next 12 months, we have committed to engaging with various stakeholders including our supply chain, regulators and policy makers, government, as well as our peers across various sectors to forge partnerships that are committed to responsible business practices and sustainable development. In the process, we will not only exchange industry best practices, but also share proven strategies and future-proof ideas with CAN participants. In our next Report, we hope to outline the specific role fulfilled by CMS, as well as the tangible outcomes of our collaborative efforts with CAN.

It is crucial that CMS remain a constituent of the FTSE4Good Bursa Malaysia Index (F4GBM) in recognition of our EES achievements as it qualifies CMS under the strict sustainability conditions that foreign investors set for investee companies especially in the emerging markets. I am pleased to report that CMS' inclusion in the F4GBM Index for the fifth consecutive year validates our commitment to implementing robust environmental, social and governance (ESG) practices and entrenches us in the international market as a progressive and ethical company that is upholding a sustainability-based (and thus a safer) business model. Today, we continue to undertake the necessary measures to ensure we remain an attractive value proposition to financial institutions who have set down strict ESG criteria for their investments.

In Support of Sustainable Business Growth

CMS' commitment to upholding effective and transparent reporting practices continues to bear fruit. I am pleased to highlight that CMS was named one of five finalists for the "Report of the Year Award" at the prestigious 2020 Australasian Reporting Awards (ARA) event in June 2020. We were also one among 69 recipients of an ARA Gold Award for distinguished reporting which enabled us to qualify as a finalist for the Report of the Year Award. What is noteworthy is that CMS was the only Malaysian organisation to make the list of five finalists with the other four finalists hailing from Australia and New Zealand respectively. Our inaugural Integrated Report 2018 also had the added distinction of being the first ever report from a company within ASEAN to be selected as a finalist in the 70-year history of the ARA. We are both humbled and elated to know that the quality of our maiden Integrated Report was able to stand on par with other distinguished reports that uphold world best practices.

In September 2020, we went to clinch a Silver Award for our second Integrated Report at the 34th ARC Awards International event in New York, the world's premier annual report competition. Our Integrated Report 2019 with its tagline "Creating Future Value" was named Silver Award winner in the Integrated AR & CSR: Non-Traditional Format sub-category under the Specialised Annual Reports Category. The fact that we were assessed against a multitude of entrants from some 76 countries and still clinched a Silver Award is very humbling. These awards underscore our commitment to excellence and to raising the standards of our reporting and disclosure. They also reflect that we are making some solid progress by way of articulating the story of how we have been aligning strategy with value creation and performance.

Our commitment to upholding high standards of corporate governance conduct and good disclosure practices continues to be validated by Bursa Malaysia in that we continue to maintain our position as one of the Qualifying Companies under the Exchange's Green Lane Policy. This entitles us to specific privileges including the ability to issue circulars without having to seek Bursa Malaysia's approval.

The details of these and other developments, including that relating to our ongoing three-pronged growth strategy, our reinvigorated leadership team, our risk management and governance efforts, as well as other initiatives to strengthen our businesses and the State, can be found in the Economic section of this Report.

03

Tapping Innovation to Safeguard the Environment

We acknowledge that we have a responsibility to be a good steward of the resources we have been entrusted with. As such, the Group continues to apply innovative operating strategies, technologies and best practices to our operations in a manner which mitigates our carbon footprint whilst preserving the environment for future generations. In 2020, we focused our energies on improving our environmental practices and leveraging innovation to safeguard the environment.

As testament to our efforts, October 2020 saw the Land Custody & Development Authority (LCDA) Headquarters that was designed and built by our Property Development Division being recognised as the winner of the "Energy Efficiency Building Award – New and Existing Building Category" at the ASEAN Energy Awards 2020 event. CMS Properties Sdn Bhd completed the development of the two signature Green Building Index or GBI-certified buildings at The Isthmus called The Gateway Towers in 2017, with each building serving as headquarters for the LCDA and the Sarawak Economic Development Corporation (SEDC) respectively. Such recognition underscores our capability to bring green technology to the State and ensure that real progress is delivered with absolute quality.

Despite our operations being hampered by the pandemic, we picked up on our research and development (R&D) activities, as well as went on to work on innovative environmental-friendly methodologies and technologies to treat scheduled wastes and by-products within the Samalaju Industrial Park (SIP). One of the ongoing central issues within the SIP revolves around the management of scheduled wastes of new by-products by new industries. Recognising that many of these by-products from new industries within the SIP can be recycled and used to replace the typical raw materials or traditional fuel used in clinker, cement and concrete operations, we continue to tap our cement and premix laboratory facilities, as well as dedicated teams to manage and recycle waste and by-products. Our ongoing waste management and product development activities, as well as our other environmental-friendly endeavours, are outlined in the Environmental section of this Report.

04

Embedding Sustainability Within Our People and Culture



Although 2020 saw us having to curtail many face-to-face employee engagement activities because of movement restrictions and stringent SOPs, we were still able to leverage on a host of virtual activities to engender unity, positivity and commitment within our Family.

We continue to make good progress by way of embedding the agenda of sustainability within the mindsets of our employees and our work culture. Our people have come to acknowledge the importance of sustainable growth and continue to do their best to deliver true and sustainable value to our key stakeholders whilst building enduring ties with them.

CMS was able to withstand the onslaught of challenges that 2020 brought simply because of the resilience and tenacity of our employees. Our strong ties with our employees, whom we regard as part and parcel of the CMS Family, is what saw us through. By prioritising the safety, well-being and welfare of the CMS Family, we continue to strengthen our ties with them and our resolve to move forward together as one.

As always, CMS remains deeply committed to nurturing the well-being of the CMS Family through according them the warmth and camaraderie of a family environment, coupled with the professionalism of a well-run meritocratic listed company. We continue to look for the best talent, retain them, nurture them within a conducive environment, as

well as work together with them to explore new and innovative ways to deliver ever-increasing value to our stakeholders. Although 2020 saw us having to curtail many face-to-face employee engagement activities because of movement restrictions and stringent SOPs, we were still able to leverage on a host of virtual activities to engender unity, positivity and commitment within our Family.

Even as we expect much from our family of employees, we are also mindful of the need to reward them and give them a stake in CMS. To this end, November 2020 saw us rolling out an Employee Share Option Scheme (ESOS) with an opening price of RM1.14 per share. As of early March 2021, our share price has been averaging RM2.20, meaning that our ESOS is already in the money. I believe that when our employees understand and acknowledge that they all have a hand in the game, we can achieve transformation.

Our commitment to enriching Sarawak's communities is underscored by the CMS Doing Good programme that was established back in 2007. Thirteen plus years into the programme and our employees

Message from Our Group Managing Director

04

Embedding Sustainability Within Our People and Culture (Cont'd)



Owing to the restrictions imposed under the various phases of the MCO in 2020 we were unable to carry out many of our planned CSR activities because of the SOP guidelines that were maintained and the official 'Stay Home' advice asking citizens to isolate to stop the spread of infection, all of which inhibited social activity.

continue to generously come forward to invest their time, effort and resources to help those in need. In 2020, our employees raised a total of RM32,937.38 (2019: RM86,139.91; 2018: RM105,065.00) under this initiative. The funds were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes to assist them in their day-to-day expenses. The year under review also saw our employees dedicating a total of 18,018 man-hours (2019: 41,949 man-hours; 2018: 50,241 man-hours) for Corporate Social Responsibility (CSR) activities including clothes donations, rebuilding communities, recycling campaigns, community work and much more.

Owing to the restrictions imposed under the various phases of the MCO in 2020 we were unable to carry

out many of our planned CSR activities because of the SOP guidelines that were maintained and the official 'Stay Home' advice asking citizens to isolate to stop the spread of infection, all of which inhibited social activity. A host of charitable programmes including marathons, charity events and the regular donation drives our staff customarily participate in had to be called off. These health and safety measures put in place to combat the epidemic had the effect of restricting the number of man-hours that could be expended on CSR activities and constrained the amount of funds raised for distribution this year.

In 2020, the Group continued to support Muslim communities in the State via our Adopt-a-Mosque initiative which saw us contributing RM94,000 to the 47 mosques and suraus under this programme. The Group's long-term goal is to build sustainable

communities throughout Sarawak and we continue to look for ways to enrich communities and build enduring ties with them while helping strengthen CMS' position as a friend to them. Our long-term engagement initiatives with communities in the vicinity of Mambong continue to prove fruitful and can serve as a proven model for the good things we can do with other communities across Sarawak. Moving forward, we will look at innovative ways of rolling out activities under our Doing Good platform to work with communities. By elevating lives and creating growth opportunities, we will truly make a long-term difference as a conscientious corporate citizen.

The CMS Tribal Run could not be held last year due to restrictions to mitigate the pandemic. Barring unforeseen circumstances, come August 2021, we hope to organise the ever-popular Run for the sixth consecutive year.

As we step forward, employee volunteerism will feature strongly in our efforts to impact and strengthen communities across Sarawak for the better and in a more sustainable manner. For more details of our workplace and community building efforts, please refer to the Social section of this Report.

05

Building Upon the Good Momentum Gained

As the agenda of sustainability becomes embedded in greater measure within CMS, the benefits to the Group and our stakeholders are becoming more evident. For instance, the brand differentiation we enjoy as one of the most admired public-listed companies in Sarawak, raises our profile. We are also finding that good CSR practices have the potential to reduce the cost of debt for companies and reduce operational and reputational risk. Environmental improvements, in turn, can lead to economic benefits in several areas: by helping to improve performance and regulatory compliance; by reducing risk and strategic vulnerabilities internally; by improving the atmosphere with regulators and possibly reducing compliance costs; and, by improving reputation and reducing transactions costs in dealing with local communities, environmental groups, and other external stakeholders.

The involvement by the Group's leadership in sustainability matters has certainly been influential and inspiring. Given the Board and Management's oversight in the area of sustainability today, the agenda of sustainability at CMS has gained a stronger momentum and is being cascaded down across CMS in a reinvigorated manner. I am confident that the revamped Sustainability Roadmap will provide further impetus to our efforts as we build upon the many impactful sustainability initiatives already in place. As we work on strengthening our sustainability leadership position by embedding a stronger sustainability culture, as well as a host of other measures within our businesses, these will enable us to continue creating value while meeting growing investee company compliance criteria.

Moving forward, CMS remains deeply committed to creating long-term shared value for our stakeholders. We intend to do this by building upon our existing programmes and implementing new ones, as well as making the most of top-line growth opportunities, bottom line improvements and risk mitigation activities. As we focus our efforts on embedding sustainability within every level of our organisation, we will continue to prioritise excellence and innovation throughout our operations to bolster efficiency and our competitive edge. Only by undertaking these and other best practices, can we truly achieve meaningful long-term, sustainable growth and create good stakeholder value.

Moving forward, CMS remains deeply committed to creating long-term shared value for our stakeholders.



ACKNOWLEDGEMENTS

I wish to acknowledge the many parties who have helped us along the way on our journey of sustainable long-term growth. Our deep gratitude goes to our valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners and associate companies, for their unwavering trust and confidence in CMS. Our sincere appreciation to our Board of Directors for their guidance and astute insights which helped us steer wisely through the year's challenges and make it to the other side. To CMS' dedicated and hardworking family of employees, we thank you from the bottom of our hearts for your tenacity, resilience and commitment to excellence. Our utmost thanks also go to the diverse communities that we operate in and who have in turn supported us. We look forward to your steadfast support as we work closely together to advance your communities and our State.

As we venture forth to secure the future of CMS by ensuring sustainable growth and creating long-term shared value for our stakeholders, our stakeholders can rest assured that we will continue to strengthen the building blocks that are in place through responsible practices and good EES performance. As we work to enhance our sustainability initiatives and our sustainability disclosure, we call upon all our stakeholders to continue lending us their untiring support. As you browse through CMS' Sustainability Report 2020, I am confident that you will find it an informative and interesting read. Thank you for your kind support.

Yours sincerely,

YBhg. Dato Isaac Lugun
Group Managing Director

Upholding Good Stakeholder Engagement

UNDERSTANDING AND RESPONDING TO STAKEHOLDER EXPECTATIONS

Stakeholders are important to CMS as they can influence our business activities, outcomes, and our value creation abilities over time. We define our stakeholders as individuals, interest groups or organisations who are impacted or influenced in one way or another by our business activities and/or presence and vice versa. We may influence them through several ways i.e., via our role as a private sector corporation, an employer, or a business that generates revenue and helps to boost local economies.

The following are the diverse stakeholder groups that influence CMS' decision-making:

- Shareholders
- Employees
- Customers
- Suppliers, Vendors and Service Providers
- Government and Regulators
- Communities
- Media

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

The Group is continually looking to strengthen its engagement methods and practices to ensure that the quality of these engagements is constantly enhanced. Above all, we are continuously improving our engagement initiatives to ensure that CMS remains a respected and integral part of the fabric of society. In order to ensure that we maintain our reputation as an accountable and conscientious corporate citizen, it is imperative that we hear the

SHAREHOLDERS

Being the key providers of financial capital, our shareholders are essential for business growth. Hence, the Group places emphasis on building trust and confidence with our shareholders by ensuring a robust, sustainable business with a resilient financial position.

Methods of Engagement/Platforms	Frequency	Key Areas of Concern for Stakeholder Groups
<ul style="list-style-type: none"> • AGM presentation by Group Managing Director • Quarterly results briefings • Media statements • Investor presentations • Investor roadshows conferences • Meetings or telephone calls with analysts or (potential) investors • Comprehensive investor relations portal • Site visits • Bursa Malaysia announcements 	<ul style="list-style-type: none"> • Annually • Quarterly • Regularly • Regularly • Regularly • Regularly • 24/7 • Ad hoc • Regularly 	<ul style="list-style-type: none"> • Business and Operational outlook and risks • Continued growth and financial stability • Cash utilisation and dividends • Shareholder's returns • Clear and transparent reporting • Good corporate governance • Sustainability matters • Business viability and regulatory compliance • Leadership changes <p>In the time of the pandemic:</p> <ul style="list-style-type: none"> • Operational and financial performance recovery

EMPLOYEES

Employees are advocates in shaping positive perceptions on CMS, hence the Group continues to focus on promoting a conducive and performance-driven work culture throughout its business operations. As the backbone driving the Group's success, CMS ensures open lines of communication with all employees by keeping them engaged and motivated to harness greater productivity.

Methods of Engagement/Platforms	Frequency	Key Areas of Concern for Stakeholder Groups
<ul style="list-style-type: none"> • Koffee Talk sessions • Townhall sessions • Management/Senior Management retreats* • Employee Performance Review • Employee Satisfaction Surveys • Departmental meetings • OurCMS newsletters • CMS intranet • E-blasts • Annual dinners* • CMS Friendly Games* • Safety Month • Family Day • Bowling games/birthdays* • Festive open houses* • Employee engagement initiatives • Incentive trips* • CMS Doing Good Website 	<ul style="list-style-type: none"> • Biennially • Annually • Annually • Biennially • Biennially • Regularly • Tri-annually • Daily • Regularly • Annually • Biennially • Annually • Annually • Ad hoc • Annually • Ad hoc • Regularly • Daily 	<ul style="list-style-type: none"> • Business sustainability and growth • Ethical leadership and business practices • Recognition and competitive remuneration • Fair and equitable benefits • Recruitment and retention • Training and development • Health and safety • Work/life integration • Workplace environment • Diversity, inclusivity and gender equality <p>In the time of the pandemic:</p> <ul style="list-style-type: none"> • Workplace safety, strict SOP guidelines • Effective communication on all COVID-19 related data and information

* Due to the strict but necessary COVID-19 restrictions, we were unable to carry out these activities in FY 2020.

voices of the communities that surround us. As such, we continue to explore different ways by which we can improve our engagement methods and practices so as to provide the best and most feasible platforms for communication with our stakeholders.

The following tables highlight the diverse stakeholder engagement practices that the Group undertook in 2020 and the frequency of those activities. For each stakeholder we discuss their relevance to CMS, the method and platforms of engagement, the key areas of concern, and CMS' measured response to stakeholders' expectations.

Note that whilst many of our key engagement activities are typically held on an annual basis, however, because of the strict but necessary COVID-19 restrictions, we were unable to carry out some of these activities in 2020. However, where practical, key activities like our Annual General Meeting and Townhall sessions were conducted via virtual means.

CMS' Response to Stakeholders' Expectations

- Consistent and transparent disclosure of financial and non-financial performance
- Timely reporting of operational and financial performance
- Effective investor relations engagement with investors
- Building Management's credibility and trust to steer investors into the future
- Transparent disclosure of corporate responsibility, integrity and accountability as enshrined in the Malaysian Code on Corporate Governance (MCCG) 2017
- Transparent disclosure of Environmental, Social and Governance (ESG) matters in corporate reporting as required by FTSE4Good Bursa Malaysia (F4GBM) Index

In the time of the pandemic:

- Active communication in updating operational performance and responding to the impact of the pandemic
- Ensuring financial resilience and exploring cost control efforts

CMS HOLDS ITS FIRST-EVER VIRTUAL AGM

Despite being right in the middle of the pandemic, we were able to return to some semblance of normality by organising our 45th Annual General Meeting (AGM) in a virtual manner on 18 June 2020. Out of concern for the well-being and safety of our shareholders, and in compliance with MCO regulations, the event was conducted via live webcast, as well as Remote Participation and Voting (RPV) facilities. Shareholders participated remotely from the comfort of their smart devices or personal computer/notebooks in the safety of their homes.

CMS' Response to Stakeholders' Expectations

- Creating a positive workplace culture and conducive workplace environment
- Providing adequate training and progressive capability development
- Fair and equitable employee benefits and welfare provision reflective of current practices and industry standards
- Employee commitment towards the Group's Code of Conduct
- Identifying risk and opportunities faced by employees
- Continuous staff engagement

In the time of the pandemic:

- Active communication in updating operational performance and responding to the impact of the pandemic
- Upholding strict adherence to SOP guidelines within all businesses and at the operational ground-level
- Enhancing workplace resources and effective dissemination of COVID-19 status updates, Business Resumption Guidelines and Workplace Management Guidelines
- Ensuring rotational workforce arrangements and encouraging an active Work-from-Home culture
- Active use of our unified digital platform to ensure business continuity via virtual meetings, real-time work collaboration, etc.

KEEPING THE FLAME BURNING VIA MAIDEN VIRTUAL TOWNHALL SESSION

To ensure the pandemic did not put a damper on the ever-popular CMS' Annual Townhall session, we took the 2020 session online on 11 December 2020. Employees who were working remotely tuned in via their mobile devices, while those in the office watched the live-streamed event on their computers or the nearest television set. The event kicked off with our GMD's keynote address to the Group followed by our C-Suite making their debut during the 'Q&A with C-Suite' segment and personally answering thought-provoking questions from employees. The 'Spotlight on CMS Colleagues' session saw employees discussing the shared coping strategies for dealing with the pandemic and what key actions were still needed to deal with the challenges. At the heart of the event was the moving Long Service Awards video which saw our long-standing employees, the backbone of CMS, featured in their daily routines as they shared their heartfelt experiences about being a part of the CMS Family. To wrap up the event, our very own CMS Band comprising some 30 staff from across the Group put their heads, hearts and talents together to bring the CMS Family a heart-warming musical production to remind everyone that we are in this crisis together.

Upholding Good Stakeholder Engagement

CUSTOMERS

A strong customer base is key to promoting sustainable business growth. CMS endeavours to deliver quality products and timely services.

Methods of Engagement/Platforms	Frequency	Key Areas of Concern for Stakeholder Groups	
<ul style="list-style-type: none"> Customer satisfaction surveys Customer training within the respective Divisions Code of Ethics and Business Conduct Dialogue with customers/dealers Corporate website and social media Product brochures or pamphlets 	<ul style="list-style-type: none"> Annually Quarterly Regularly Regularly Regularly Regularly 	<ul style="list-style-type: none"> Positive customer experience to build confidence and trust in the CMS brand Delivery of quality products and timely services Respecting the needs and satisfaction levels of customers 	<ul style="list-style-type: none"> Competitive product pricing Customer data protection <p>In the time of the pandemic:</p> <ul style="list-style-type: none"> Supply shortage Delayed delivery and service interruptions

CMS' Response to Stakeholders' Expectations

- Ensuring efficient delivery of products and services
 - Quality maintenance with continued development and innovation
 - Implementing a Customer Satisfaction Survey system for each Division which is benchmarked against previous years' achievements
 - Providing customers an efficient engagement process
 - Ensuring customers are aware of the company's policies and guidelines
- In the time of the pandemic:
- Ensuring customer concerns are attended to efficiently

SUPPLIERS, VENDORS AND SERVICE PROVIDERS

Our suppliers are key to providing essential raw materials or products with added value to our operations, allowing CMS to deliver to the best of our capabilities and capacity.

Methods of Engagement/Platforms	Frequency	Key Areas of Concern for Stakeholder Groups	
<ul style="list-style-type: none"> Regular meetings Tender, biddings, quotations and contract negotiations Product demonstrations and evaluations Procurement processes Code of Ethics and Business Conduct Dialogue with customers/dealers 	<ul style="list-style-type: none"> Regularly Regularly Regularly Regularly Regularly Regularly 	<ul style="list-style-type: none"> Positive supplier experience to build confidence and trust in the CMS brand Compliance with applicable regulatory requirements and quality standards Availability of products and services and ability to provide continuous support Fair and transparent negotiations 	<ul style="list-style-type: none"> Active communications during the critical shortage of supplies Supply chain practices <p>In the time of the pandemic:</p> <ul style="list-style-type: none"> Delayed bill settlements Service interruptions

CMS' Response to Stakeholders' Expectations

- The Group is focused on streamlining and centralising our procurement processes to improve efficiency and cost effectiveness
 - The procedure for the selection of suppliers/contractors is based on consistency in promoting sustainable development, being environmentally friendly and ensuring a good corporate reputation
 - Formal procurement processes include selection by criteria applied regarding tenders, contracting and preferred supplier agreement
 - Contracted vendors and suppliers are required to adhere to the Corporate Integrity Agreement (CIA) and any related policies
 - Reporting performance and monitoring to improve efficiency throughout the supply chain
- In the time of the pandemic:
- A special effort was made by CMS to settle all outstanding invoices from our suppliers and contractors via online payments to help alleviate the financial challenges that they were facing
 - Ensuring suppliers' concerns are attended to efficiently

KEEPING BUSINESSES GOING DURING THE PANDEMIC

In 2020, we took our sustainability practices up several notches as we engaged PwC Consulting Associates (M) Sdn Bhd (PwC) to devise a new sustainability matrix, themes and initiatives for the Group. Due to the COVID-19 pandemic most of the exercise, which included presentation sessions, interviews and follow-up meetings among others, had to be carried out virtually over a period of 6 months. Despite the challenges, the project was a success and the final presentation by PwC was made to CMS Senior Management team on 27 August 2020.

GOVERNMENT AND REGULATORS

With CMS' presence in the various industrial sectors, it is key to ensure we conform to all Government laws and regulations. The support garnered from the Government will strengthen our reputation as a responsible company, and in return CMS' businesses will continue to stimulate the economy, as well as enrich communities.

Methods of Engagement/Platforms	Frequency	Key Areas of Concern for Stakeholder Groups	
<ul style="list-style-type: none"> Meetings Progress updates Compliance reports Strategic and Informal Dialogue Sessions Participation in governmental programmes Licence applications Operational inspections CMS Friendly Games 	<ul style="list-style-type: none"> Regularly Regularly Quarterly Regularly Regularly Regularly Regularly Regularly 	<ul style="list-style-type: none"> Compliance with laws and regulations Ethical business practices Operational impact Regulatory reforms Human capital and social development 	<p>In the time of the pandemic:</p> <ul style="list-style-type: none"> Funding support and food aid

CMS' Response to Stakeholders' Expectations

- Adhering to regulatory requirements and providing strategic responses to operational queries
 - Providing transparent, regular and concise business approach and sustainability updates
 - Supporting the Malaysian Government's agenda for nation-building
 - Supporting the State's economic transformation projects by empowering communities with self-sustaining skills
 - Playing our role as a nation-building partner in providing advice (as a thought partner) to shape and facilitate the implementation of policies
 - Providing clear, regular and concise business and sustainability updates
 - Adhering to global agendas such as the United Nations Sustainable Development Goals (SDGs)
- In the time of the pandemic:
- Providing essential food aid to frontliners
 - Safeguarding the Government and frontliners with RM1.4 million worth of Personal Protective Equipment (PPE)
 - Donating RM1 million to the Sarawak State Disaster Relief Fund

COMMUNITIES

Communities have the power to influence the viability and sustainability of CMS' business operations. As a responsible Group, we provide opportunities to improve the well-being and livelihood of communities through CSR collaboration for the benefit of all.

Methods of Engagement/Platforms	Frequency	Key Areas of Concern for Stakeholder Groups	
<ul style="list-style-type: none"> Partnerships in CSR activities Environmental programmes Sponsorships and donations Employee volunteerism CMS Friendly Games Dialogue sessions 	<ul style="list-style-type: none"> Regularly Regularly Regularly Regularly Regularly Regularly 	<ul style="list-style-type: none"> Development of communities with solidarity, social welfare, health and safety Governance and integrity Community well-being and environmental preservation 	<ul style="list-style-type: none"> Compliance with relevant legislation <p>In the time of the pandemic:</p> <ul style="list-style-type: none"> Sufficient support on the economic front to ensure the well-being of local communities

CMS' Response to Stakeholders' Expectations

- Continuous investments in identified community engagement programmes
 - Building Sustainable Communities in the vicinity of Mambong focusing on:
 - Youth development programmes
 - Providing infrastructure development support
 - Providing employment opportunities for locals
 - Open dialogue
- In the time of the pandemic:
- Providing food assistance to various local communities

MEDIA

The Media helps to strengthen our reputation and credibility by providing a fair and balanced view of our organisation, which helps to amplify our efforts in attaining stakeholder advocacy.

Methods of Engagement/Platforms	Frequency	Key Areas of Concern for Stakeholder Groups	
<ul style="list-style-type: none"> Press releases Meet & Greet the Media sessions Media get-togethers 	<ul style="list-style-type: none"> Regularly Ad hoc Ad hoc 	<ul style="list-style-type: none"> Ethical business practices Timely disbursement of business-related updates or information Regulatory compliance Media investment and support 	<p>In the time of the pandemic:</p> <ul style="list-style-type: none"> Up-to-date and accurate business updates on risks and opportunities

CMS' Response to Stakeholders' Expectations

- Hosting networking and sharing sessions with the media
- Providing press releases or media statements in a timely manner
- Ensuring the swift dissemination of operations-related statements or releases

The various platforms and processes that we have brought into play to engage with our stakeholders are covered in the Group's OurCMS digital newsletter which is available for viewing on our corporate website. OurCMS newsletters report all events, corporate news and feature stories about CMS and are released on a tri-annual basis. The newsletter serves as an easily accessible and comprehensive source of information for our stakeholders.

Materiality Mapping

DETERMINING WHAT IS MATERIAL TO CMS

Topics that are material or important to CMS are defined as those topics which have a direct or indirect impact on our ability to create, preserve or erode Economic, Environmental and Social (EES) value for CMS, our stakeholders and the environment that we operate in. The exercise to identify sustainability topics requires engagement with both internal and external stakeholders to garner feedback into what is important or material and to uncover new matters of significance to our stakeholders and our businesses. Independent insights help us validate the issues identified. The mapping of our materiality matters on a matrix lets us identify the elements which influence CMS' delivery of value.

Methodology and Findings

In 2020, we conducted a three-step materiality assessment to produce an updated materiality matrix. The first step involved the identification of relevant matters by making a preliminary assessment of CMS' 2018 materiality matrix, then a comparative analysis of peer companies' current material matters, locally and globally. Additional matters which the Sustainability Working Committee thought relevant were then incorporated in the relevant list which resulted in a preliminary list of 25 relevant material matters.

The second step involved evaluating the importance of these relevant matters and prioritising them accordingly. Led by Group Managing Director, Dato Isaac Lugun and the C-Suite, CMS' Senior Management from all core business Divisions were engaged in rating the 25 matters based on their Significance of EES Impacts to Business (x-axis) and Influence on Stakeholder Assessment & Decisions (y-axis).

Thirdly, the results were assessed based on their weightage and the list was consolidated into 14 material matters (i.e., 8 existing, 5 consolidated, 1 new). All 14 material matters were then prioritised relative to each other and the results plotted onto a preliminary matrix. To finalise the materiality matrix, the preliminary materiality matrix was presented to CMS' Senior Management during a validation session where the prioritisation of matters relevant to the Group was deliberated. As all issues were important to some degree, scales from 'Influential' to 'Most Influential' and 'Significant' to 'Most Significant' were adopted and a materiality matrix was developed.

The issues that could impact our ability to create value are presented in the diagram (below). 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 qualify as the top seven material matters.

Mapping the 14 Material Matters to the Economic, Environmental and Social Pillars

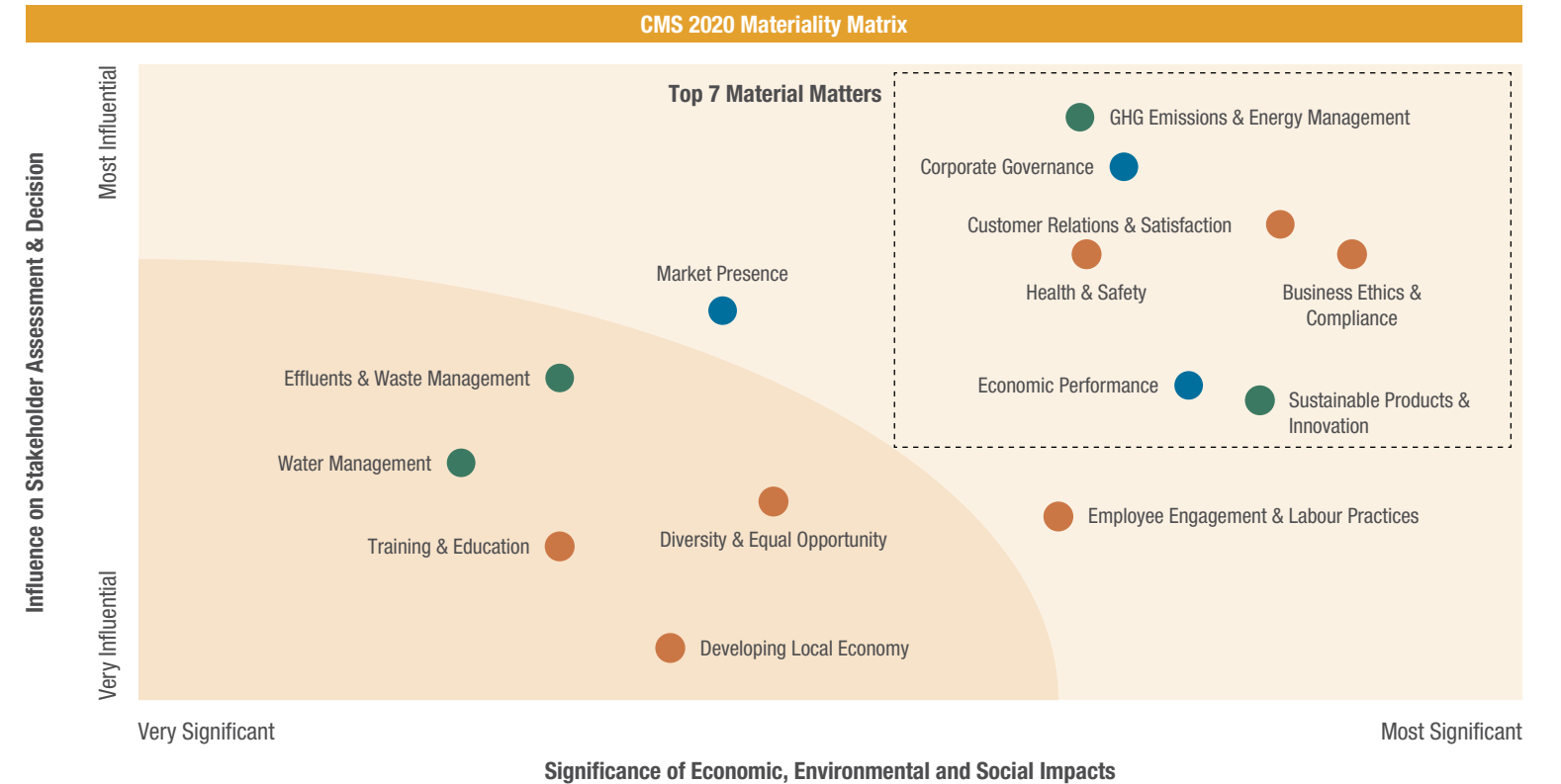
The 14 material matters were then also mapped against the Economic, Environmental and Social (EES) pillars of Sustainability.

Economic	
1. Economic Performance	●
2. Corporate Governance	●
3. Market Presence	●

Environmental	
4. Effluents & Waste Management	●
5. Water Management	●
6. Sustainable Products & Innovation	●
7. GHG Emissions & Energy Management	●

Social	
8. Health & Safety	●
9. Diversity & Equal Opportunity	●
10. Training & Education	●
11. Customer Relations & Satisfaction	●
12. Developing Local Economy/Community Engagement	●
13. Employees Engagement & Labour Practices	●
14. Business Ethics & Compliance	●

Legend: ● Current ● Proposed



Legend:
 ● Environmental ● Economic ● Social

Axes Definitions
 1 'Influence on Stakeholder Assessment & Decision' is defined as the importance of a sustainability matter to a stakeholder
 2 'Significance of EES Impacts' on the business is defined as the importance of a sustainability matter to CMS

As per the CMS 2020 Materiality Matrix, the top seven material matters identified for the 2020 period were as follows:

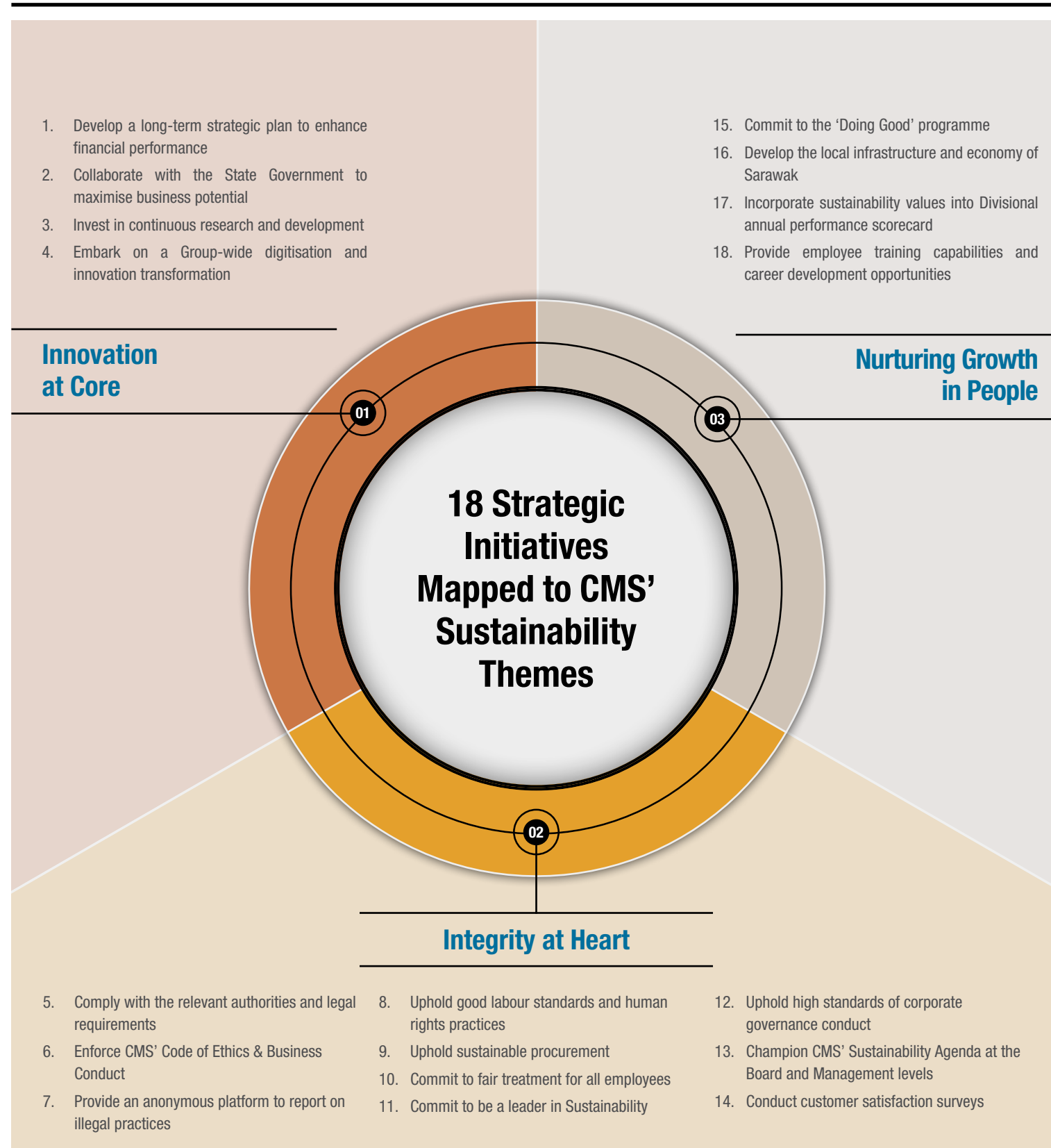
- GHG Emissions & Energy Management
- Corporate Governance
- Customer Relations & Satisfaction
- Health & Safety
- Business Ethics & Compliance
- Economic Performance
- Sustainable Products & Innovation

We also went on to map all 14 material matters onto **three Strategic Sustainability Themes**, namely **Innovation at Core**, **Integrity at Heart**, **Nurturing Growth in People**, in line with CMS' vision 'To be the PRIDE of Sarawak and Beyond.' The 14 material matters were then also mapped against the EES pillars of Sustainability.

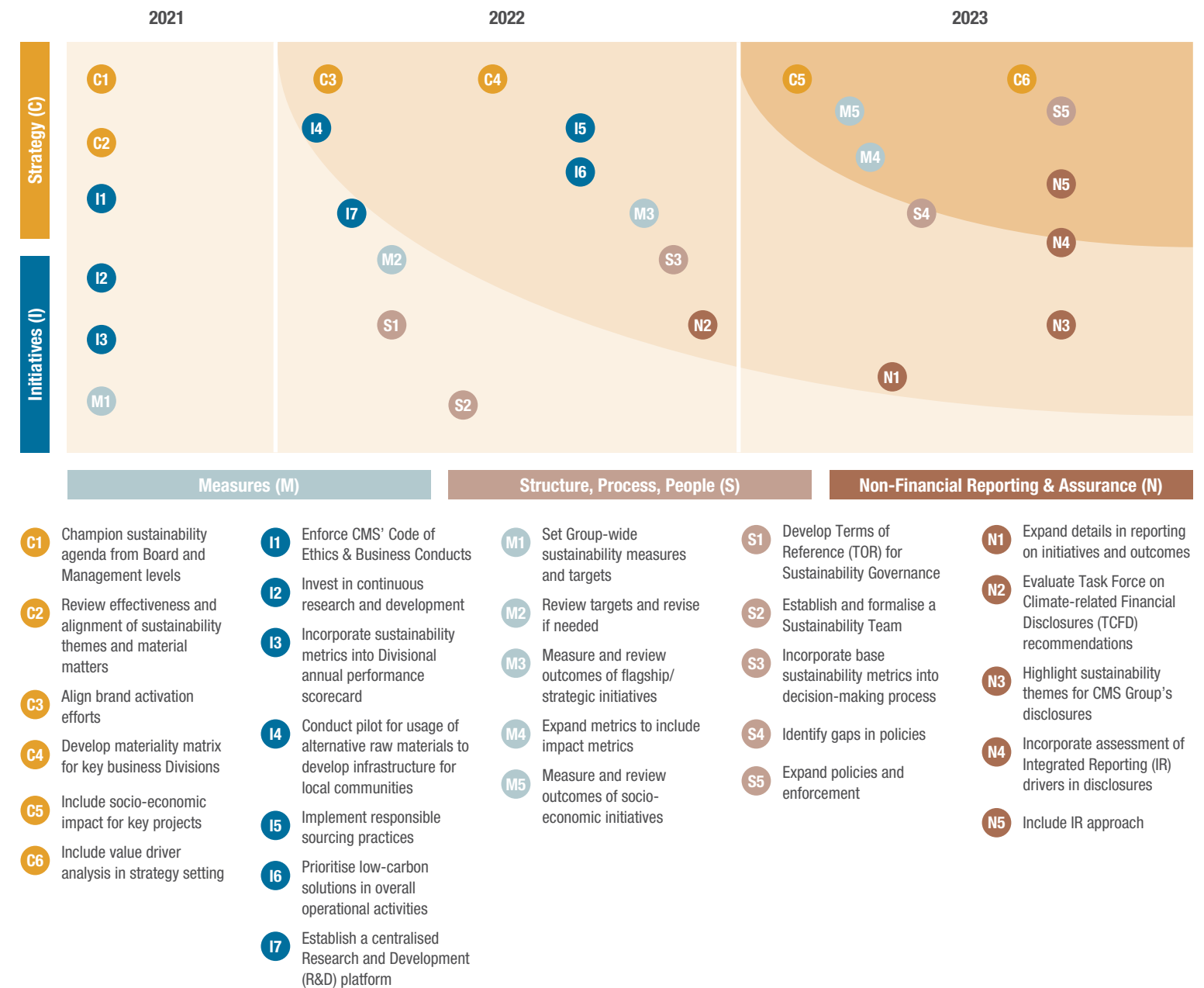
To be the PRIDE of Sarawak & Beyond				
Vision				
Mission	Producing Quality, On Spec & On Time	Respect & Integrity	Improving, Innovating & Investing in People	Delivering Sustainable Growth
Philosophy	Committed to Delivering Sustainable Growth			
Themes	Innovation at Core	Integrity at Heart	Nurturing Growth in People	
Value Propositions	To be a leader in carbon reduction initiatives through innovation and the circular economy	To build a transparent, responsible and accountable reputation	To empower and develop the well-being of employees and local communities	
Material Matters	<ul style="list-style-type: none"> • Economic Performance • Market Presence • Effluents & Waste Management • Water Management • Sustainable Products & Innovation • GHG Emissions 	<ul style="list-style-type: none"> • Corporate Governance • Business Ethics & Compliance • Diversity & Equal Opportunity 	<ul style="list-style-type: none"> • Health & Safety • Training & Education • Customer Relations & Satisfaction • Developing Local Economy/Community Engagement • Employee Engagement & Labour Practices 	

Materiality Mapping

To move from theory to actionable intelligence, we next developed strategic sustainability initiatives which included new ones, as well as existing initiatives that could be enhanced, retained or reconsidered. Based on the re-assessment, 18 strategic initiatives and 3 new suggested flagship initiatives were identified to have an impact on both CMS and our stakeholders. The 18 strategic initiatives identified were then mapped to CMS' Sustainability Themes.



CMS' THREE-YEAR SUSTAINABILITY ROADMAP



MOVING FORWARD INTO 2021

Moving forward, the Group will be directing its sustainability efforts based on a three-year Sustainability Roadmap (2021 to 2023).

The Roadmap outlines the suggested timeframe in which CMS is to carry out these strategic sustainability initiatives, as well as highlights the initiatives to expand and enhance our sustainability agenda and capabilities in sustainability reporting.

In implementing the Sustainability Roadmap, PwC will focus on embedding sustainability within the Group's organisational chart and reporting structure, including KPIs and targets. This exercise will be carried out in the first half of 2021. In this respect, PwC has been tasked with undertaking the following scope-of-work:

1. Develop Terms of Reference (TOR) for Sustainability Governance;
2. Establish and formalise a Sustainability Team with defined roles and responsibilities;
3. Identify Group-wide sustainability priority areas, and set metrics and targets for each Division;
4. Incorporate sustainability metrics and targets into Divisional annual KPIs;
5. Develop detailed implementation plans and milestones for 2021's initiatives;
6. Deliver recognised training courses for CMS employees on topics such as the Global Reporting Index (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), and the United Nations Sustainability Development Goals (SDGs); and
7. Assist in developing internal communications for employees.

As we embrace a new year, with the new Sustainability Roadmap (2021-2023) to guide us, we will be in a better position to ensure that future reports provide a more balanced, accurate and comprehensive assessment of our

strategy, performance and prospects in response to material matters.

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

CMS' good progress on the Economic, Environmental and Social fronts thus far is underscored by our continued inclusion as a **constituent of the FTSE4Good Bursa Malaysia Index for the fifth consecutive year.**

Moving forward, we will continue to implement measures that will enable us to continue creating value on the EES fronts while meeting growing investee company compliance criteria.

PILLAR 1

IMPLEMENTING GOOD ECONOMIC PRACTICES



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



Here at CMS, the Economic dimension of sustainability is integral to our business as a strong, stable and sustainable financial and economic system upholds not just the Group, but a variety of other activities essential to our businesses. These include our ability to continually create good shareholder value, to look after the well-being of our workforce and the communities across Sarawak in a sustainable manner, to continuously improve our product and service quality, as well as to safeguard our environment. These and other economic activities are critical to the Group's make-up as a conscientious corporate entity and underpin our absolute commitment and focus on delivering long-term sustainable economic growth.

GROWING IN A RESILIENT MANNER

As Sarawak's leading infrastructure facilitator and a prime mover in the State's growth story, we continue to leverage on our healthy balance sheet, local knowledge, experienced management team, proven strategies and a synergised portfolio of Sarawak-based businesses to reinforce our position of strength, particularly amidst the ongoing headwinds buffeting us on several fronts.

Over the years, we have grown steadfastly through our focus on extracting value from our traditional core businesses, namely our Cement, Construction Materials & Trading, Construction & Road Maintenance and Property Development Divisions, as well as our strategic investments which centre on export-oriented industries within the Sarawak Corridor of Renewable Energy (SCORE) and the telecommunications industry.

In 2020, several key developments reinforced our strong marketplace position.

Strategic Divestments in the Quarry and Construction Businesses

On 28 August 2020, CMS announced that it had entered into a share sale agreement with its long-time joint venture partner, Sarawak Economic Development Corporation (SEDC), for the proposed disposal of 2% equity interests in Group subsidiaries, CMS Resources Sdn Bhd (CMSR) and PPES Works (Sarawak) Sdn Bhd (PPESW) for a total cash consideration of RM17.50 million. On 2 October 2020, this exercise came to a close. Following the completion of this transaction, SEDC has a 51% majority stake in these companies.

On 28 December, CMS Resources Sdn Bhd (CMSR) underwent a name change to SEDC Resources Sdn Bhd, reflecting the change in equity stake. At the same time, several of the companies under the ambit of the then CMSR also adopted the SEDC name. The new structures are reflected in the following page:



CONSTRUCTION MATERIALS & TRADING DIVISION	
CMS Infra Trading Sdn Bhd	51%
CMS Wires Sdn Bhd	69.10%
SEDC Resources Sdn Bhd (formerly known as CMS Resources Sdn Bhd)	
SEDC Concrete Product Sdn Bhd (formerly known as PPES Concrete Product Sdn Bhd)	100%
SEDC Premix (Miri) Sdn Bhd (formerly known as CMS Quarries Sdn Bhd)	100%
SEDC Premix (Miri) Sdn Bhd (formerly known as CMS Premix (Miri) Sdn Bhd)	60% 20%
SEDC Premix Sdn Bhd (formerly known as CMS Premix Sdn Bhd)	60% 40%
CMS Penkuari Sdn Bhd (In Liquidation)	60%
SEDC Premix (Betong) Sdn Bhd (formerly known as Betong Premix Sdn Bhd)	80%
Borneo Granite Sdn Bhd	56%

Although SEDC Resources Sdn Bhd is now a joint venture company of the CMS Group, CMS however, will continue to manage the day-to-day operations of this holding company and the companies under its ambit.

CONSTRUCTION DIVISION	
PPES Works (Sarawak) Sdn Bhd	49%
PPESW BPSB JV Sdn Bhd	70%
PPES Works CCCC JV Sdn Bhd	70%
ROAD MAINTENANCE DIVISION	
CMS Works Sdn Bhd	100%
CMS Roads Sdn Bhd	100%
CMS Pavement Tech Sdn Bhd	100%

As PPESW was one of the main operating companies within the Group's Construction & Road Maintenance Division, it was decided that this division be split into two separate divisions, namely the Construction Division and the Road Maintenance Division. The new structures are reflected below:

With this split, both Divisions – which are major businesses in their own right – will now have their own autonomy and distinct business objectives to pursue. Given the increased focus and clarity, we are confident each Division will be better able to recognise their full potential in the areas of operational efficiency and specialisation. This development augurs well for the growth of these businesses over the long-term.

All in all, the mutually beneficial exercise has strengthened the long-standing collaboration of some 27 plus years between CMS and SEDC and accorded both parties new ways to create additional value for ourselves and the people of Sarawak. The State now has a financially strong partner with proven expertise

PILLAR 1: Implementing Good Economic Practices

they can rely on to manage their quarrying and construction activities, while CMS in turn now has a stronger footing to capture business opportunities particularly at the time when several mega infrastructure projects within Sarawak are underway or in the pipeline. We look forward to making the most of this mutually beneficial marriage of strength and convenience with SEDC.

Issuance of New Sukuk and Buyback of Outstanding Sukuk

One of the key strategies that we will be looking at to ensure we have enough cash in hand is to issue new Sukuk amounting to RM350 million under our existing Sukuk programme of up to RM2 billion in nominal value. Some of the proceeds from the new Sukuk will be used to refinance outstanding Sukuk of RM500 million in nominal value which will be maturing on 5 May 2022. The proposed issuance of the new Sukuk will also allow holders of the outstanding Sukuk an opportunity to extend the duration of their investment with CMS. Participation in the new Sukuk will give potential Sukuk holders an opportunity to invest in CMS' sustainable growth prospects as the only clinker and cement manufacturer in the State of Sarawak in addition to the other diversified business segments held by the Group.

Our First Wave of Growth (2009-2015)

CMS experienced its first wave of growth in financial year 2009 (FY 2009) when things really began turning around for us. During that phase, we repositioned and rationalised our businesses to focus on our key competencies within the State. 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 2016 due to market and operational challenges. Nevertheless, we picked ourselves up and kept on going.

Fast-forward to FY 2018 where we posted revenue of RM1.71 billion and PATNCI of RM262.14 million – double FY 2009's revenue and six times its PATNCI! The much-improved performance was the result of the good performance of our

traditional core businesses and an increase in the share of results of associates, namely OM Materials (Sarawak) Sdn Bhd (OMS), SACOFA Sdn Bhd (Sacofa), KKB Engineering Berhad (KKB) and Kenanga Investment Bank Berhad (Kenanga).

The main contributor to this performance was OMS which displayed an impressive turnaround and became the Group's biggest PATNCI contributor after the Cement Division.

However, in FY 2019 our growth momentum was once again interrupted – this time by highly challenging market and operating conditions that included weak economic conditions and political challenges.

Amidst a barrage of internal and external headwinds, the Group registered revenue of RM1.74 billion and PATNCI of RM159.46 million – a marginal 2% increase in revenue and a dramatic 39% drop in PATNCI in comparison to FY 2018's results.



The year's softer performance was mainly due to the significant decrease in the aggregate contribution from our associate companies, as well as lower operating profits from our traditional core business divisions such as the Cement, Construction & Road Maintenance, as well as Property Development Divisions. Only the Construction Materials & Trading Division posted higher results. Again, we picked ourselves up and kept on going.

For FY 2020, despite being hit hard by the COVID-19 pandemic and the ensuing MCOs, we turned in revenue of RM762.79 million and PATNCI of RM194.81 million.

Despite the dramatic 32% drop in revenue, we registered a 22% improvement in PATNCI. As expected, the year's revenue declined due to lower contributions from our traditional core businesses as a result of the MCO lockdown. The year's PATNCI improvement was mainly due to recognition of a remeasurement gain and gain on disposals amounting to RM162.95 million from the divestment of our 2% stakes in SEDCR and PPESW to SEDC. In keeping with prudent practice, we had provided for impairments in relation to property, plant, equipment and trade receivables across our businesses particularly in our

Property Development and Phosphate businesses. Excluding the gain and various impairments made during the fourth quarter 2020, our core PATNCI stood at RM104.13 million in 2020.

While the impact of the unprecedented pandemic on our financial performance was significant, it was, however, cushioned by two factors. The first factor being our strong cash position and low gearing – a discipline that we will maintain as we continue to navigate the ongoing challenges of the pandemic. Secondly, our diverse business portfolios which contributed a positive counterbalancing impact whereby the poor performance of our Cement, Construction and Property Development businesses were, to an extent, counterbalanced by the good performance of our associate companies.

With our clear growth strategy (explained in the following page), strengthened leadership, closer collaboration with the State Government through the sell-down of our 2% stake at SEDCR and PPESW to SEDC, we expect to emerge stronger from the pandemic. At the same time, we are well-positioned to benefit from the State's strong infrastructure development agenda. We are cautiously optimistic that CMS will be able to deliver a satisfactory performance in 2021.

CONTINUING TO LAY STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

Despite the challenge of 2020, the Group is on track with its growth strategy. Under this strategy, our traditional core businesses together with our strategic investments will counterbalance each other over the long-term to equally contribute towards doubling CMS' earnings capacity over a five-year period ending 2024. In view of the economic impact of the COVID-19 pandemic and the various MCOs enforced by the Federal Government, going into 2021 we are laser-focused in implementing catch-up strategies across the Group. While much uncertainty lies ahead, rest assured that we are implementing the necessary measures and will continue to adapt and fine-tune our strategies to safeguard the sustainability of our businesses for the long-term.

OUR TARGETS

As we prepare to embrace CMS' second wave of growth, we aspire to achieve the following targets within a five-year timeframe (ending 2024) barring unforeseen circumstances

To double PATNCI to RM500 million

To be the most admired public-listed company in Sarawak



A THREE-PRONGED STRATEGIC RESPONSE

Reposition and Fortify our Traditional Core Businesses

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

Fully Implement and Grow our Strategic Businesses

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

OUR THREE-PRONGED GROWTH STRATEGY

Reposition and Strengthen the CMS Brand

Our third strategic prong in response to the changing political landscape, calls for us to reposition the CMS brand by undertaking specific initiatives. This will entail strengthening the Group's agenda of Sustainability; solidifying employee volunteerism efforts and the momentum of the CMS' Doing Good programme; as well as ensuring corporate donations are redirected in a manner which truly impact beneficiaries for the better while enhancing CMS' reputation.

PILLAR 1: Implementing Good Economic Practices

CONTINUING TO LAY STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

STRATEGY

Reposition and Fortify Our Traditional Core Businesses

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By making these businesses more efficient, we aim to realise more value from them. Barring unforeseen circumstances, our traditional core businesses are expected to generate 50% of our PATNCI or RM250 million per year in five years' time.

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

(GROUP-WIDE) Across the CMS Group

STATUS/ONGOING MEASURES

- CMS remains the largest public-listed company in Sarawak due to its strong balance sheet and cash position. Going forward, we will focus on collaboration with the Government, in particular SEDC, and various other stakeholders to maximise business potential and ensure mutually beneficial relationships. We will enhance operational efficiencies to attain cost savings and strengthen cost control measures including rationalising our CAPEX, as well as continuing to prudently preserve cash for business operations and future investments.
- CMS' Three-Year Sustainability Roadmap (2021-2023) will guide us in our sustainability endeavours as we focus on initiatives to expand and enhance our sustainability agenda alongside our sustainability reporting capabilities.
- To maintain the momentum we want to achieve, we will continue to strengthen our leadership bench and aim for optimum manning throughout our organisation.
- We will continue to leverage on the Group-wide Digital Transformation exercise which is according us a single unified platform to enhance productivity, cost efficiency, accessibility and digital security.

TRADITIONAL CORE BUSINESSES	STATUS/ONGOING MEASURES
Cement Division	<ul style="list-style-type: none"> • The Cement Division will leverage on the following developments to spur growth: <ul style="list-style-type: none"> - Gradual increment of the clinker plant's production to 750,000 tonnes in 2021 and 800,000 tonnes in 2022; and - The supply of 400,000 tonnes of cement for construction of the Baleh Hydro Dam over three years from 2020 to 2022. • The Division is also well-positioned to capitalise on opportunities from the potential spike of major infrastructure projects in the State.
Construction Materials & Trading Division	<ul style="list-style-type: none"> • With SEDCR now a 49% joint venture together with SEDC, the Construction Materials & Trading Division is on a stronger footing to capture opportunities from infrastructural developments within the State especially with several mega infrastructure projects underway or in the pipeline.
Construction & Road Maintenance Division	<ul style="list-style-type: none"> • With PPESW now a 49% joint venture with SEDC, the company is on a stronger footing to capture opportunities from infrastructural development within the State especially with several mega infrastructure projects including the Coastal Road and Second Trunk Road Projects underway or in the pipeline. • While the road length maintained effective 1 January 2020 was almost half of that maintained previously, the scope was more extensive under the new contract. The Division's mid-term prospects are well-supported by its outstanding order book of RM1.03 billion as at 31 December 2020. • Effective 1 January 2021, the Group's Construction & Road Maintenance Division has been split into two separate Divisions, namely the Construction Division and the Road Maintenance Division. As major businesses in their own right, both these Divisions will now have their own autonomy and distinct business objectives to pursue which bodes well for their long-term growth.
Property Development	<ul style="list-style-type: none"> • The Property Development Division will be embarking on the following strategies to counter the subdued outlook of the property market: <ul style="list-style-type: none"> - Focus on affordable housing projects; - Pursue development in Southern Kuching where the development value is higher; and - Work on unlocking a potential landbank at a market value of RM1.4 billion.

CONTINUING TO LAY STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

STRATEGY

Fully Implement and Grow Our Strategic Businesses

The second prong mandates that CMS ramps up efforts on strategic investments which centre on export-oriented industries within the Sarawak Corridor of Renewable Energy (SCORE).

As the State moves into a new era of growth with SCORE, CMS' expansion path is moving into a new trajectory to take advantage of the business investment opportunities in energy-intensive industries. We evaluated a number of businesses to secure our future and saw that renewable energy was key. It is the one asset that Sarawak as a State has ample resources of, especially hydro power.

It was this attraction that saw us making strategic investments in the ferrosilicon and manganese alloys smelter operations under OM Materials (Sarawak) Sdn Bhd (OMS) and the integrated phosphate complex under Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS). Today, CMS is the only Sarawakian company with a footprint in SCORE. By doing so, the Sarawak State will attract further foreign investment in downstream industries.

CMS also owns strategic stakes in telecommunication infrastructure via SACOFA Sdn Bhd (50% stake), as well as in other listed companies namely KKB Engineering Berhad (20% stake) and Kenanga Investment Bank Berhad (18.93% stake). We constantly review our strategic investment portfolio to diversify from our traditional core and maximise returns for our shareholders.

As some of these strategic investments begin to bear fruit, if all goes as planned, our expectation is that these businesses contribute the other 50% of PATNCI or RM250 million per year by end 2024. We are hopeful that our ferrosilicon and manganese alloys smelter operations under OMS will generate RM100 million upon realising its second phase by 2023; the integrated phosphate complex under MPAS will contribute RM100 million when both Phase 1 and 2 are completed by 2023; and Sacofa will turn in RM50 million in PATNCI to CMS by then. On top of this, both Kenanga and KKB Engineering Berhad will provide us additional upside potential.

To fully implement and grow our strategic investments, these are the measures that are being undertaken:

STRATEGIC INVESTMENTS	STATUS/ONGOING MEASURES
OM Materials (Sarawak) Sdn Bhd (OMS)	<ul style="list-style-type: none"> • The Group remains confident of OMS' longer-term prospects given its strong underlying fundamentals due to its position in the first quartile of the global production cost curve and its strong global presence. With the market starting to rebound in 2021, we are confident that the company will deliver a stronger performance. • In the meanwhile, the following developments are underway: <ul style="list-style-type: none"> - AUD20 million has been invested to install a sinter plant which will further lower manganese alloy production cost; and - Planning of Phase 2 of the facility is in progress which will add to further economies of scale. This entails the modification of two existing ferrosilicon furnaces to produce silicomanganese and another two to produce metallic silicon to better capitalise on the present market situation, as well as the construction of up to four more manganese alloy furnaces by 2022.
Malaysian Phosphate Additives (Sarawak) Sdn Bhd (MPAS)	<ul style="list-style-type: none"> • Work on Phase 1 of Southeast Asia's first integrated phosphate complex within the SIP was delayed because of the MCO but this is now scheduled for completion and commissioning in the first half of FY 2021. Full production is targeted to take place by July 2021. • Involving domestic investment of RM898 million for Phase 1, the complex is expected to bring about these benefits when completed: <ul style="list-style-type: none"> - As the first non-alloy-based facility within the SIP, it will propel the Sarawak Corridor of Renewable Energy (SCORE) and CMS into a dynamic new industrial sector that offers long-term sustainable growth; and - It offers opportunities for investment in downstream manufacturing such as the industrial chemicals, animal feed, fertiliser, cleaning and detergent sectors. For the long-term, the businesses within these sectors are expected to be drawn to the SIP themselves so they can locate nearby to their feedstock supplier. • To date, the facility has secured 60% of long-term commitments for both raw material supply and product offtake.
SACOFA Sdn Bhd (Sacofa)	<ul style="list-style-type: none"> • Sacofa is proactively expanding its fibre optic cable portfolio throughout the State, as well as increasing broadband coverage which is essential for the expected deployment of 5G and the proliferation of Internet of Things (IoT) in Sarawak. • The prospects for the company remain positive as it is in a strong position to capitalise on Sarawak's push to fully embrace the Digital Economy with a State allocation of RM1.15 billion to strengthen Sarawak's Digital Economy infrastructure. • While new competitors emerged in 2019, Sacofa will remain dominant by virtue of its first mover advantage.
Kenanga Investment Bank Berhad (Kenanga)	<ul style="list-style-type: none"> • The improving global economy coupled with continued expansionary fiscal and monetary measures are expected to lift Malaysia's GDP growth to approximately 6.1% (2020: -5.6%) which bodes well for Kenanga. • Kenanga will continue to leverage on innovation and the digitalisation of its core products to diversify revenue streams, increase market share and capture new market segments while enhancing its cost efficiencies.
KKB Engineering Berhad (KKB)	<ul style="list-style-type: none"> • Despite the potentially lower CAPEX by the oil and gas industry in 2021, KKB is set to maintain its growth due to its strong order book which will keep the company fully occupied for the next two years. KKB will continue to benefit from the major ongoing and new infrastructure projects in Sarawak such as the Pan Borneo Highway and Water Supply Grid Programme.

PILLAR 1: Implementing Good Economic Practices

CONTINUING TO LAY STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

STRATEGY



Reposition and Strengthen the CMS Brand

While financial performance and growth are of utmost importance, we are also paying significant attention to the third strategic prong of repositioning and strengthening the CMS brand name by undertaking specific initiatives.

This is well underway with the appointment of a high calibre professional management team, institutionalised shareholdings and strong corporate governance. By keeping a steadfast focus on responsible business practices and sustainable growth, the Group continues to create tangible stakeholder value and ensure long-term success.

One of the tangible manners in which we continue to create value for our stakeholders is via upholding the agenda of sustainability within CMS. 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. To be an investible company, business and financial performance are just one side of the coin. Institutional investors are increasingly putting emphasis on sustainability and governance.

Following the Board's endorsement of a strategic plan to strengthen the CMS brand, it was also decided to reposition CMS' branding by strengthening the Group's agenda of sustainability while aligning and integrating our business and sustainability priorities based on the United Nation's Sustainable Development Goals (SDGs). As such, last year saw us adopting these global goals in our standalone Sustainability Report 2019. The SDGs function as a universal framework for the private sector which can be leveraged on to harness the combined potential of industry peers and drive collaboration across sectors. Businesses like us that choose to align with the SDGs now have a shared guide and metrics by which to evaluate progress. More importantly, we now have a mutual universal lens through which to transform

the world's needs and ambitions into business solutions.

We have taken some initial steps to align with 11 of the 17 SDGs that are most relevant to our businesses. This initiative will ensure we have a common guide and metrics by which we can measure our sustainability endeavours as we join the thousands of other like-minded organisations who are intent on achieving a better and more sustainable future for all.

Several other measures have been rolled out which reflect the Group is on track with its sustainability endeavours. Among these is greater involvement by the Group's leadership in sustainability matters. At CMS' Board of Directors meeting held in November 2019, the Board approved the appointment of PwC to review the Group's sustainability programme and develop a new and comprehensive Sustainability Blueprint. The objective of this exercise was to improve CMS' sustainability practices and to achieve best industry practices whilst also positioning CMS as a progressive and ethical company in alignment with the Group's 5-year softer growth strategy which is to be the most admired public-listed company in Sarawak. This exercise was carried out Group-wide in the period of January to August 2020.

To start the ball rolling, in February 2020, PwC conducted a Sustainability Awareness Session comprising CMS' Project Steering Committee helmed by the Group Managing Director and involving the Heads of Divisions and Heads of

Departments. Interview sessions were conducted with all Departments and Divisions within CMS to understand their views on the existing sustainability metrics. A gap analysis was then conducted with a view to strengthening the Group's overall sustainability framework including our sustainability strategy, practices and reporting processes, among others.

In accordance with CMS' Vision, Mission and Growth Strategy, a set of guiding principles for its long-term sustainability journey was developed which included a Sustainability Philosophy and three Themes or Values. CMS' overarching Sustainability Philosophy is 'Committed to delivering Sustainable Growth'. The three Sustainability themes or values are as follows: **Integrity at Heart:** To build a transparent, responsible and an accountable reputation; **Nurturing Growth in People:** To empower and develop the well-being of employees and local communities; and thirdly, **Innovation at Core:** To be a leader in carbon reduction initiatives through innovation and circular economy.

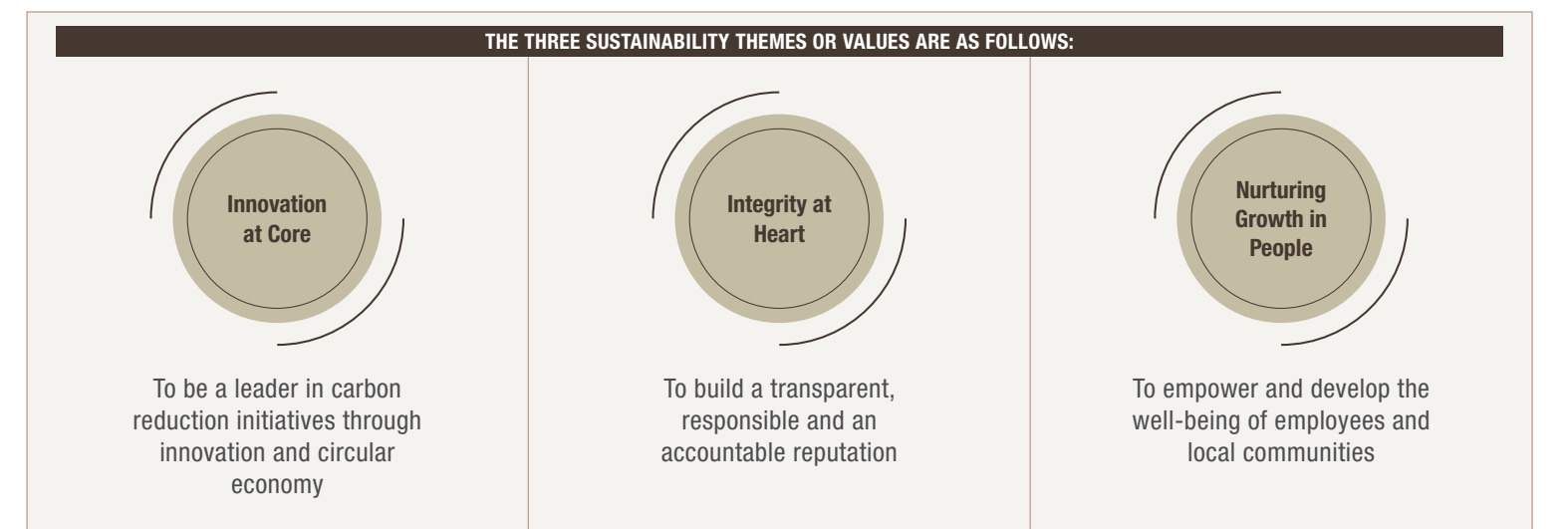
A formal materiality analysis was conducted to produce a Materiality Matrix. The Matrix underlines the topmost significant and relevant issues to the Group on the sustainability front and in the most relevant Economic, Environmental and Social or EES areas. As it highlights the most critical issues faced by the Group, the Matrix also serves as a guide for setting future strategies and projects. CMS' material matters were consolidated into a list of top-14 matters and an updated Materiality Matrix was produced.

From this year onwards, our sustainability efforts will be guided by the Sustainability Roadmap (2021-2023) (a revitalised version of the Blueprint) which outlines the suggested timeframe in which CMS is to carry out the strategic sustainability initiatives. More details can be found in the section titled Materiality Mapping in this Report.

For the finer details of the abovementioned contents, please go to the Materiality Mapping section in this Report.

The renewed measure in which we are viewing the Group's overall sustainability efforts is evident in our standalone Sustainability Report 2020 which underpins the fact that the agenda of sustainability has become an increasingly important area of focus at CMS. Moreover, with stronger Board and Management oversight in the area of sustainability today, the agenda of sustainability at CMS is being embedded within the organisation in a reinvigorated manner. All this is helping foster more effective cooperation, collaboration and information sharing on sustainability across all Divisions.

To further reinforce the CMS brand, we are also solidifying employee volunteerism and the momentum of the CMS Doing Good programme. While 2020's lockdown and social distancing restrictions meant that many community-facing activities could not be carried out, we refocused our resources and energies on making an impact in other tangible ways.



Being one of the biggest corporations in Sarawak, we stepped up to the plate in April 2020 and donated RM1 million towards the Sarawak State Disaster Relief Fund as part of our efforts to mitigate the economic impact of the pandemic on the State, its people and businesses. In the same month, our associate company, OMS, came forward to donate RM1.4 million worth of Personal Protective Equipment (PPE) to Government and medical frontliners. The PPE comprising 10,000 disposable medical protective suits, 10,000 isolation gowns, 5,000 face shields and 5,000 safety goggles, did much to help safeguard Sarawak's frontliners tasked with the challenging duty of treating suspected and infected patients.

Behind the scenes, we encouraged our employees to look out for those in the low-income B40 segment, odd job workers, and others in need who had lost their livelihood, and then to work with our Subsidiaries to meet their basic needs. Where circumstances allowed, we worked with different religious organisations and hospitals to make a positive impact on Sarawak's communities. Moving forward, as part of the efforts to strengthen our brand, we will ensure corporate donations are redirected in a manner which truly impact beneficiaries for the better while enhancing CMS' reputation.

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

For more details on CMS' Doing Good programme, go to the Social section of this Sustainability Report.

For more details on the Group's overall three-pronged growth strategy, turn to CMS' Integrated Annual Report 2020.



PILLAR 1: Implementing Good Economic Practices

CONTINUING TO LAY STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

STRATEGY

#3

Reposition and Strengthen the CMS Brand

IN SUPPORT OF CMS' THREE-PRONGED GROWTH STRATEGY

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

Strengthening CMS' Leadership Bench

The history of the CMS Group has shown that growth within our organisation can only happen if there is a stable, sustained, dynamic, cohesive and engaging leadership in place for the long-term. As such, we continue to strengthen the leadership bench across the Group by bringing new blood on board CMS at several levels.

At the Board level, we appointed three new Directors in 2020: Dr. Khor Jaw Huei, a doyen of the cement and concrete industry; Mr. Ho Heng Chuan, who brings his vast financial acumen to the table; and last but not least, YBhg. Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz bin Dato Haji Husain, Chairman of SEDC with his wealth of governmental experience which will be key to helping us strengthen our relationship with SEDC and the State Government. Prior to this, in November 2019, YBhg. Datuk Ir. Kamarudin Zakaria, was appointed to the Board, bringing with him a wealth of operational and manufacturing experience from his time running diverse businesses for PETRONAS.

Aside from strengthening the Board, we have taken steps to reinforce our leadership team. On 1 March 2020, Mr. Derek Chee Huong Xing, with his vast quarry and construction expertise, joined us as the Head of the Construction Materials & Trading Division and the Chief Executive Officer of CMS Quarries Sdn Bhd. Since his appointment, our quarry business has garnered positive results almost immediately. In May 2020, we welcomed our new Group Chief Operating Officer, Mr. Shaun Mok. With his proven expertise in project management, property development and advisory/consultancy services across Australia and Malaysia, Shaun is tasked with looking after all of CMS' businesses.

On 1 January 2021, we split our Construction and Road Maintenance Divisions up and appointed new leaders to run these businesses. Pn. Rozita Mohamad Ibrahim, who was appointed the Head of the Construction Division on 1 January 2021, brings with her some 25 years of civil engineering and related expertise in the Government sector. She has the distinction of being the only woman engineer in Sarawak to head a construction entity. En. Abdul Rahim bin Jamal who has held various managerial positions at CMS was appointed as Head of the Road Maintenance Division on 1 January 2021. We will benefit from his intimate understanding of this business and the CMS culture.

Last but not least, Ir. Tiong Huo Chiong was appointed the Chief Executive Officer of Malaysian Phosphate Additives (Sarawak) Sdn Bhd with effect on 3 March 2021. He brings with him his vast engineering expertise and experience overseeing the manufacturing operations of other companies.

New Appointments To The Board

YBHG. DATUK IR. KAMARUDIN ZAKARIA



YBhg. Datuk Ir. Kamarudin Zakaria was appointed to the Board on 26 November 2019. He graduated with a Chemical Engineering Degree from the University of Surrey, United Kingdom, is a Fellow of the Institute of Chemical Engineers, UK and a professional engineer registered with the Board of Engineers Malaysia. He started his career with ESSO, followed by PETRONAS where he served in various senior management roles for more than 15 years.

DR. KHOR JAW HUEI



Dr. Khor Jaw Huei was appointed to the Board on 15 July 2020. He holds a Bachelor of Science (First Class Honours) in Chemical, Process & Business Engineering and a PhD in Chemical Engineering, both from the University of Aston, Birmingham. Dr. Khor has over 40 years of work experience in the cement and concrete business.

YBHG. TAN SRI DATUK AMAR (DR.) HAJI ABDUL AZIZ BIN DATO HAJI HUSAIN



YBhg. Tan Sri Datuk Amar (Dr.) Haji Abdul Aziz bin Dato Haji Husain was appointed to the Board on 1 November 2020. He holds a Master in Business Administration degree majoring in Finance from Syracuse University, New York, United States of America. Tan Sri Aziz has served in the Sarawak State Government in various capacities since 1973, with his last appointment being that of the Sarawak's State Secretary in August 2000 until his retirement in December 2006.

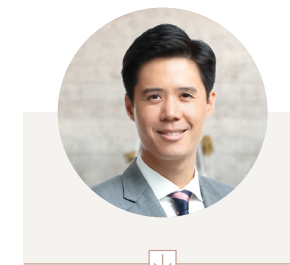
HO HENG CHUAN



Ho Heng Chuan was appointed to the Board on 1 November 2020. He is a member of the Malaysian Institute of Certified Public Accountants and started his audit career with Messrs KPMG in 1977, before moving on to the banking industry where his career spanned over 39 years. His last position in Citibank was as Vice Chairman, Banking.

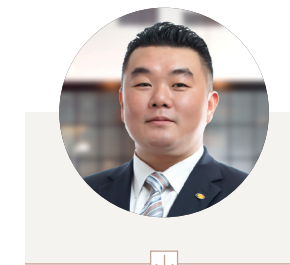
Newly Appointed Senior Management

SHAUN MOK CHEK WEI



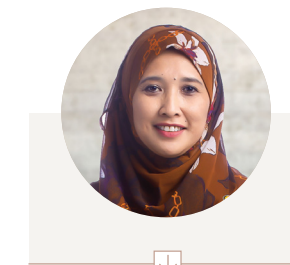
Shaun Mok Chek Wei joined CMS on 1 May 2020 as the Group Chief Operating Officer for the CMS Group of Companies. He holds a Bachelor of Engineering in Materials Engineering and a Masters in Construction Management from the University of New South Wales, Australia. He also has vast experience in project management, property development and advisory/consultancy services across Australia and Malaysia. Before joining CMS, he was the Chief Operating Officer of Triterra Sdn Bhd, a property development company.

DEREK CHEE HUONG XING



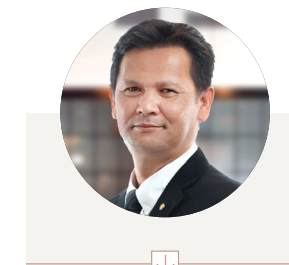
Derek Chee Huong Xing joined CMS on 1 March 2020 as Head, Construction Materials & Trading Division and Chief Executive Officer of CMS Quarries Sdn Bhd. He holds a Bachelor in Mechanical Engineering from Sheffield Hallam University and has chalked up solid track record in the quarry and construction industry.

ROZITA MOHAMAD IBRAHIM



Rozita Mohamad Ibrahim joined CMS as Head of the Construction Division on 1 January 2021. She has an established career spanning 25 years in the Government Sector. She was the Executive Engineer/Network Modeller in the Kuching Water Board for 23 years. She holds a Bachelor of Civil Engineering (B.Eng) (Hons) from the University of Leeds, UK.

ABDUL RAHIM BIN JAMAL



Abdul Rahim bin Jamal has held various managerial positions at CMS before being appointed as Head of the Road Maintenance Division on 1 January 2021. He holds a Bachelor of Science in Mechanical Engineering from Case Western Reserve University, Cleveland, Ohio, USA.

IR. TIONG HUO CHIONG



Ir. Tiong Huo Chiong was appointed as the Chief Executive Officer of Malaysian Phosphate Additives (Sarawak) Sdn Bhd or MPAS on 1 March 2021. He is a Chartered Engineer with a Bachelor of Electrical Engineering degree from the University of Saskatchewan, Canada and a member of various engineering-related associations in the UK and Malaysia. Prior to joining MPAS in 2018, he held various senior appointments at diverse manufacturing companies.

Even as our organisational efficiency exercise has done much to bolster our leadership bench, the next three years will see us working to achieve optimum manning within CMS. This will entail the rollout of a major exercise within the Group where every job will be evaluated to ensure roles and responsibilities are streamlined. We will also be benchmarking the current roles, positions, salaries, perks and other relevant workplace components within CMS against that of other leading organisations to ensure these are commensurate with the market. By cleaning up and restructuring our workforce, we ultimately want to see people matched to roles and responsibilities that truly bring value to CMS.

PILLAR 1: Implementing Good Economic Practices

CONTINUING TO LAY STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

STRATEGY



Reposition and Strengthen the CMS Brand

Collaborating for Sustainable Progress

In October 2020, CMS was accepted as one of the 41 Members of the pioneer CEO Action Network (CAN) Malaysia, a closed-door peer-to-peer informal network of CEOs and Board members focused on sustainability advocacy, capacity building, action and performance. Through a dedicated working group, workstreams and active members driving bespoke initiatives, CAN aspires to propel its members forward to shape future-ready and ESG-integrated business models and ecosystems. We have also confirmed our active participation in CAN's Workstream Policy Advocacy.

Over the next 12 months, we have committed to engage with various stakeholders including our supply chain, regulators and policy makers, Government, as well as our peers across various sectors to forge partnerships that are committed to responsible business practices and sustainable development. In the process, we will not only exchange industry best practices, but also share proven strategies and future-proof ideas with CAN participants. In our next Report, we aim to outline the specific role fulfilled by CMS, as well as the tangible outcomes of our collaborative efforts with CAN.

Continuing the Group-wide Digital Transformation Exercise

As part of efforts to fast-forward the Group's growth, we have embraced digitalisation and innovation in a more robust manner. Under the Group-wide Digital Transformation exercise spanning 2019-2023, we are working towards ensuring all our businesses operate on a single unified platform. This key initiative has already done much to increase the Group's efficiency, agility and communications, in particular within support functions such as our Finance, Human Resources and Procurement Departments.

Making full use of new technologies, in particular Information Computing Technology (ICT), we have begun building a more sustainable and energy-efficient future. By embracing these new elements, we are keeping with the times, future-proofing our infrastructure, and lowering our ICT running costs. The Group is also adopting cloud computing to deliver communications, project management and Enterprise Resource Planning (ERP) applications. Moving to a real-time online system, integrating Finance, Procurement, HR and all Business Units and their processes into a unified core system, will enable automated Group-wide financial consolidation. Cloud computing's on-demand delivery of virtual ICT resources over the internet through a browser, with pay as-you-go pricing, means that instead of buying, owning, and maintaining physical data centres and servers, we will access technology services, such as computing power, storage, and databases, on an as-needed basis from ICT providers. Following the initial capital outlay and implementation fees, we will pay an ongoing subscription fee to the providers.

As our business grows, we can scale dynamically to add more users or computing resources on-the-fly, without the need to invest in new hardware. We will also be able to expand to new geographic regions and deploy globally in minutes in multiple physical locations. In addition to improved data integrity, security and resiliency, the planned future integration of CMS' physical assets and equipment on the platform will prepare the Group for Industry 4.0 and the Internet of Things (IoT).

CMS' move to embrace 'all things digital' aligns with the State's own Digital Economy aspirations and we are confident that this will do much to strengthen productivity, cost efficiency, accessibility and digital security across our organisation for the long-term. In line with the Sarawak Digital Economy Strategy 2018-2022, the State Government has committed RM1.15 billion to strengthen the State's Digital Economy infrastructure in support of the digital industries, commerce and investment that it intends to draw in.

Embracing Digitalisation to Engage with Our Shareholders

Out of concern for the well-being and safety of our shareholders and in compliance with MCO regulations, we leveraged digitalisation to conduct last year's Annual General Meeting (AGM).

Held on 18 June 2020, CMS' 45th AGM was broadcast virtually. The live webcast was broadcast from the auditorium at Menara Symphony in Petaling Jaya attended only by a handful of CMS' key Senior Management while shareholders participated remotely from the comfort of their smart devices or personal computer/notebooks.

During the AGM, shareholders were able to ask questions in the chat box and submit their votes in real-time. To ensure the AGM proceeded smoothly, proxy forms were allowed to be lodged electronically via the Boardroom Smart Investor Portal while voting was conducted through Remote Participation and Voting (RPV) electronic polling facilities. An independent poll administrator was appointed to scrutinise, verify and validate the poll results. The AGM saw all the 11 ordinary resolutions that were tabled duly approved by CMS' shareholders.

ROBUST RISK MANAGEMENT AND GOVERNANCE MEASURES

The Board of CMS is 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, strengthening investor confidence, safeguarding our corporate reputation, and ensuring continued shareholder value creation.

Ramping Up to Meet the MACC's New Corporate Liability Provision

In preparation for the introduction of the Corporate Liability Provision under Section 17A of the MACC Act, the Group engaged PwC to analyse and overhaul every area of potential risk within the Group, as well as implement new procedures and protocols before the deadline of 1 June 2020. The enforcement of Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 makes companies, their directors and senior management personally liable for corruption in comparison to formerly when only the perpetrators were held liable. Any infringement of this upcoming law can result in severe penalties, be it in the form of significant fines, of a maximum 10 times the sum of gratification involved, or RM1 million, whichever is higher, and/or imprisonment up to 20 years. It is a strict liability provision which means there is no need to establish fault on behalf of individuals. Under the Act, there is only one defence available in respect of the corporate liability. The defence is having 'adequate procedures' in place.

As a defense against Corporate Liability, the Malaysian Government issued 'Guidelines on Adequate Procedures' and introduced the acronym 'T.R.U.S.T.' to summarise its expectations of the essential components of 'adequate procedures' that needed to be in place to comply with the Act.

In line with this, CMS was quick to adopt and internalise the following 'T.R.U.S.T.' principles:



Reinforcing Zero Tolerance Towards Bribery and Corruption

The year saw the Board reiterating its commitment to upholding high standards of ethical, moral and legal business conduct. A virtual briefing session convened this year deliberated four new policies, namely the Anti-Bribery and Anti-Corruption Policy, the Gift & Hospitality Policy, the Donation, Sponsorship & Community Investment Policy, and fourthly, the Third-Party Corruption Risk Due Diligence Policy. All of these were approved by the Board. These policies were drawn up by our consultant PwC with input from various departments in order to comply with the passing of the MACC (Amendment) Bill 2018 by Parliament.

On 23 April 2020, a virtual briefing seminar on the new company policies was conducted by Group Legal, Group Human Capital, Group Procurement and Group Corporate Communications. Our Group Managing Director, along with Senior Management were among 150 participants who joined the session. Four other similar sessions were conducted to increase the outreach to the staff at the business division levels. It is envisaged that the principles behind these policies will become part of our corporate identity, strengthening CMS' stance on its zero-tolerance towards corruption. In order to enhance our Directors' awareness of the importance of their role in combating bribery and corruption, as well as what is expected from them under adequate procedure defense, PwC Malaysia subsequently in May 2020 conducted an anti-corruption masterclass for CMS' main and subsidiary Board of Directors.

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

Reinforcing CMS' Stance as An Independent Business

Over the years, the Group has undergone a transformation and became an investable company based on its merits, institutionalised shareholdings and management representation. The CMS of today continues to maintain its stance as an independent, profitable business on several levels. With the Group's equity being held by institutional and foreign shareholders and investors, and the remainder by scores of individual shareholders, we are answerable to the larger investing community, as well as individual shareholders. This reflects the true shareholding of CMS and dispels the myth that we are a family-owned and family-controlled company. We have over 50% of our shareholdings held under local and foreign institutions and this has been quite a stable trend. We also have a team of professional management operating on a meritocracy-based culture. To date, all executive positions and the subsidiary Boards are filled by professionals who bring a wealth of expertise and experience to the table. All in all, CMS is in good shape today.

As at 31 January 2021, CMS' shareholdings breakdown reflects that local institutional funds hold 47% in CMS while foreign funds hold 6%. Government-linked investment companies hold almost 33%. Among the GLCs which hold substantial stakes are the Employees Provident Fund (EPF), Lembaga Tabung Haji (LTH) and the Sarawak Economic Development Corporation (SEDC). Non-GLCs including large insurance funds and asset managers own 14%. Reputable large foreign shareholders such as Norges Bank Investment Management, Vanguard and Dimensional Funds also feature among the top 30 shareholders. We are proud of the fact that we have built a substantial following from reputable local and foreign institutional investors. This speaks of their confidence in us as a well-managed company with a clear growth path.

PILLAR 1: Implementing Good Economic Practices

CONTINUING TO LAY STRONG FOUNDATIONS FOR CMS' SECOND WAVE OF GROWTH

STRATEGY



Reposition and Strengthen the CMS Brand

CMS is committed to upholding the practices and recommendations advocated by the enhanced Malaysian Code of Corporate Governance 2017 (MCCG).

Upholding MCCG 2017 Practices

CMS is committed to upholding the practices and recommendations advocated by the enhanced Malaysian Code of Corporate Governance 2017 (MCCG). As at 31 December 2020, 50% of our Board members comprised independent directors reflecting our commitment towards balanced decision making and equitable outcomes. We also continue to work towards implementing the MCCG criteria concerning gender diversity and the tenure of independent directors.

Preserving Our Position as a GLP Qualifying Company

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

Maintaining our Position as a Constituent of the FTSE4Good Bursa Malaysia Index

In December 2014, Bursa Malaysia and FTSE (Financial Times Stock Exchange Group) launched an Environmental, Social and Governance (ESG) index - FTSE4Good Bursa Malaysia (F4GBM) Index - for the Malaysian market. It is aimed at supporting investors in making ESG investments in Malaysian listed companies, increasing the profile and exposure of companies with leading ESG practices, encouraging best practice disclosure and supporting the transition

to a lower carbon and more sustainable economy. They look at all the top companies in Malaysia and assess them based on their corporate practices, good governance, environmental practices and social outreach. In our case, we are assessed annually to stay on the index.

CMS today is the only company from Sarawak on the F4GBM index. Our inclusion in the F4GBM Index for the fifth consecutive year speaks volumes of our commitment to upholding robust environmental, social and governance or ESG practices and entrenches us in the international market as a progressive and ethical company that is practicing a sustainability-based (and thus a safer) business model. The Group continues to undertake the necessary measures to ensure we remain an attractive value proposition to financial institutions who have set down strict ESG criteria for their investments.

UPHOLDING SUSTAINABLE PROCUREMENT

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

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

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

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

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

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

RECOGNISED FOR OUR COMMITMENT TO BUSINESS EXCELLENCE

In 2020, CMS continued to receive recognition as a brand that impacts communities and represents the best-of-the-best in our respective business segments.

CMS Solidifies its Position on the FTSE4Good Bursa Malaysia Index

As testament to our strong ESG practices, we maintained our position as a constituent of the FTSE4Good Bursa Malaysia Index for the fifth consecutive year.

34th ARC Awards International (New York)

CMS's Integrated Annual Report 2019 won the Silver Award in the Integrated AR & CSR: Non-Traditional Format sub-category under the Specialised Annual Reports category at the 34th ARC Awards International event in New York, the world's premier annual report competition. Being recognised by key organisations for our integrated reporting endeavours shows that we have made some solid progress by way of articulating the story of how we have been aligning strategy with value creation and performance.

CMS Recognised for Best Practice Reporting at 2020 Australasian Reporting Awards

We received a Gold Award and Finalist position for 'Report of the Year Award', respectively, for our endeavours at the 2020 Annual Australasian Reporting Awards (ARA) event in Melbourne. The Group's Integrated Annual Report 2018, our maiden Integrated Annual Report, was able to stand on par with other distinguished reports that uphold world best practices. Our Report also had the added distinction of being the first ever report from a company within ASEAN to be selected as a finalist in the 70-year history of the ARA.

MSWG-ASEAN Corporate Governance Awards 2019

CMS was awarded the 3rd Place - Industry Excellence Award in the Industrial Products & Services category at the MSWG-ASEAN Corporate Governance Awards 2019. In picking up the prestigious accolade, we fulfilled stringent criteria to qualify as a responsible publicly listed company exercising good governance with the objective of raising shareholder value over time.

CMS recognised at 10th Malaysia Investor Relations Awards 2020 (MIRA)

CMS' Investor Relations website was accorded the distinction of being the best website for IR (Mid Cap) while CMS' Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, was hailed at the Best CFO for Investor Relations (Mid Cap) at the Malaysian Investor Relations Association's Investor Relations Awards 2020 event. These wins reflect the Group's IR unit's commitment to upholding excellent standards of transparent and timely communications among the investment community.

CMS Clinches Awards at the 12th Global CSR Summit & Awards

CMS clinched no less than five awards at the 12th Global CSR Summit & Awards and The Global Governance Awards for:

- CSR Leadership Award - Bronze
- Best CEO Award - Bronze
- Best CFO Award - Platinum
- Best Governed and Transparent Company Award - Silver
- Best Corporate Communication and Investor Relations Award - Gold

The awards recognise the contributions of an organisation in all aspects of CSR regardless of environment, sustainability, community partnerships and education.

SHEDA Excellence Award

CMS Property Development Sdn Bhd was awarded the SHEDA Excellence Award in the Strata Development (High Rise) category by the Sarawak Housing and Real Estate Developers' Association (SHEDA).

ASEAN Corporate Governance Scorecard Award

CMS received the 2019 ASEAN Corporate Governance Scorecard Award in the ASEAN Asset Class PLCs (Malaysia) category from the Minority Shareholder Watchdog Group (MSWG).

PILLAR 2

UPHOLDING RESPONSIBLE ENVIRONMENTAL STEWARDSHIP

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 responsible industry player and a conscientious steward of the resources we have been entrusted with.

We are focused on applying innovative operating strategies and technologies, as well as best practices to minimise our environmental footprint. We are building a legacy by operating in a manner which mitigates our carbon footprint whilst preserving the environment.

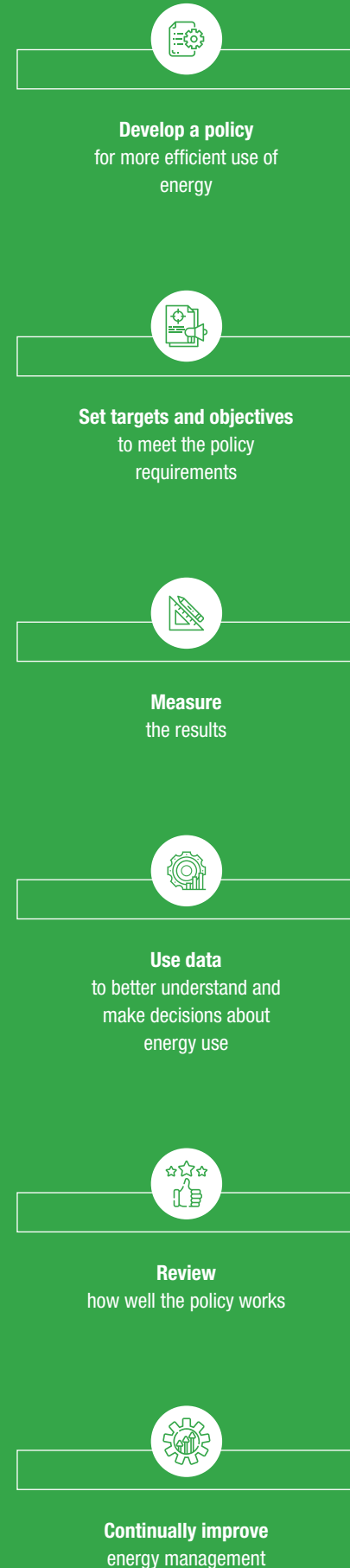
Our efforts to date have focused on fine-tuning our environmental practices by developing more robust and integrated energy, air, materials, waste and water environmental strategies that go beyond meeting basic compliance standards. We also continue to roll out KPIs, policies and various measures to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

ENERGY MANAGEMENT

At CMS, we are continually exploring and devising new ways in which we can integrate energy-saving measures into our operations to achieve optimum energy utilisation across all our business divisions. Energy management measures are integral to an organisation's sustainability efforts as these promote long-term savings through minimising costs while mitigating the negative impact of electricity generation on the environment. In 2020, we continued to roll out many of our proven energy management initiatives while introducing new ideas and methods to reduce energy consumption.

Implementing ISO 50001 throughout CMS' Cement

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



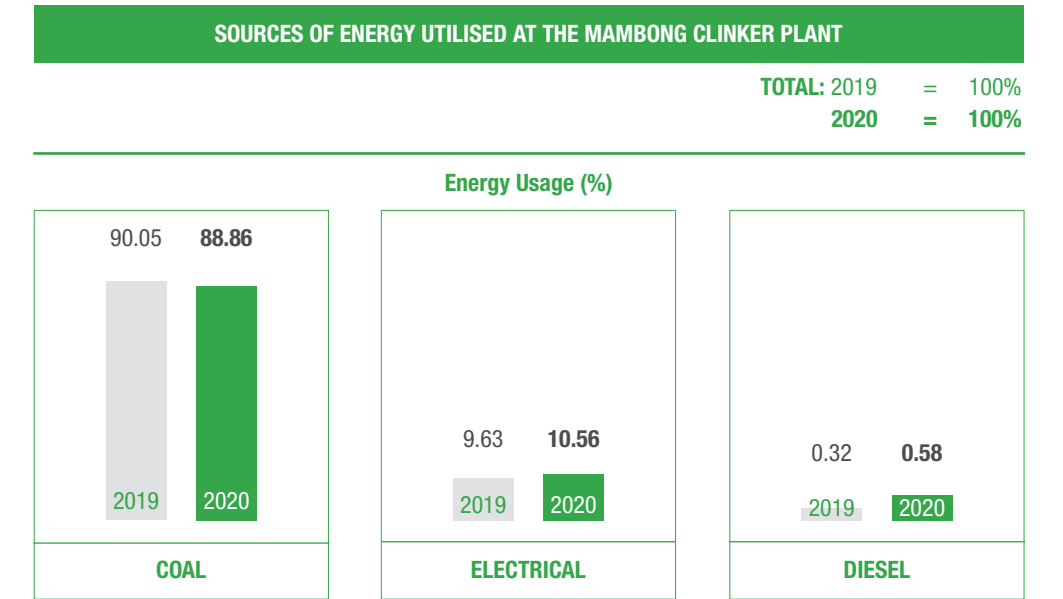
Within the Cement Division's respective companies, committees are in place to monitor the ISO 50001 implementation and ensure its success. The committee members include the Division's Chief Executive Officer (acting as advisor), the General Manager of Production and the respective Plant Managers as management representatives. It also comprises Engineers, Energy Managers and other positions of influence in order to ensure the success of this initiative within the Division.

The clinker plant at Mambong (which attained full ISO 50001:2011 Energy Management System certification in May 2016) was upgraded in 2020 to ISO 50001:2018 by SIRIM QAS International Standard Sdn Bhd, after an internal audit at the plant and corrective actions applied to closeout all non-conformities and observations.

We will follow suit with certification for the Pending Grinding Plant in FY 2021 and Bintulu Grinding Plant in FY 2022. As the plants prepare for certification, all relevant data for their energy configurations such as electricity usage, and data on energy saving programmes through mill output optimisation have been collated.

Today, the implementation and upgrading to ISO 50001:2018 certification at the Pending and Bintulu Grinding Plants are being carried out by the Energy Committee which consists of a group of sub-committees namely the Energy Performance & Efficiency Team, Document Control Team, Communication & Training Team and Internal Audit team. The Energy Committee reports to the Management Review Team. At the Mambong Integrated Plant, the ISO 50001 committee is supported by the Top Management.

Since the implementation of the ISO 50001 standard, power consumption at the Mambong clinker plant has improved. In 2020, the plant's power consumption reduced from 95.41 kilowatts per tonne (kW/t) in 2019 to 92.66 kW/t in 2020 (using an energy usage baseline of 100.24 kW/t). The following table provides a breakdown of the specific sources of energy used in clinker operations at the Mambong Integrated Plant. Consumption of coal has reduced following efficiency improvements at its clinker operations:



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

Improving Energy Efficiency at the Cement Division

The use of Sika 874, a chloride-free liquid cement grinding aid that has performance-enhancing properties are among the many measures the Cement Division has adopted to date to curb its energy utilisation. 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.

Since it started using low calorific-valued Mukah coal, the Division has attained savings by way of heat consumption. In 2020, energy consumption reduced by 0.04 megajoules per tonne (MJ/tonne) of clinker as compared to the preceding year. For 2020, the Division's average heat consumption of 845.42 kilocalories per kilogram (kcal/kg) was lower than the 851.24 kcal/kg recorded in 2019 (2018: 884 kcal/kg) but this was still above the target of 800 kcal/kg due to plant reliability issues and low plant-specific output.

PILLAR 2: Upholding Responsible Environmental Stewardship

The Cement Division's plants continue to leverage on a variety of energy-efficient technologies to reduce energy consumption, with the following being implemented in recent years:

- The installation of a POLYCOM pre-grinder at the Pending Grinding Plant to improve mill throughput from a mere 70 tonnes per hour (tph) to 125-150 tph. Electricity consumption has dropped from 46 kW/t in 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 leading to reduced coal usage for the calciner;
- The use of a high momentum kiln burner gun which enables more effective primary air mixing;
- Higher residence time within the calciner thus enabling more efficient coal burning; and
- The replacement of the existing kiln outlet seal with the newly designed Sinoma inverted lamella seal at the Mambong Integrated Plant.

There were no new efficient technologies introduced in 2020 as major improvement initiatives were not able to be implemented due to the pandemic.

By July 2021, the Mambong Integrated Plant will replace its LVT kiln inlet seal with an ITECA inlet seal, thus reducing false air intake into the kiln by some 20%. This is set to improve fuel efficiency even as heat consumption is reduced at a minimum of 50 kcal/kg clinker and power consumption for the preheater ID fan is reduced by a minimum of 1,000 kilowatt-hours (kWh).

The Pending Grinding Plant's power consumption decreased from 35.58 kilowatt-hours per tonne (kWh/t) in 2019 to 35.19 kWh/t in 2020 – a decrease of 0.39 kWh/t.

Many of the Group's companies have been converting to energy efficient lighting in line with measures to reduce the negative effect of toxic chemicals on the environment while minimising operational costs.



At the Mambong Integrated Plant, power consumption decreased from 44.62 kWh/t in 2019 to 43.89 kWh/t in 2020 – a decrease of 0.73 kWh/t.

The Bintulu cement mill while still in the preparatory stage for ISO 50001 certification, increased its specific power consumption from 39.41 kWh/t in 2019 to 39.60 kWh/t in 2020 – an increase of 0.19 kWh/t.

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

Use of Energy-Efficient Lighting throughout the Group

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

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

The conversion to energy-efficient lighting at the Mambong Integrated Plant continues by replacing faulty fluorescent light bulbs with LED lighting. The plant is also substituting old electric motors with energy-efficient motors for the blowers and kiln feed area. During times of low demand, the mill starts up during the off-peak period (12AM to 7AM) to lower costs. Grinding aids whenever necessary improve grinding and maintain or intensify the production rate. The office building maximises natural lighting by using skylights and glass windows. At the same time, solar panels have been installed to save on electricity consumption and the depletion of non-renewable resources, and LED lighting used which requires less power.

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

CMS' efforts to implement energy-efficient lighting across the Group extend beyond just changing light bulbs. This is especially evident at our Samalaju Resort Hotel which was built with a green concept in mind. The architectural design of the building at Samalaju employs substantial amounts of tempered glass panels to allow indirect natural lighting into the premises.

To facilitate long-term savings, energy-efficient lighting fixtures have been planned for the hotel right from the onset. The use of LED lighting to light up the hotel has garnered costs savings amounting to some 50% in comparison to conventional lighting. 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.

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

A total of 34 units of 80-watt LED street lights have been installed at the Samalaju Eco Park Apartments, while 12 units of solar lighting have been installed for compound lighting, as well as to illuminate the landscaping features. In the future, the plan is for solar lights to be installed whenever the landscaping is refreshed.

Electricity Consumption at CMS

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

Electricity Consumption (kWh)

Division/Company	2018	2019	2020
Cement	123,397,662	126,299,305	104,807,385
Constructions Materials & Trading	4,576,074	5,650,778	4,729,649
Construction & Road Maintenance	750,612	1,236,009	842,600
Property Development	200,477	174,507	141,624
Samalaju Properties Sdn Bhd	1,788,606	1,927,037	3,467,116
Malaysian Phosphate Additives (Sarawak) Sdn Bhd	-	84,257	20,976
Total	130,713,431	135,371,893	114,009,350

In 2018, the Bintulu Grinding Plant upgraded its screw conveyor to two new units of Schenck weigh feeders. The usage of LED lightings for factory and street lights, and motion detection lights for pathways and toilets, and natural lighting by clear wall claddings, are under review. Existing incandescent lights will all be replaced in stages by LED lights over time. 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.

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

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

PILLAR 2: Upholding Responsible Environmental Stewardship

In 2020, the Cement Division's electricity consumption decreased by 17% due to the reduced number of operational hours in the cement and clinker production during the Movement Control Order (MCO) period. Meanwhile, the 16% decrease in electricity consumption for the Construction Materials & Trading Division was achieved due to limited operations during the MCO and Recovery MCO (RMCO) period. The Construction & Road Maintenance Division's consumption decreased by 32% as a result of project completion under the Sarawak Museum project and the closure of 13 offices following the revised State Road contract. The Property Development Division on the other hand posted a 19% reduction in electricity consumption owing to the reduced operations hours in offices and sales galleries due to the MCO and RMCO. On the other hand, electricity consumption at Samalaju Properties Sdn Bhd jumped higher by 80% due to much higher tenancy at the Samalaju Lodges and higher occupancy at Samalaju Resort Hotel especially during the MCO period. Electricity consumption at MPAS has also reduced significantly due to affected operations during the MCO period.

Electricity Consumption (kWh) by CMS' Business Divisions

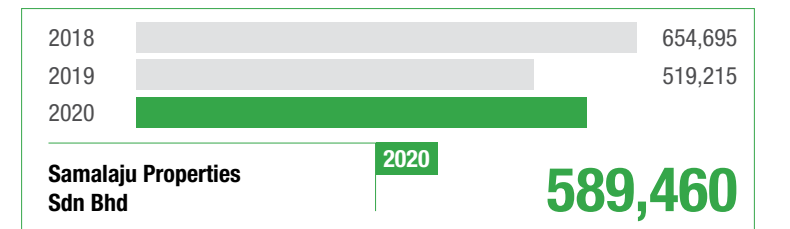
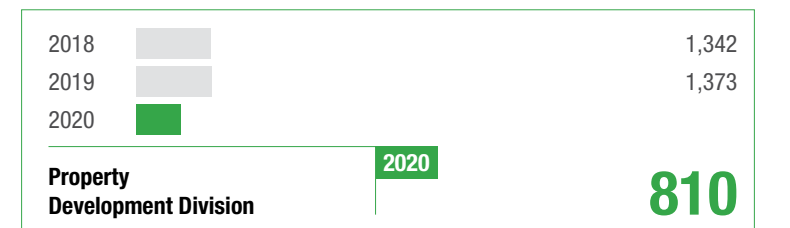
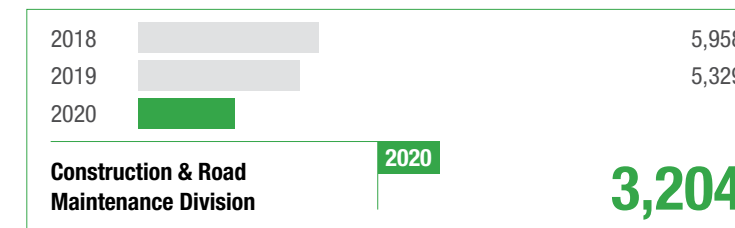
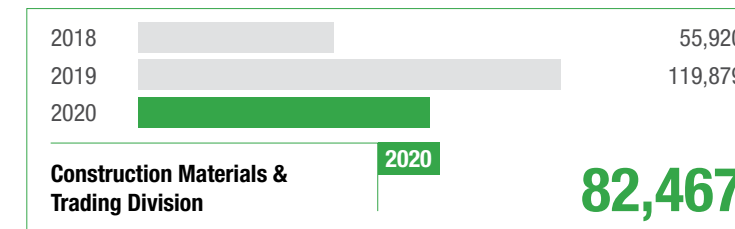
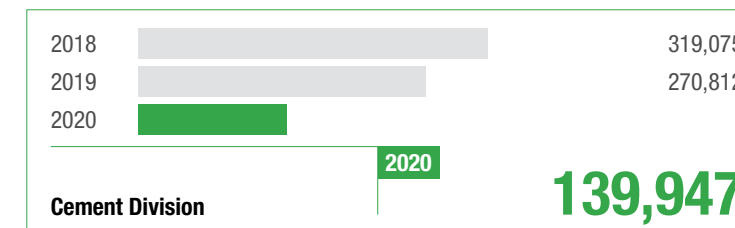
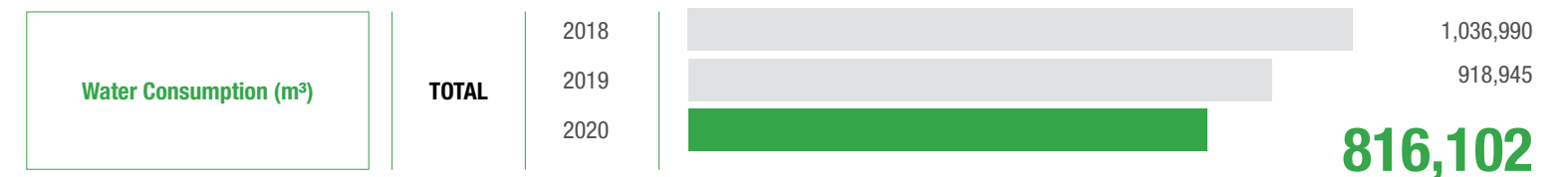


WATER MANAGEMENT

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

Water Consumption at CMS

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



In 2020, there was a significant decrease in water consumption at the Cement Division compared to the amount of water used in the previous year especially due to the reduced operational hours during the MCO period. A number of coordinated actions taken during the year to reduce incidents of inlet pipe blockages, as well as inefficiencies within the water-cooling towers and heat exchangers in the bearings cooling systems all yielded significant savings. We are looking to further reduce water consumption and improve efficiency in the long-term by undertaking the following investments and maintenance activities:

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

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

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

The decrease in water consumption at the Construction Materials & Trading Division was due to limited operations during the MCO and RMCO periods.

The decrease in water consumption at the Construction & Road Maintenance Division was due to the completion of the Sarawak Museum project and the closure of 13 offices following the revised State Road contract.

The reduction of 41% in water consumption in the Property Development Division is attributed to the reduced operation hours in offices and sales galleries due to the MCO and RMCO.

PILLAR 2: Upholding Responsible Environmental Stewardship

At Samalaju Properties Sdn Bhd, there was a significant increase in water consumption compared to the amount of water used in the previous year owing to higher occupancy at Samalaju Resort Hotel during the MCO periods, the growing number of tenants at Samalaju Lodges, and the supply of water to the construction site at Samalaju Eco Park. Countermeasures taken to conserve water during the year include:

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

The change of location of the water meter at Samalaju Lodges was to identify suspected instances of water leakage along the pipeline. The effectiveness of this initiative will be monitored in FY 2021.

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 executed.

Using Recycled Water to Cool Machinery

Water at the Bintulu Grinding Plant is supplied by the water authority, LAKU. The water from the receiver tank is circulated in a 100% closed loop system between the process equipment and cooling tower. A modification is planned for 2021 which will realign the underground hydrant pipe so that it is above ground for easy monitoring of any leaks.

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

Rainwater Harvesting Programme

Rainwater harvesting involves the collection of rainwater with the intention of reusing it onsite. Since the initiation of this programme at the Pending, Bintulu and Mambong plants, no time-specific targets were set and consumption date were recorded as water captured were consumed only for general usage.



At the Pending Grinding Plant, two rain harvesting systems have been installed which are used for the purposes of gardening and washing. The Bintulu Grinding Plant plans to install one rain harvesting system for similar purposes.

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

The Sibul and Miri Bulk Terminals control water consumption by ensuring that the water sprinklers are only turned on during working hours or in the afternoon. A water supply operation and maintenance team repairs and replaces leaking pipes whenever such issues are reported. The quantity of water usage is monitored through utility bills from the local water boards.

WATER POLLUTION

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

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

Locations of Water Sampling Points

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

The water monitoring results are presented in tables and graphs and are then compared with the following: the previous results, the baseline data recorded for the Environmental Impact Assessment (EIA) and the Interim National Water Quality Standards (INWQS) for Malaysia compliance limits. The following are some examples of

the tabulated findings and the graphs relating to water monitoring before the project site (W1). Each environmental monitoring result (EMR) according to the parameters are reflected in the table for monitoring sessions 5 to 17.

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

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

01

Lead, oil and grease were not detected. Surface water was observed without any visible oil sheen.

02

Bacteria count as stipulated in the results of Bacteria Counts Analysis showed that both Total Aerobic Plates Count (TAPC) and Total Coliform Count (TCC) were below the critical allowable level by the Ministry of Health with compliance limits of 400MPN/100mL and 1,600MPN/100mL.

Water Quality Classification

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

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

Water-stressed Environment and Water-related Risks

The locations of all CMS' operations are generally graced with an abundance of water, there were no issues in terms of accessibility to water, water consumption or withdrawal. No incidents of non-compliance with water quality/quality permits, standards and regulations were reported throughout the years.

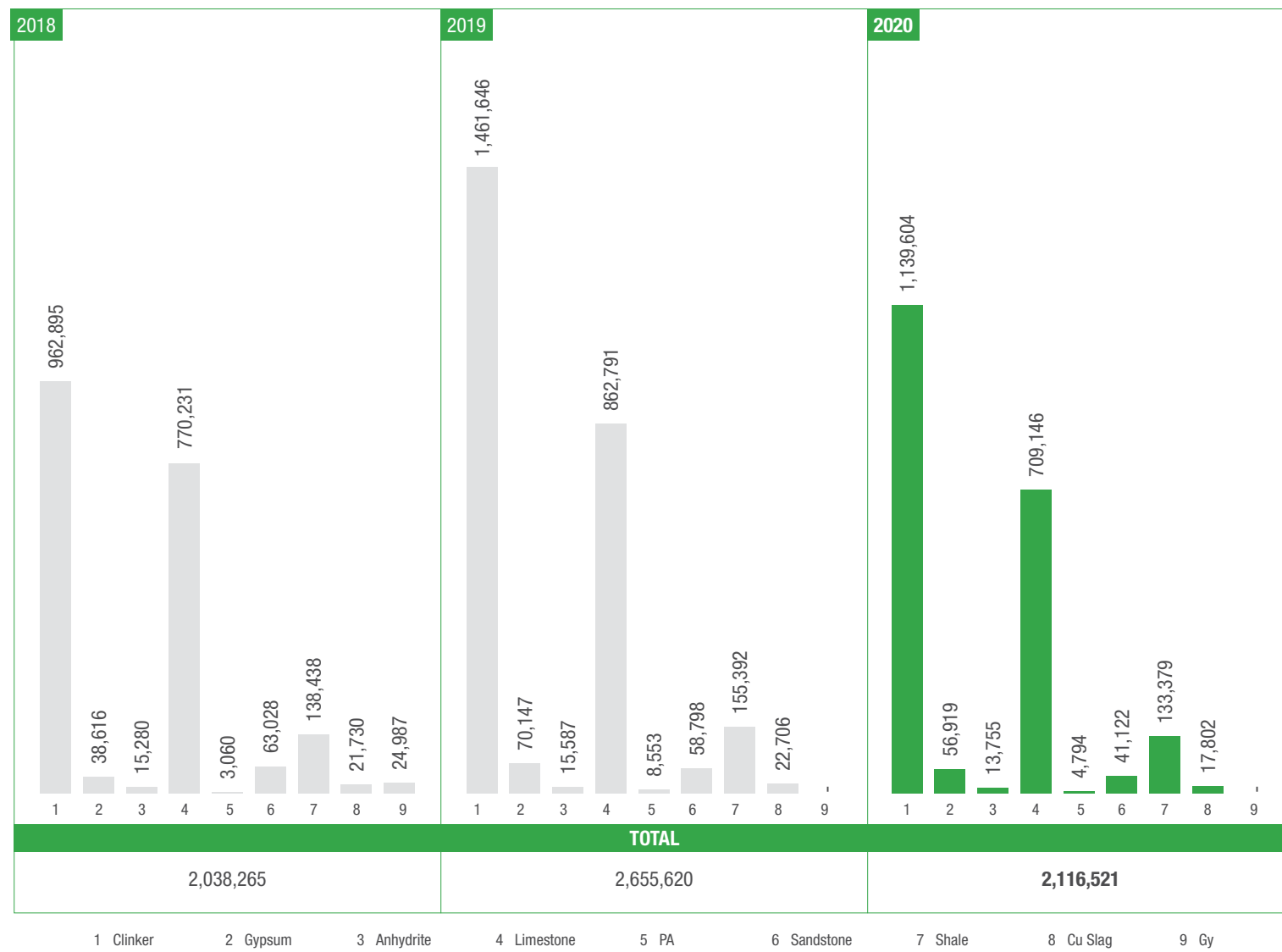
PILLAR 2: Upholding Responsible Environmental Stewardship

MATERIALS MANAGEMENT

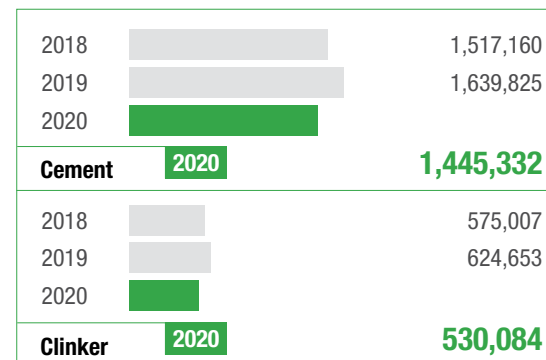
Natural Resources for Clinker and Cement Production

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

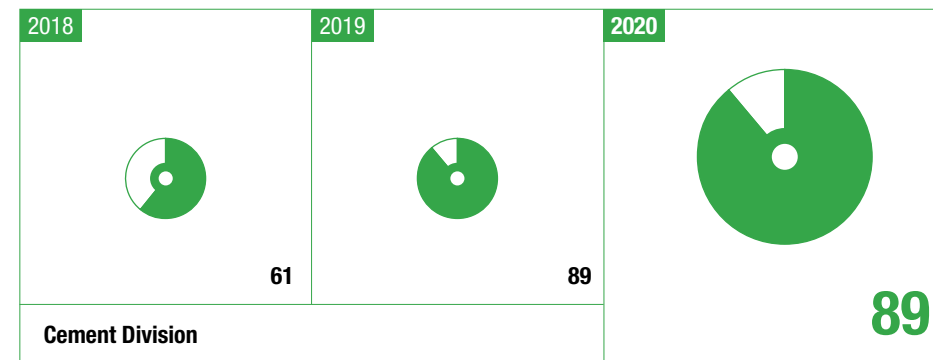
Natural Resources for Clinker and Cement Production (MT)



Clinker Production Capacity (MT)



Clinker to Cement Ratio (%)



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	2018	2019	2020
1.	Stabar	Microtonalite	569,283	436,823	245,381
2.	Penkuari	Microtonalite	-	-	-
3.	Sibanyis	Microtonalite	986,455	1,389,070	1,307,733
4.	Akud	Limestone	330,830	432,584	383,055
5.	Sebuyau	Granite	499,256	767,826	59,202
Total			2,385,824	3,026,303	1,995,371

Raw Materials for Premix Production (MT)

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

Company: CMS Premix Sdn Bhd

Operation: Kuching, Sibul, Sarikei, Saratok, Lundu

Raw Materials (Tonnes)	2018	2019	2020
Bitumen	28,350	23,482	21,292
Polimer Modified Bitumen	-	39	182
3/4" Agg	180,063	145,481	113,240
3/8" Agg	37,015	8,802	21,287
Quarry Sand	347,658	299,216	273,222
DCR 1.5"	65,510	87,913	94,046
Hydrated Lime	339	52	2
Cement	1,716	1,452	2,039
Riversand	3,864	245	35
Total	664,515	566,682	525,345
Production	628,782	533,974	489,439
Wastages	35,733	32,708	35,905

Diesel Usage (Litres)

Plant	4,145,866	4,201,988	4,141,843
Machinery	280,152	212,775	139,831
Total	4,426,018	4,414,763	4,281,674

Eco-Light Fuel Oil/ELFO (Litres)

Kuching Plant	-	311,600	61,400
Total	-	311,600	61,400

Company: CMS Premix (Miri) Sdn Bhd

Operation: Bintulu, Samalaju, Kuala Baram

Raw Materials	2018	2019	2020
Bitumen	9,302	7,453	5,878
3/4" Agg	66,683	51,536	38,225
3/8" Agg	13,679	9,744	8,356
Quarry Sand	120,986	104,063	79,912
DCR 1.5"	21,942	18,821	7,669
Hydrated Lime	4	-	-
Cement	-	57.22	-
River Sand	-	-	139,279
Total	232,597	191,674	279,317
Production	208,739	175,494	128,503
Wastages	23,858	16,180	150,814

Diesel Usage (Litres)

Plant	2,347,557	1,965,938	1,467,816
Machinery	129,815	111,313	32,113
Total	2,477,372	2,077,251	1,499,929

Company: Betong Premix (Miri) Sdn Bhd

Operation: Betong

Raw Materials	2018	2019	2020
Bitumen	567	3,178	4,301
3/4" Agg	2,186	8,183	25,838
3/8" Agg	2,078	167	412
Quarry Sand	5,079	33,114	63,355
DCR 1.5"	518	43,430	24,479
Hydrated Lime	4	-	-
Cement	-	469	1,359
River Sand	-	-	-
Total	10,431	88,541	119,744
Production	9,188	82,353	104,725
Wastages	1,244	6,189	15,019

Diesel Usage (Litres)

Plant	150,287	839,136	1,145,805
Machinery	27,861	74,206	98,357
Total	178,148	913,342	1,244,162

PILLAR 2: Upholding Responsible Environmental Stewardship

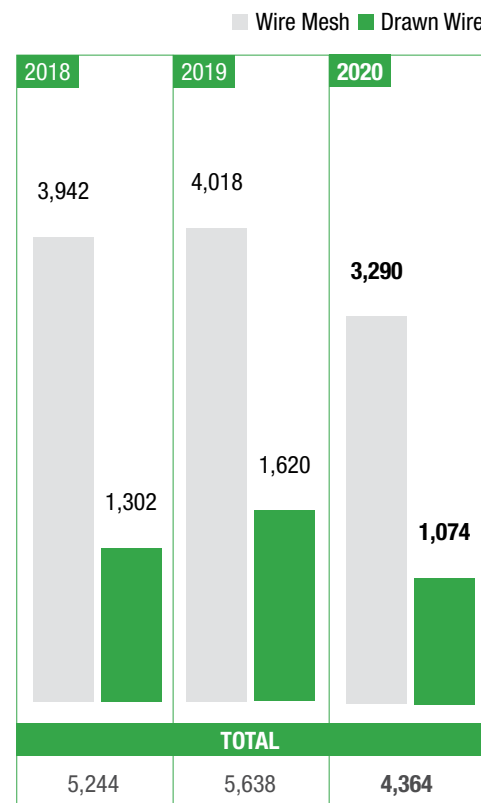
Raw Materials for Wire Production (MT)

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

Company: CMS Wires Sdn Bhd
Operation: Miri, Bintulu, Samalaju, Limbang

Wire Rod Size (MT)	2018	2019	2020
5.5 – 10K	477	352	377
6.0 – 12K	538	904	597
6.5 – 12K	384	73	349
7.0 – 12K	461	760	109
7.5 – 12K	0	62	0
8.0 – 12K	1,185	1,322	940
8.5 – 12K	-	-	323
9.0 – 12K	1,474	1,182	827
9.5 – 15K	-	-	-
10 – 12K	51	51	163
11 – 12K	677	545	570
Total	5,247	5,251	4,255

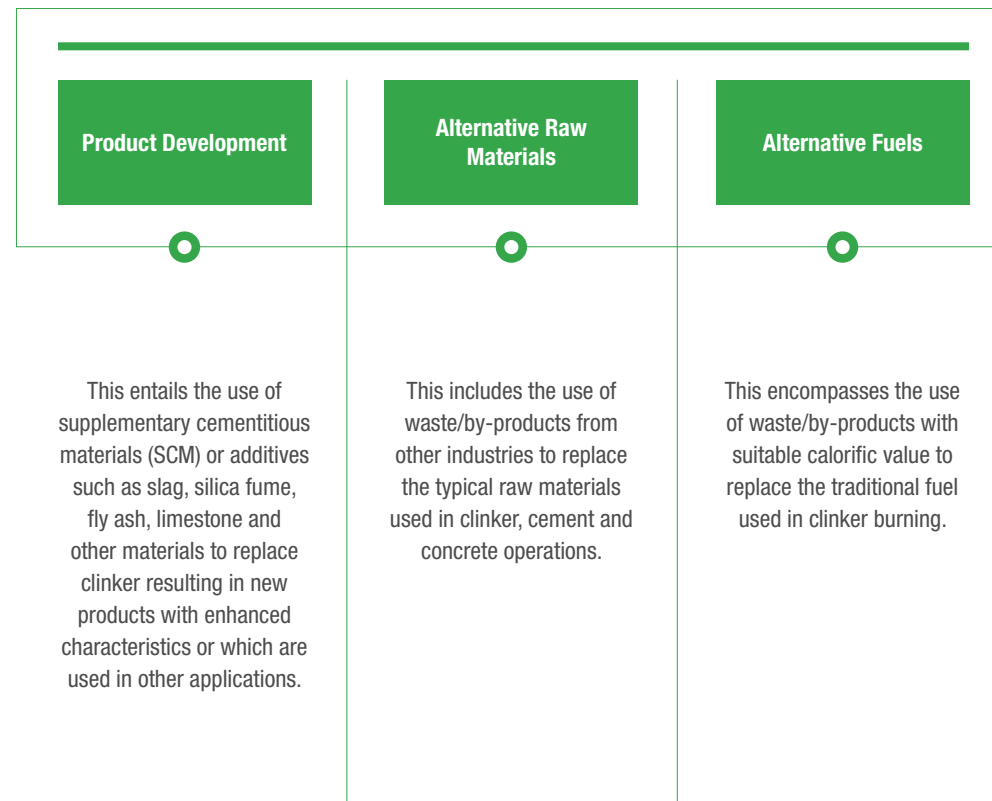
Production Volumes by CMS Wires Sdn Bhd (MT)



Ongoing Research & Development Efforts

To ensure more sustainable operations and to maintain our competitive edge, we continue to engage in Research and Development (R&D) activities. These have been in place for some time now and is evident in the solid progress that the Cement Division has made by way of utilising 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:



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

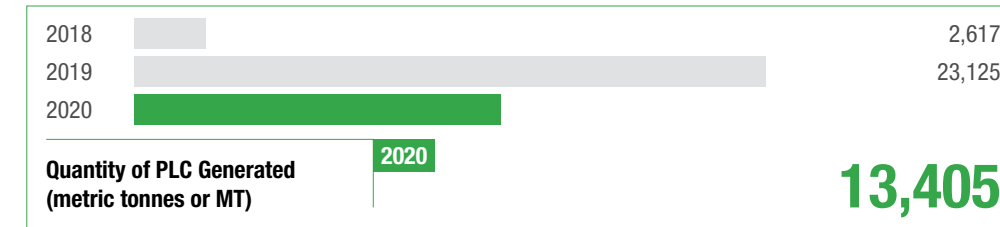
Product Development

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

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



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

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

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

Silica fume is an ultrafine powder collected as a by-product of silicon and ferrosilicon alloy production. Comprising of spherical particles with an average particle diameter of 150 nm, it is supplied by OM Materials (Sarawak) Sdn Bhd and Pertama Ferroalloys Sdn Bhd who obtained approvals from the Department of Environment (DOE) in 2019 for the onsite recovery of Silica Fume (scheduled waste) to generate Microsilica (which is not scheduled as waste). Adding Microsilica to produce blended PCC or using it in concrete, strengthens the performance of the cement and lends to higher durability. In 2020, CMS Concrete Products Sdn Bhd consumed 173.01 MT (2019: 124.79 MT) of Microsilica in concrete production.

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

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

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

Leveraging on Cold-in-Place recycling technology

A specialist provider of pavement works covering construction, rehabilitation and maintenance, CMS Pavement Tech Sdn Bhd promotes sustainable engineering and construction using locally-sourced, alternative materials. 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 uses cement stabilisation technology in the form of the Wirtgen WR2500S, WR250 and WR240 machines to reconstruct and rehabilitate pavements. This method is more eco-friendly and more cost-efficient than the traditional methods of pavement rehabilitation. The company is also capable of performing stabilisation works using other agents such as lime, emulsion, bitumen and soil stabilisers.

The company's technology features higher cost savings, quicker construction times, as well as improved pavement performance and design life. In 2020, the company continued to conduct significant amounts of Cold-in-Place recycling amounting to 231,500 MT (2019: 170,500 MT; 2018: 184,300 MT) and off-site pavement milling activities covering some 10.10 km (2019: 12.73 km; 2018: 6.0 km).

Revitalising the Industrialised Building System (IBS) business

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

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

Alternative Raw Materials

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



PILLAR 2: Upholding Responsible Environmental Stewardship

The current status of some of the many innovative initiatives related to recycling scheduled wastes and by-products as alternative raw materials being implemented by the Group's subsidiaries are as follows:

Recycling Waste in the Production of Clinker

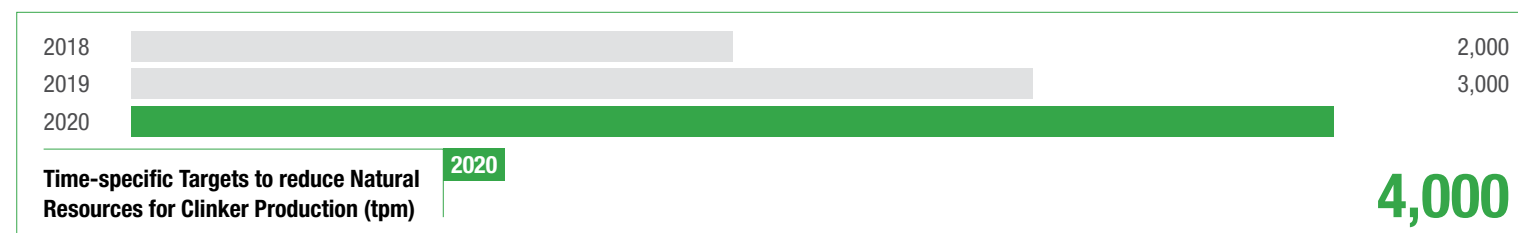
We are continually looking into additional sources of sludge from within the industry. Following extensive laboratory research into using it as a replacement for limestone, our clinker plant has concluded that the waste material is viable as a material replacement. The Cement Division's Raw Materials Committee is working with the DOE and the plant teams to substitute its use of limestone by up to 3% by replacing raw limestone with 4,000 tonnes per month (tpm) of sludge, old kiln bricks and ash.

During the year, R&D activities were conducted on waste generated within Samalaju Industrial Park (SIP) in the laboratory. As the DOE of Sarawak has granted an Offsite Recovery License to the Mambong Integrated Plant to utilise the following scheduled waste as alternative raw materials to be sourced from the SIP, Samajaya Free Industrial Zone and PETRONAS, trials can escalate to industrial scale.

Type of Scheduled Waste	Scheduled Waste Code	Approval date by DOE
Calcium Hydroxide	SW427	Since 1 st Nov 2010
Spent Garnet	SW104	Since 25 th Oct 2019
Silico Manganese Slag	SW104	Since 25 th Oct 2019
Sludge	SW204	Since 25 th Oct 2019
Silicon Sludge	SW204	Since 25 th Oct 2019
Fluoride Sludge	SW207	Since 25 th Oct 2019

In line with this initiative, we intend to close several deals with waste generators for Scheduled Waste codes SW427, SW104, SW204 and SW207 from several industrials in Sarawak. Our Cement Division's environmental team has contacted the waste generators in Sarawak at the Samajaya Free Industrial Zone (namely LONGI (Kuching) Sdn Bhd, HGST Malaysia Sdn Bhd, Tai Yo Yuden Sarawak Sdn Bhd, X-FAB Sarawak Sdn Bhd) and the SIP (namely OM Sarawak, Pertama Ferroalloys Sdn Bhd and OCI Malaysia Sdn Bhd). In 2021, we shall be pressing for SW427 supplies from Linde EOX Kota Kinabalu. The use of alternative raw materials will increase significantly to around 200 to 300 tonnes per month. We are still in the midst of finalising the contracts with our counterparts. Scheduled Wastes Transportation licences especially on the sea route are being negotiated with the DOE.

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



Use of Calcium Hydroxide Sludge Ca(OH)² to replace limestone in clinker production

In 2020, a total of 229 tonnes (2019: 621 tonnes) of Calcium Hydroxide Sludge Ca(OH)² supplied by Linde EOX Sdn Bhd has been incorporated in the raw mix pile for clinker production. Since 2011, altogether 5,614 tonnes have been used.

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

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

In collaboration with University Malaya, we are undertaking research on clinker substitutes using yellow phosphorous slag or YPS from MPAS. A taskforce was established during the year between the Cement Division and MPAS for the joint exploration of the potential utilisation of YPS in cement, concrete and other applications.

To date, our R&D Department has conducted several tests on YPS together with the operational team. Trials on cement of strength classes 32.5N and 42.5N were produced by the replacement of clinker with 5% and 10% YPS respectively via inter-grinding. The results were compared against internal quality control specifications. The findings

were that both cement strength class 32.5N and 42.5N showed lower early and late strength. The setting time was significantly longer as expected due to the low clinker content and the presence of P205 in YPS. However, for cement with strength class 32.5N which has 27% limestone content, the setting time was only longer by 25 minutes. Further studies will be conducted.

CMS Cement Industries Sdn Bhd will present the outcome to the Department of Standards Malaysia to allow the inclusion of YPS as one of the constituents in cement under MS EN 197-1 which is the Malaysian cement standard.

The next step is to ramp research up to the industrial level with the sample waste material from an identified source. A total of 20 MT of the material has been imported from China for more trials to be conducted by CMS Concrete Products Sdn Bhd.

Research into Phosphogypsum to replace limestone in clinker production

Following extensive laboratory research into using phosphogypsum as a replacement for limestone, our clinker plant has concluded that the waste material is viable as a material replacement. The next step is to ramp research up to the industrial level with the sample waste material from an identified source.

Use of yellow phosphorus slag in concrete production

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

Manganese slag premix aggregates replacement for road-based materials

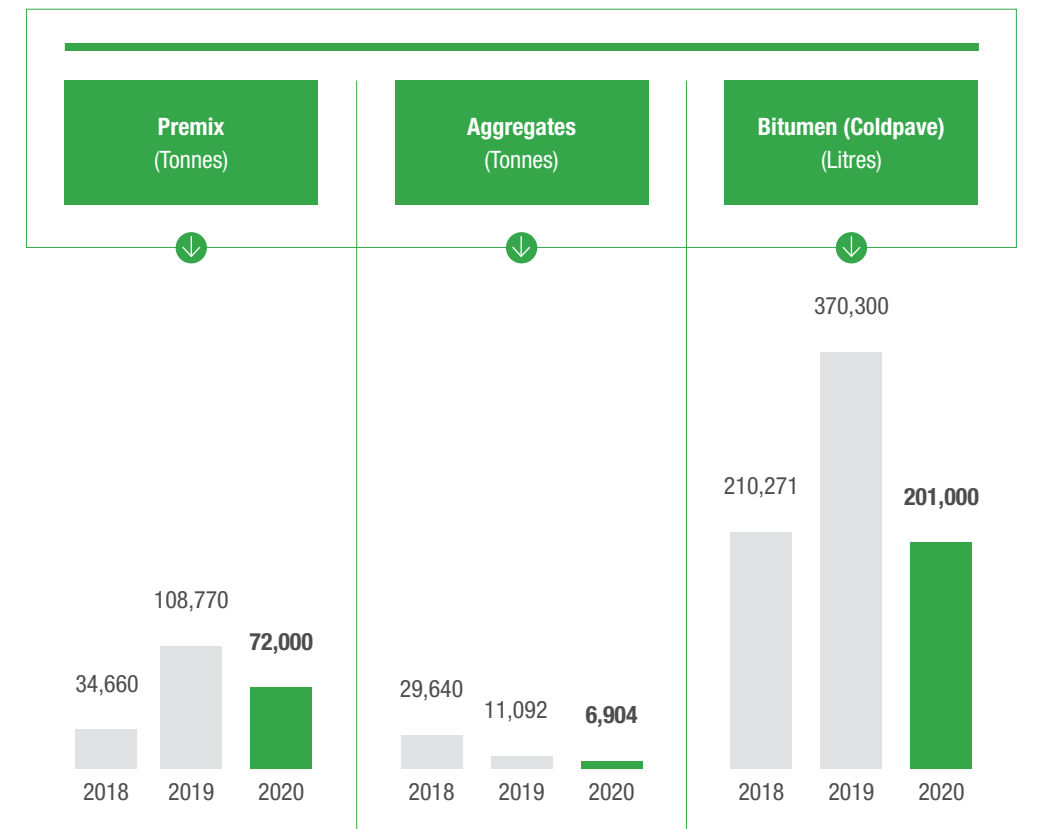
Our Construction & Road Maintenance Division has been researching the possibility of using the by-products of smelting plants within the SIP as material in its road base. The initiative aims to recycle the waste material which would otherwise end up in landfills, while at the same time exploring a potentially cheaper source of input material. Silica fume is a by-product of producing ferrosilicon alloys in smelting plants and is commonly used to strengthen Portland cement due to its extreme fineness and high silica content.

The Construction Materials & Trading Division's slag trial at Sakura Ferroalloy Sdn Bhd within the SIP was successful with the results meeting the Public Works Department's (Jabatan Kerja Raya or JKR) standard for road sub-base and road base as a quarry aggregate crusher run substitute.

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

However, slag waste is still subject to DOE approval before it can be used on public roads. It will also be important to compare the cost of slag waste with local quarry products.

Manganese Slag Premix Aggregates Replacement for Road based Materials Material



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

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.

Alternative Fuels

Tyre-derived fuel

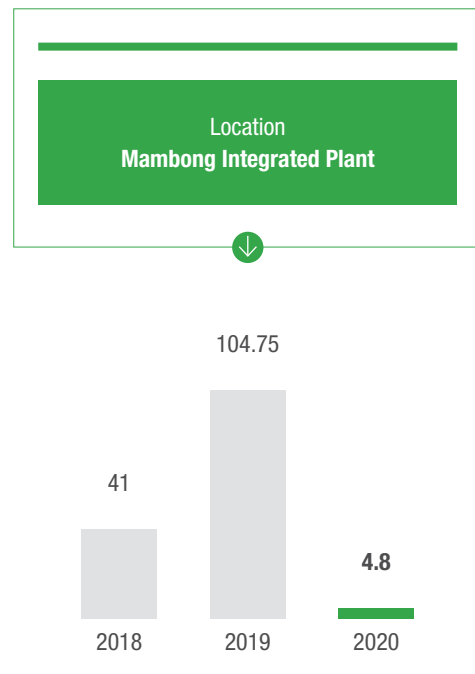
As part of the efforts to capture energy in a sustainable manner through the recycling of waste materials, CMS Cement Industries Sdn Bhd (CMSCI), under its clinker operation, began to process tyre-derived fuel or TDF in 2015 by burning small quantities of shredded tyres purchased from a local-based supplier 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 of both Putrajaya and Sarawak have asked for the installation of a CEMS-Gas Analyser as a prerequisite for the trial burn. The CEMS-Gas Analyser was successfully installed in December 2017.

PILLAR 2: Upholding Responsible Environmental Stewardship

In 2018, CMSCI was given approval by the DOE to proceed with the trial of 300 metric tonnes (MT) of TDF with the intention of eventually moving into the commercial production of TDF. In 2019, the Mambong Integrated Plant co-processed 104.75 MT of TDF for trial purposes and another 4.8 MT in 2020. The trials to date have been under strict watch using the existing feeding system until such a time when 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)



Replacing Light Fuel Oil (LFO) with Residual Fuel Oil (RFO)

The plant is still considering replacing its Light Fuel Oil (LFO) with Residual Fuel Oil (RFO) and has held discussions with PETRONAS, as well as sourced several recycled oil suppliers in the Kuching area.

Use of Sludge Cake and Municipal Solid Waste as alternative fuels

Communications have been established with Daiken on the re-utilisation of Sludge Cake (SW320) as alternative fuel. We are also collaborating with the Natural Resources and Environment Board Sarawak and Trienekens for trialling Municipal Solid Waste as an alternative fuel. Proposals for a proper feeding system for alternative fuels have been given priority review by the team.

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

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

WASTE MANAGEMENT

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

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

Solid Waste

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

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

- Only the weight of cement/clinker and scrap iron solid waste is recorded as the focus is primarily on minimising or eradicating waste;
- Industrial wastes which contain calorific value are co-processed at the calciner;
- Contaminated or mixed raw materials such as gypsum and limestone with cement or clinker (also regarded as waste), are put back into the operations mix;
- Old basic and alumina bricks are crushed at the limestone crusher and used later as alternative raw material;
- General waste is separated and sold to a third-party vendor for re-utilisation;
- Wood waste is donated to a nearby bricks manufacturing company;
- Some waste components, including spent oil, are incinerated during clinker production;
- Used bag filters, paper bags, torn jumbo and pre-sling bags among other things are co-processed at CMS Cement Industries Sdn Bhd and sold as scrap;
- The Bintulu Grinding Plant disposes used pre-slings and used tyres to Fonsen Enterprise and ZHA Sdn Bhd.
- Scrap metal generated from shutdowns and other projects are collected and reused for fabrication by the Maintenance Department, or sold to metal recycling companies;
- Scrap rubber is collected and reused in plant production such as for skirting, or sold to CMS Pavement Tech Sdn Bhd for safety protection on their machinery; and
- Waste from the cement and clinker production are used for CSR landfilling activities.

Four recycling campaigns were organised in the plants to promote recycling activities in the offices, home areas and other site buildings. Recyclable materials such as mixed papers, old newspapers old corrugated cartons and used electrical appliances were sold to a recycling company and the proceeds are then contributed to the company's Compassionate Fund.

Recycling Capabilities for New Premix Plants

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

Scheduled Waste

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

As scheduled waste is hazardous and difficult to dispose safely without special technologies and

facilities, CMS ensures that all scheduled waste is discarded in compliance with operational regulations. In 2020, some 9,300 litres (2019: 8,600 litres; 2018: 6,800 litres) of waste oil, spent lubricant and hydraulic oil (classified under SW421), which was generated and collected by the Cement Division, was sent to CMS Concrete Products Sdn Bhd. Here the used oil was used as a separator material for isolating concrete materials with mould tools. Containers contaminated with chemicals and scheduled waste (classified under SW409 – IBC Tank) were sold to a DOE-Approved Scheduled Waste Contractor. All materials that had come in contact with the oil, such as contaminated gloves and used cotton rags were also properly disposed of.

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

Types of Scheduled Wastes within the Cement Division

Pending and Bintulu Grinding Plants

CODE	DESCRIPTION	CONTEXT
	Environmental Quality (Scheduled Wastes) Regulations 2005	CMS Cement Industries Sdn Bhd
SW410	Rags, plastics, papers or filters contaminated with scheduled wastes	a) Contaminated spill kits and rags as a result of spillage cleaning of oil, lube, grease and mercury b) Rags, plastics, paper or filters contaminated with oil, lube, grease generated from maintenance or other activities
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	a) Used containers contaminated with laboratory chemical b) Used drums contaminated with oil, lubricant and grease c) Used IBC tank contaminated with chemical
SW102	Waste of lead acid batteries in whole or crushed form	Waste batteries from forklift and shovel
SW110	Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl	Fluorescent lamps
SW305	Spent lubricating oil	Spent lubricating oil
SW306	Spent hydraulic oil	Spent hydraulic oil
SW104	Dust, slag, dross or ash containing arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium excluding slag from iron and steel factor	Dust, slag, dross, or ash Containing aluminium, arsenic, mercury & etc.
SW429	Chemicals that are discarded or off-specification	Discarded chemical from chemical test
SW421	A mixture of scheduled wastes	Spent oil, lubricant, grease

PILLAR 2: Upholding Responsible Environmental Stewardship

Mambong Integrated Plant

CODE	DESCRIPTION	CMSCI CONTEXT
	AS IN EQ (SCHEDULED WASTE) REG. 2005	CMS Cement Industries Sdn Bhd
SW410	Rags, plastics, papers or filters contaminated with scheduled wastes	a) Contaminated spill kits and rags as a result of spillage cleaning of oil, lube, grease and mercury b) Rags, plastics, paper or filters contaminated with oil, lube, grease generated from maintenance or other activities
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	a) Used drums contaminated with oil, lubricant and grease b) Used IBC tank contaminated with chemical
SW430	Obsolete laboratory chemicals	Obsolete laboratory chemicals
SW110	Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl	Fluorescent lamps
SW305	Spent lubricating oil	Spent lubricating oil
SW306	Spent hydraulic oil	Spent hydraulic oil

Miri & Sibul Bulk Terminals

CODE	DESCRIPTION	CMSCI CONTEXT
	AS IN EQ (SCHEDULED WASTE) REG. 2005	CMS Cement Industries Sdn Bhd
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled waste	Used pails/canisters contaminated with oil, lubricant and grease
SW410	Rags, plastics, papers or filters contaminated with scheduled wastes	a) Contaminated spill kits and rags as a result of spillage cleaning of oil, lube, grease and mercury b) Rags, plastics, paper or filters contaminated with oil, lube, grease generated from maintenance or other activities
SW110	Waste from electrical and electronic assemblies containing components such as accumulators, mercury-switches, glass from cathode-ray tubes and other activated glass or polychlorinated biphenyl-capacitors, or contaminated with cadmium, mercury, lead, chromium, copper, lithium, silver, manganese or polychlorinated biphenyl	Fluorescent lamps
SW305	Spent lubricating oil	Spent lubricating oil
SW306	Spent hydraulic oil	Spent hydraulic oil

The procedures for handling scheduled waste are summarised below:

- The operator ensures all scheduled wastes generated are properly stored in appropriate containers.
- Contaminated parts are cleaned with diesel before being disposed of at the scrap storage area;
- Once the drum is full, it is transferred to the scheduled waste store. The total quantity of waste is recorded in a record book;
- The Waste Management Team (WMT) leader submits the records to the DOE on a monthly basis;
- 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 hazardous waste generated by the Cement Division's various operations between 2018 to 2020 are presented below:

Hazardous Waste Generation within the Cement Division

Locations	Types of Scheduled Wastes	2018	2019	2020
Pending Grinding Plant	SW421	6.8 mt	8.6 mt	9.3 mt
	SW409	0.028 mt	0.015 mt	0.004 mt
	SW410	0.105 mt	0.335 mt	0.290 mt
	SW430	Nil	2.035 mt	Nil
	SW102	Nil	22 units	11 units
	SW110	125 units	100 units	107 units
Bintulu Grinding Plant	SW429	0.3753 units	0.3963 mt	0.3536 mt
	SW305	5.4 mts	0.412 mt	5.6 mt
	SW306	1 mts	0.125 mt	2.4 mt
	SW104	Nil	0.048 mt	Nil
	SW409	2.65 mts	0.075 mt	1.45 mt
	SW410	1mt	36.8 mt	0.6 mt
Mambong Integrated Plant	SW430	Nil	0.2 mt	Nil
	SW102	1 mts	Nil	Nil
	SW110	Nil	0.25 mt	0.05 mt
	SW429	Nil	0.45 mt	0.4 mt
	SW305	Nil	19.153 mt	3 mt
	SW409	Nil	0.01 mt	5mt
Miri Bulk Terminal	SW410	Nil	3.198 mt	0.83 mt
	SW305	Nil	Nil	0.299 mt
	SW410	Nil	Nil	0.065 mt
Sibu Bulk Terminal	SW421	Nil	Nil	0.091 mt
	SW305	Nil	Nil	0.170 mt
	SW306	Nil	Nil	Nil
	SW409	Nil	Nil	Nil
	SW410	Nil	Nil	0.095 mt
	SW429	Nil	Nil	Nil

Non-recycled Waste Generation (MT)

Locations	2018	2019	2020
Pending Grinding Plant	62 mt	35.55 mt	13.03 mt
Bintulu Grinding Plant	No record	No record	No Record
Mambong Integrated Plant	All generated wastes are being co-processed at the calciner		301.86 mt (due to shut down and major housekeeping in the plant)

Waste Recycled (MT)

Locations	2018	2019	2020
Pending Grinding Plant	3.9 mt	0.928 mt	0.886 mt
Bintulu Grinding Plant	0.74 mt	0.8 mt	Scrap Iron Metal – 219.05 mt Conveyor Belt – 41.38 mt
Mambong Integrated Plant	Less than 500 mt	Less than 500 mt	Scrap metal – 154.88 mt Scrap rubber – 0.61 mt Used plastic – 8.939 mt Recycling Campaign (Other materials) – 4.944 mt
Miri Bulk Terminal	Nil	Nil	0.09 mt
Sibu Bulk Terminal	Nil	Nil	0.4868 mt

PILLAR 2: Upholding Responsible Environmental Stewardship

The hazardous waste generated by the Cement Division's various operations between 2018 to 2020 are presented below:

	Short-term	Medium-term	Long-term
Mambong Integrated Plant	Reuse and recycle waste clinker/cement into the system, organise recycling campaign to promote recycling at office area, prepare area for collecting scrap metals, used containers for purpose of reusing and selling.	<ul style="list-style-type: none"> a) Environmental awareness to staff and contractors. Encourage operation staff to use long-lasting products to reduce the frequency of changing the new one. b) Additional manpower to do housekeeping (more dust spillages can be recovered), co-processing activity (more solid wastes can be co-processed) c) Segregation activity (more recyclables materials can be segregate and sell to recycling companies). 	<ul style="list-style-type: none"> a) Improvement of co-processing feeding facilities to boost the quantity of solid waste that can be co-processed into the system (cradle-to-cradle concept). b) Improvement and modification of the bag filter/conveyor system to reduce the number of spillages when transporting the clinker/cement.
Pending Grinding Plant	To recycle waste from the cement or clinker production by mixing with raw materials.	To reduce general spillages by launching a "Housekeeping Campaign".	
Bintulu Grinding Plant	<ul style="list-style-type: none"> a) Daily housekeeping practice maintained to ensure wastes are in good condition to be recycled. b) Ensure conveying & dedusting systems work effectively. 	<ul style="list-style-type: none"> a) Repair storing facilities with an improved design to control and confine dust inside the storage. b) Improved road condition with proper sprinkling & drainage system to reduce the impact of emission to the environment. 	
Sibu and Miri Bulk Terminals	Daily housekeeping practice maintained to ensure wastes still in good condition to be recycled.		

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

Construction & Road Maintenance Division, Scheduled Waste (kg)

Types of Scheduled Waste	2018	2019	2020
SW410	410.60	458.00	70.75
SW307	57.05	134.40	51.50
Total	467.65	592.4	122.25

The decrease of scheduled waste under this Division in 2020 is attributed to the affected operation schedule by the pandemic, as well as the shorter road contract.

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

- CMS' Property Development Division does not produce high quantities of scheduled waste and adopts a stringent scheduled waste practice which forms part of its Environmental Impact Assessment and Environmental Monitoring Programme.
- PPES Works (Sarawak) Sdn Bhd not only re-sells its leftover construction materials, it also reuses construction waste generated through site clearance, excavation and demolition, such as timber and formwork, as well as demolition waste or broken slabs. Used paper is recycled for internal photocopying and printing, while waste from land clearing is utilised as the base for an access road in a swampy area.

Construction Materials & Trading Division, Scheduled Waste (Litres)

- At CMS Wires Sdn Bhd, old metallic parts, waste iron oxide and scrap iron are sold to a local steel manufacturer. In 2020, CMS Wires Sdn Bhd recycled 39.18 MT of these materials (2019: 39.94 MT).
- Spent lubricants and hydraulic oil, classified under SW305 and SW306 respectively, are generated and subsequently collected by a licensed contractor. The following table highlights these activities:

Code	Items	CMS Premix Sdn Bhd	CMS Premix (Miri) S/B	CMS Quarries	CMS Wires
SW305	Spent Oil lubricant	800	135	2,800	87
SW306	Spent Hydraulic oil	2,800	NIL	NIL	NIL
SW312	Oily residue from workshop	NIL	NIL	NIL	NIL
SW410	Oil filter	355 kg	NIL	130 kg	40 kg
SW430	Methylene Chloride	NIL	NIL	NIL	NIL

- Cotton rags and contaminated gloves are sent to Trienekens (Sarawak) Sdn Bhd, the operator of Sarawak's integrated waste management system, for proper disposal.
- All scheduled waste collected must be kept not more than 180 days as recorded from the first date of generation or as soon as reaching an inventory of 20 tonnes.
- Under the new DOE requirements, scheduled waste is recorded in the Electronic Scheduled Waste Information System (e-SWIS) for ease of visibility and so it can be monitored on a monthly basis.
- For waste that cannot be recycled – generally municipal waste such as left-over food, cans, clothing, furniture, waste paper, bottles and other items – diligent housekeeping at the end of each day will ensure this rubbish is collected and stored inside the waste bin provided at site. A licenced contractor, Trienekens Sdn Bhd collects and disposes of the waste in the bin at least twice a week.

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

AIR AND GHG EMISSIONS, DUST, NOISE AND VIBRATIONS MANAGEMENT

Dust Emissions Management

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

New Ambient Air Quality Standard for Malaysia

The New Ambient Air Quality Standard was established in order to replace the older Malaysia Ambient Air Quality Guideline that has been used since 1989. The New Ambient Air Quality Standard adopts six air pollutants criteria that include five existing air pollutants. These include particulate matter with a size of less than 10 micron (PM₁₀), sulphur dioxide (SO₂), carbon monoxide (CO), nitrogen dioxide (NO₂), and ground level ozone (O₃), as well as 1 additional parameter which is particulate matter with a size of less than 2.5 micron (PM_{2.5}).

The air pollutants concentration limits have been strengthened in stages until 2020. Three interim targets had been set which included interim target 1 (IT-1) by 2015, interim target 2 (IT-2) by 2018, and this year the full implementation of the standard in 2020.

PILLAR 2: Upholding Responsible Environmental Stewardship

Ambient Air Quality Standard

Pollutants	Averaging Time	Ambient Air Quality Standard		
		IT-1 (2015) $\mu\text{g}/\text{m}^3$	IT-2 (2018) $\mu\text{g}/\text{m}^3$	Standard (2020) $\mu\text{g}/\text{m}^3$
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 ($\text{PM}_{2.5}$)	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

Cement Division's Ongoing Programmes/Activities to Minimise Pollution

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

Air/Dust Pollution	<ul style="list-style-type: none"> Installation of Bag Filters and Electrostatic Precipitators Maintaining air pollution control system in accordance to the sound engineering practices based on the EQ (Clean Air) Regulations 2014 Installation of the Continuous Emission Monitoring system whereby data captured will be transmitted directly to the Department of Environment (DOE) Introduction of the Continuous Clean & Clear (CCC) Program at all plants to maintain housekeeping standards To carry out road wetting when the weather is dry and windy To convert existing EP filter into Bag filters for increased filter capacity To conduct regular housekeeping
Noise Pollution	<ul style="list-style-type: none"> To plant more trees around the boundaries of each plant. As trees can absorb and block noise and sounds, this will help to reduce the overall noise levels Installation of heavy-duty doors at mills and compressor rooms, acoustic material/silencer at exhaust fans and high-pressure blowers, and building enclosure walls surrounding the main bag filters Regular maintenance of the convey systems to prevent sound disturbance

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

Short-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
Medium-Term	To reduce the stacks' emission to lower than $100 \mu\text{g}/\text{m}^3$ for the clinker plant and below $200 \mu\text{g}/\text{m}^3$ for the cement plant stacks
Long-Term	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 $50 \mu\text{g}/\text{m}^3$ whilst cement plants below $150 \mu\text{g}/\text{m}^3$)

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

Pending Grinding Plant

The Pending Grinding Plant is implementing measures to control and reduce air and dust pollution by replacing its unloading equipment. This will help to reduce clinker spillage during loading and transportation. The plant is also modifying the bag filters de-dusting pipe to improve the dust collection on every conveyor transfer point. Ongoing works include attention to jetty filters and plans to convert electrostatic precipitators to baghouse dust collector filter types by 2021. The clinker and gypsum shed will be redesigned to control and confine dust inside the storage area.

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

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

Mambong Integrated Plant

The Mambong Integrated Plant has rolled out an air pollution control equipment improvement initiative by installing two units of the Power Plus High Frequency Transformer-Rectifier (T/R) at its Waste Gas Electrostatic Precipitators (EP). The original waste gas EP with six chambers that was designed and installed in 1996 used a Conventional T/R set with a capacity of 66 kV/1,200 mA.

In 2012, the waste gas ESP was upgraded to the Power Plus High Frequency T/R set with a capacity of 83 kV/1,445 mA. It also incorporated an enhanced controller and control panel at chambers 1, 2, 4 and 5, whereas chambers 3 and 6 are still using the Conventional T/R set, controller and control panel. During its January 2018 maintenance shutdown, the plant installed another two units of the 83 kV/1,445 mA Power Plus T/R together with a new controller and control panel at chamber 3 and 6 in order to improve the efficiency of the high voltage supplied to the ESP.

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

Bintulu Grinding Plant

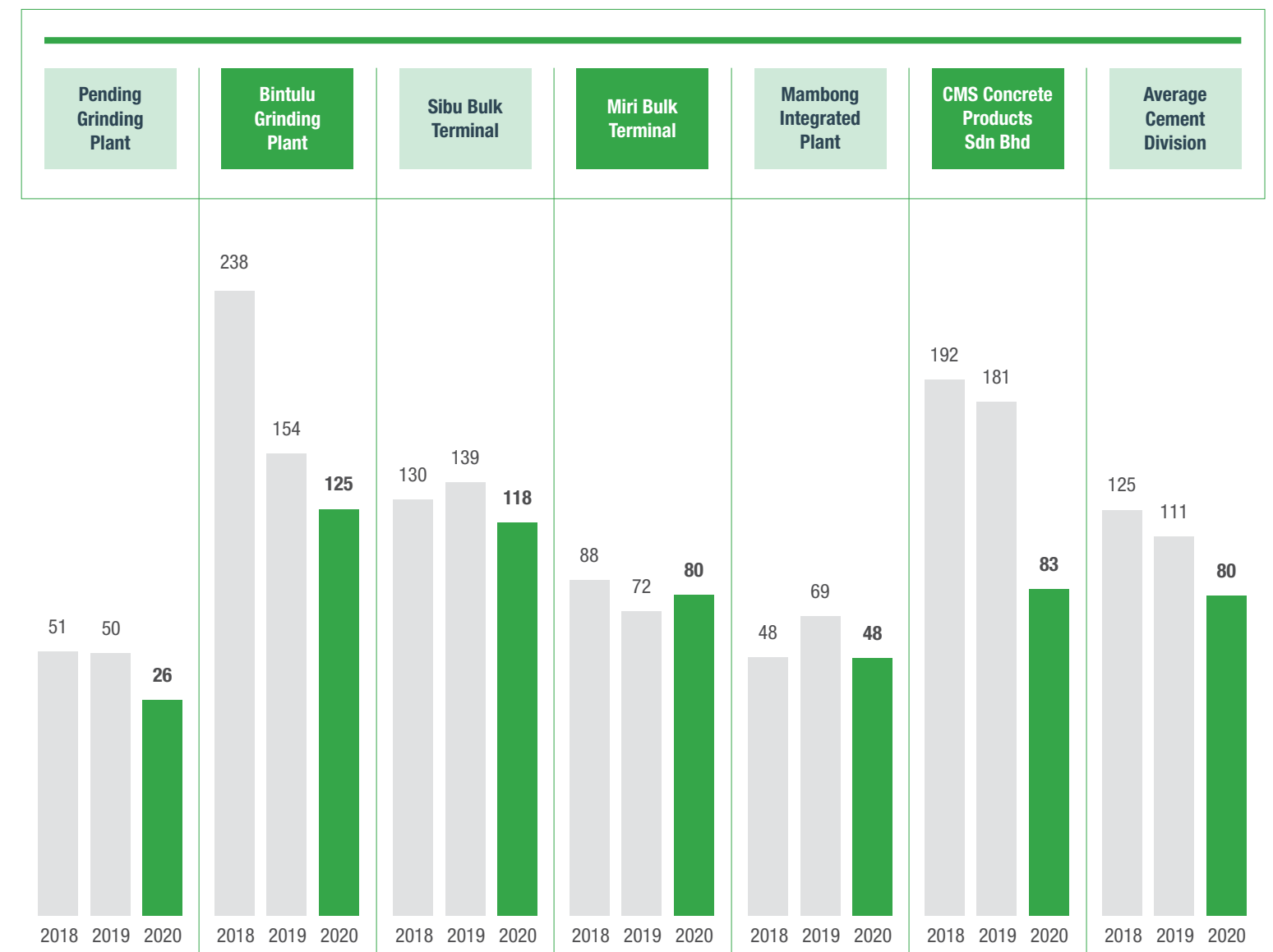
The Bintulu Grinding Plant is using a new type of filter bag that is compatible with the process to avoid excessive dust emissions from the dust collector. Modification works on the de-dusting pipes at the clinker transport conveyors at Towers 1, 2 and 3 were completed in February 2019.

Works on the total replacement of the clinker and gypsum shed roofing have commenced. A concrete L-shape wall with flat sheet/rubber flashing will be installed at the edge portion to replace the existing design which is using corrugated roofing for the wall.

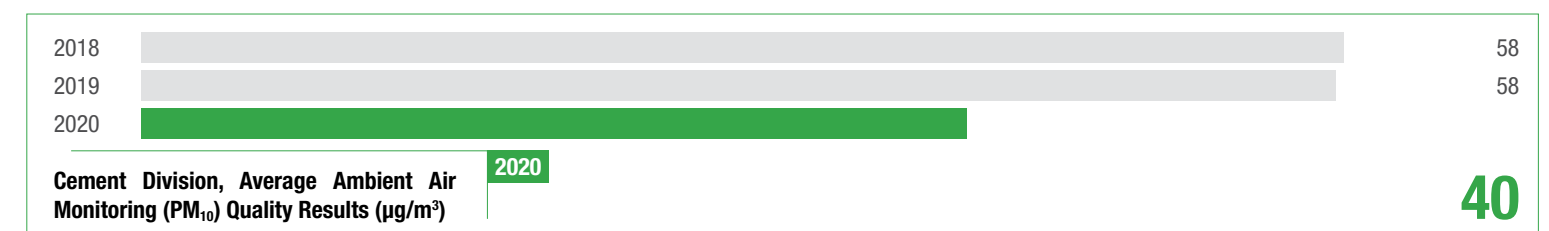
To control the level of dust and noise, heavy duty doors have been installed at the mill building while the plant's bag filters are regularly monitored and serviced.

Based on the ambient air monitoring activities at the Pending and Bintulu Grinding Plants, as well as the Sibul Bulk Terminal, Miri Bulk Terminal and Mambong Integrated Plant, the average Total Suspended Particles or TSP for the Cement Division in 2020 was $83 \mu\text{g}/\text{m}^3$ which was within the Malaysian Recommended Environmental Ambient Air Quality Standard of $260 \mu\text{g}/\text{m}^3$.

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



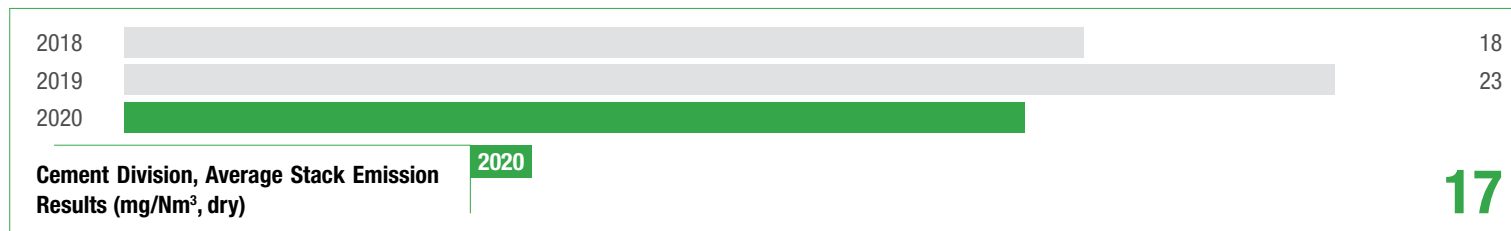
Based on the ambient air monitoring activities at the Pending and Bintulu Grinding Plants, Mambong Integrated Plant, Sibul Bulk Terminal and Miri Bulk Terminal, the average PM_{10} for the Cement Division for 2018 to 2020 was within the Malaysian Recommended Malaysian Air Quality Guidelines – Ambient Air Standards of $150 \mu\text{g}/\text{m}^3$.



PILLAR 2: Upholding Responsible Environmental Stewardship

Stack Emissions from Chimneys

Based on stack emission monitoring at the Pending, Bintulu and Mambong plants, the average stack emission level for the Cement Division was 17 mg/m³ which is within the allowable emission limit of the Environmental Quality (Clean Air) Regulations 2014 (i.e., less than 50 Nm³/m³). The internal target for stack emission is a maximum of 45 mg/Nm³ (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/m³ and for process air pollution control equipment, the permissible limit is less than 50 mg/m³. In 2020, the Mambong Integrated Plant has refurbished its Cooler Electrostatic Precipitator to impede the flow of gases through the unit.



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

NO_x emission (MT)

Locations	2018	2019	2020
Mambong Integrated Plant	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm ³

SO_x emission (MT)

Locations	2018	2019	2020
Mambong Integrated Plant	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm ³	Less than 0.00001 g/Nm ³

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.

NO_x emission (MT)

Locations	2018	2019	2020
Mambong Integrated Plant	Not applicable as we do not measure VOC for the Mambong Integrated Plant	Less than 2 mg/Nm ³	Less than 2 mg/Nm ³

CMS Quarries Sdn Bhd and CMS Premix Sdn Bhd

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

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

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

Location	Average Total Suspended Particulate (µg/m ³)	Readings Taken
Quarry at 7 th Mile	31	1 st Half 2020
	22	2 nd Half 2020
Quarry at 9 ½ Mile	NA	1 st Half 2020
	NA	2 nd Half 2020
Gunung Sibanyis	35	1 st Half 2020
	41	2 nd Half 2020

CMS Premix Sdn Bhd - Premix Plants Average Dust Load for Years 2018-2020 (µg/m³)

- Baghouse Permissible Limit is ≤ 50 mg/m³
- Wet Scrubber Permissible Limit is ≤ 300 mg/Nm³

	2018	2019	2020
Kuching			
PPP Plant			
Baghouse	NA	NA	4
Wet Scrubber	26	284	NA
Almix Plant			
Baghouse	27	64 (Scheduled in 2021)	
Wet Scrubber	NA	NA	NA
Sibu			
Baghouse	NA	14	9
Wet Scrubber	219	421	NA
Sarikei			
Baghouse	5	30	40
Wet Scrubber	NA	NA	NA
Bintulu			
Baghouse	NA	6	4
Wet Scrubber	106	NA	NA
Samalaju			
Baghouse	16	NA (Scheduled in 2021)	
Wet Scrubber	NA	NA	NA
Miri			
Baghouse	NA	37	5
Wet Scrubber	NA	NA	NA
Saratok			
Baghouse	NA	NA	6
Wet Scrubber	NA	NA	NA

Notes

1. Next monitoring in 2021 will be based on the contract agreement with the Environmental Consultant.

Baghouse Dust Collector

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

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

PPES Works (Sarawak) Sdn Bhd Ambient Air Quality Results (µg/m³)

In terms of the Group's Construction and Road Maintenance operations, the total suspended particulate monitored has an average reading of 138.6 ug/m³ which is well under the Malaysian Recommended Environmental Air Quality Guideline of 260 ug/m³. The completed projects under this Division did not have a significant impact on the environment.

Good Housekeeping Measures

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

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

Climate Change and Green House Gas Emissions Management

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

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

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

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

PILLAR 2: Upholding Responsible Environmental Stewardship

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

<p>Scope 1 - Direct Green House Gas (GHG) emissions from owned sources:</p>	<p>a. Emissions produced from manufacturing processes:</p> <ul style="list-style-type: none"> De-carbonation of limestone in kiln: about 525 kg CO₂ per tonne of clinker Fuel combustion in the kiln: about 335 kg CO₂ per tonne of cement Use of electricity: about 50 kg CO₂ per tonne of cement <p>b. Emissions from the burning of diesel fuel in trucks:</p> <ul style="list-style-type: none"> No data <p>c. Fugitive emissions, such as methane emissions from coal mines:</p> <ul style="list-style-type: none"> Not applicable, but minimum as CMS Cement Industries Sdn Bhd is using open cast coal mining not underground mining <p>d. Production of electricity by burning coal:</p> <ul style="list-style-type: none"> Not applicable, but for general information Sarawak's energy supply stems from 70% hydro and 30% coal-fired power plants
<p>Scope 2 - Indirect GHG emissions from purchased electricity, heat, or steam:</p>	<p>a. Electricity use</p>
<p>Scope 3 - Indirect GHG emissions from sources not owned or controlled by company:</p>	<p>a. Water use;</p> <p>b. Business travel; and</p> <p>c. Employee commuting: this data is typically extracted from 12-month receipts/monthly bills/distances/invoices/metre readings/quantity or units of goods purchased/amount spent on fuel and the average cost of fuel</p>

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

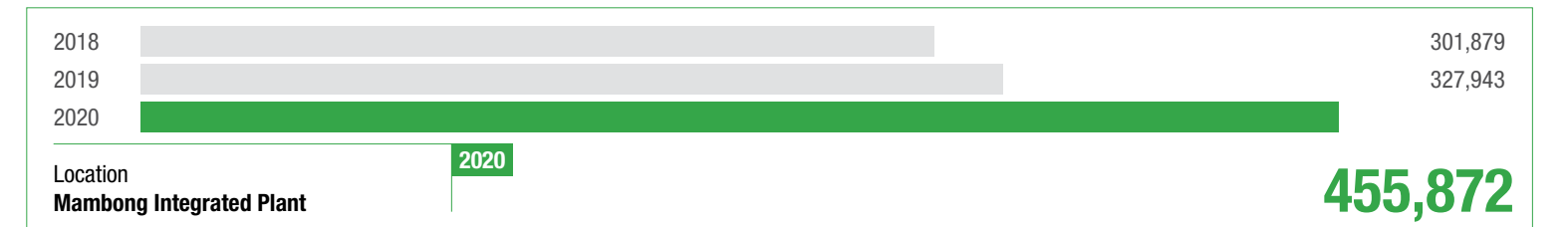
	Scope 1 Emissions (tCO ₂ -eq)	Scope 2 Emissions (tCO ₂ -eq)	Scope 3 Emissions (tCO ₂ -eq)	Total
2018	5,878	91,479	730	98,087
2019	5,729	95,080	754	101,563
2020	2,712	80,053	392	83,157

Notes
 1 Source of emission factors – World Resource Institute (WRI), GHG Emission Factors Compilation, 2017
 2 Source of emission factors – GreenTech Malaysia Calculator, 2016
 3 Source of emission factors – Defra Conversion Factors (2017, 2018)

On average, it appears that the Group's total GHG emissions for 2020 has decreased significantly due to the pandemic. The calculations should not be compared year-on-year given the inclusion of MPAS' emissions to the overall total at the start of 2019 and a restatement being made this year to the Scope 3 Emissions for 2019 (previously stated as 828 tCO₂-eq). As we make a concerted effort to expand the scope of our data gathering efforts, as well as implement specific GHG emission management initiatives, we hope to be able to show more robust results in this area in time to come.

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

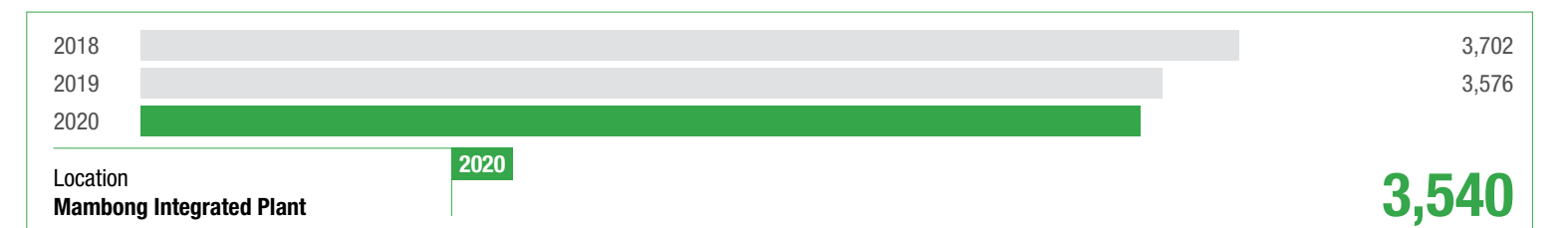
Mambong Integrated Plant, CO₂ Emission (MT/year)



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

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

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



Risk Analysis of Climate Change at Cement Division

Climate change is recognised as a relevant risk and/or opportunity. Following a risk analysis of the impact of climate change on our business, we have identified the following factors that need to be taken into account, in any case that the following occurs it will be mentioned in our Q-Radar system:

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

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

Noise Monitoring

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

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

PILLAR 2: Upholding Responsible Environmental Stewardship

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

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

Division	2018		2019		2020	
	(Day-time) (dB(A))	(Night-time) (dB(A))	(Day-time) (dB(A))	(Night-time) (dB(A))	(Day-time) (dB(A))	(Night-time) (dB(A))
Cement	63.6	56.3	64.2	57.4	64.2	56.2

The average noise level for the Cement Division in 2019 was 64.2 dB(A) for day-time and 56.2 dB(A) for night-time. The permissible noise level under the Malaysian Recommended Guidelines for Siting & Zoning of Industries for day time is 70 dB(A) and for night time 60 dB(A). To reduce noise, air compressors will be replaced with quieter machines where effective. Plus, we plan to plant more trees along the perimeter to lessen boundary noise and reduce impact on the nearby community. Noise from blasting is covered in our vibrations section.

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 2019		2H 2019		1H 2020		2H 2020	
	Day-time (dB(A))	Night-time (dB(A))	Day-time (dB(A))	Night-time (dB(A))	Day-time (dB(A))	Night-time (dB(A))	Day-time (dB(A))	Night-time (dB(A))
Quarry at 7 th Mile	58.3	51.5	56.7	49.6	70.7	50.4	59.0	53.4
Quarry at 9 ½ Mile	NA	NA	NA	NA	NA	NA	NA	NA
Gunung Sibanyis	63.9	56.4	55.2	51.4	58.7	50.1	55.2	54.0

The permissible limits for the day-time noise level (Leq) is 60dB(A), whereas for the 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. The noise level during the day-time was above the night-time limit mainly due to noise of the public vehicles moving along the main road.

PPES Works (Sarawak) Sdn Bhd's – Noise Monitoring results (dB(A))

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

The average noise monitoring result within project sites, commercial areas, general clinics, Merdeka Palace Hotel and RTM posed readings of 55.04 dB(A) which were within the project buffer zone.

Vibrations

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

In 2020, CMS Quarries Sdn Bhd recorded an average blasting vibration of 2.73 mm/s (2019: 2.68 mm/s). At the Mambong Integrated Plant's limestone quarry, which comes under the Group's Cement Division, the recorded average vibration was below 0.76 mm/s (2019: 0.92 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 12 dB(A).

Biodiversity

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

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

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

The Cement Division's contribution towards biodiversity includes tree planting activities at its Mambong Integrated Plant on a quarterly basis with advice from the Sarawak Forestry Department on choosing suitable indigenous trees at designated planting sites. As a plan for rehabilitation, this project aims to accelerate forest restoration and improve the ecological biodiversity and carbon sequestration.

Construction Materials & Trading Division and Property Development Division did not carry out tree planting initiatives in 2020 due to the pandemic. However, the Property Development Division intends to kick off tree planting initiatives in 2021 to improve the landscaping at Samalaju Eco Park Apartments.

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

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

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. 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%	1,100	61	2015
160 Units Apartments	6.01	2.45	41%	123	50	2016
96 Units Apartments	2.76	0.99	36%	50	50	2016 & 2017
Service Centre – 34 Units	5	0.45	9%	9	20	2017
96 Units Apartment	2.97	1.33	45%	67	50	Tentative planting scheduled in 2021

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

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

PILLAR 2: Upholding Responsible Environmental Stewardship

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 replanning 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 accreditation standard where possible for new buildings at The Isthmus. These developments include Menara Sarawak Energy, the SEDC Headquarters and the LCDA Headquarters. The Division plans to provide a green, sustainable and user-friendly public realm comprising a central park with play areas and cycling paths, seeking always to include more open landscaped public spaces.

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

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

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

One such development, Menara Sarawak Energy Berhad, the head office for Sarawak Energy Berhad (SEB), was completed in 2013. It is the first green building in East Malaysia and the first to be awarded the final GBI Silver Rating. In 2016, it was announced

that the UCSI Campus and Hotel that is being undertaken by the UCSI Group would also have the GBI rating.

In 2017, CMS Properties Sdn Bhd went on to complete the development of two signature GBI-certified buildings at The Isthmus called The Gateway Towers, with each building serving as headquarters for the Land Custody & Development Authority (LCDA) and the Sarawak Economic Development Corporation (SEDC) respectively. The LCDA Headquarters was recently recognised as the winner of the 'Energy Efficiency Building Award – New and Existing Building Category' in the ASEAN Energy Awards 2020 on 27 October 2020. The Property Development Division (through CMS Land Sdn Bhd) is proud to have been the design & build contractor for the project. As part of its biodiversity efforts, Raintree Square, the commercial development within The Isthmus, has started a tree nursery consisting of 100 white Bucida trees.

Sarawak Museum Project Attains GBI Status

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



CMS ECO WALL PANEL

As part of CMS Concrete Products Sdn Bhd's endeavours to promote sustainable building materials, it continues to push Eco Wall Panel sales. The Eco Wall Panel is an eco-friendly alternative to the conventional brickmaking method which consumes more energy and causes more pollution. The amount of labour required is lesser 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 2020, sales for the Eco Wall Panel declined to RM1,105 (2019: RM10,768). While many public sector building projects involving the construction of clinics and the replacement of dilapidated schools have utilised the Eco Wall Panel, awareness and acceptance of the Eco Wall Panel and other industrialised building system (IBS) products within the private sector is still low. Due to the incompatibility of the Eco Wall Panel with most of the projects located in rural areas, clients and consultants tend to or prefer to adopt more lightweight products.

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 Life Cycle Analysis (LCA) is currently not being implemented, however the basic LCA requirements according to the ISO 14001:2015 are in place and have been implemented. The list of our subsidiary companies who have attained ISO 14001 certification is as follows:

Company	Certified since
CMS Cement Industries Sdn Bhd (Pending Grinding Plant)	April 2001
CMS Cement Industries Sdn Bhd (Bintulu Plant)	February 2008
CMS Cement Industries Sdn Bhd (Mambong Integrated Plant)	September 2012
PPES Works (Sarawak) Sdn Bhd	2004
CMS Roads Sdn Bhd	2005
CMS Premix Sdn Bhd (Kuching)	September 2020
CMS Premix Sdn Bhd (Miri)	September 2020
CMS Quarries Sdn Bhd	September 2020

Fines

None of the businesses within the Group incurred any environmental fines or penalties over the 2020 period.

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

PILLAR 3

→ ADVANCING GOOD SOCIAL PRACTICES



The Group's most important asset, its human capital, is nurtured and supported through upholding good employment practices and promoting human rights. By implementing systems designed to ensure safe and quality products and services, we provide our customers with a satisfactory experience while enriching our society.



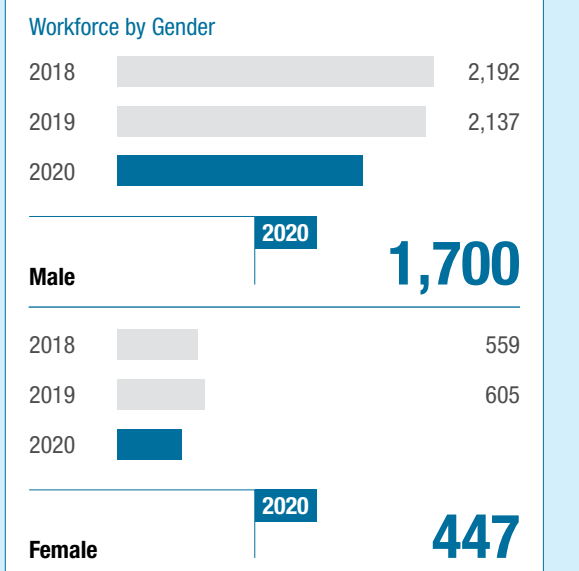
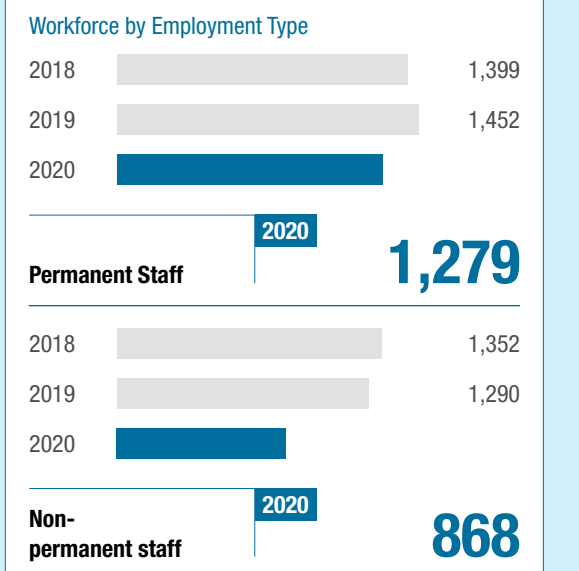
SOCIAL: LABOUR PRACTICES AND DECENT WORK

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

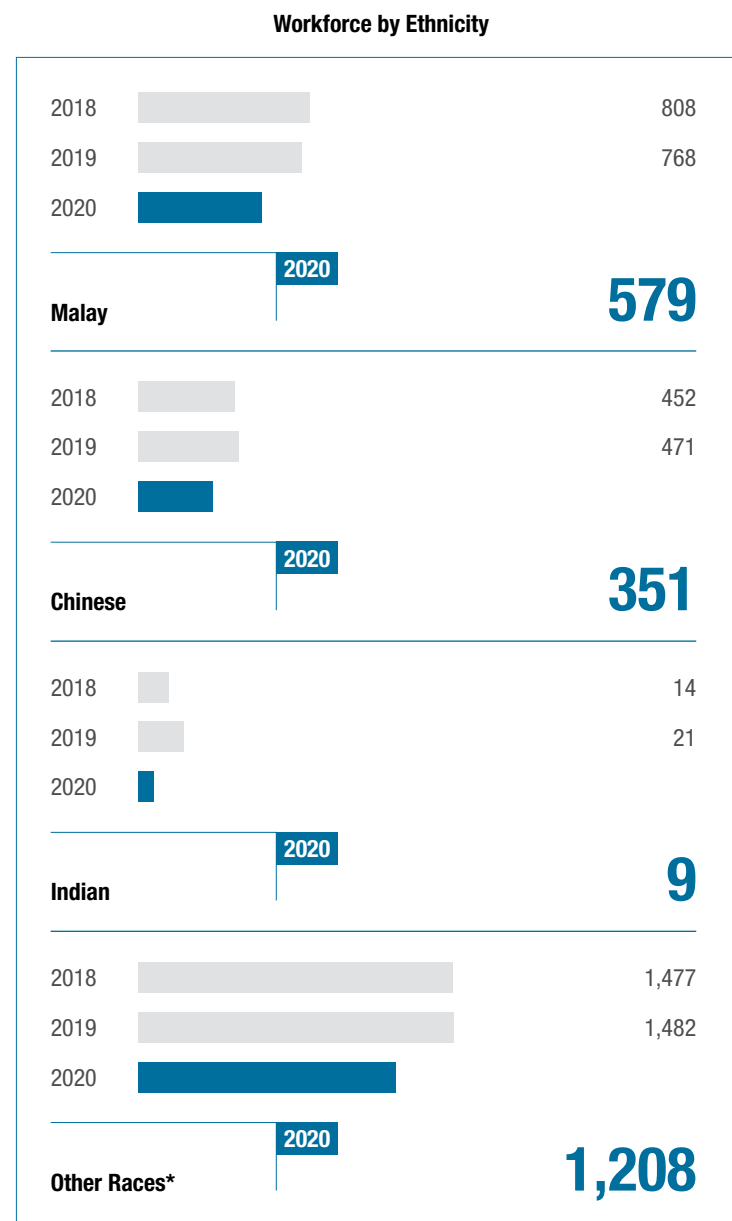
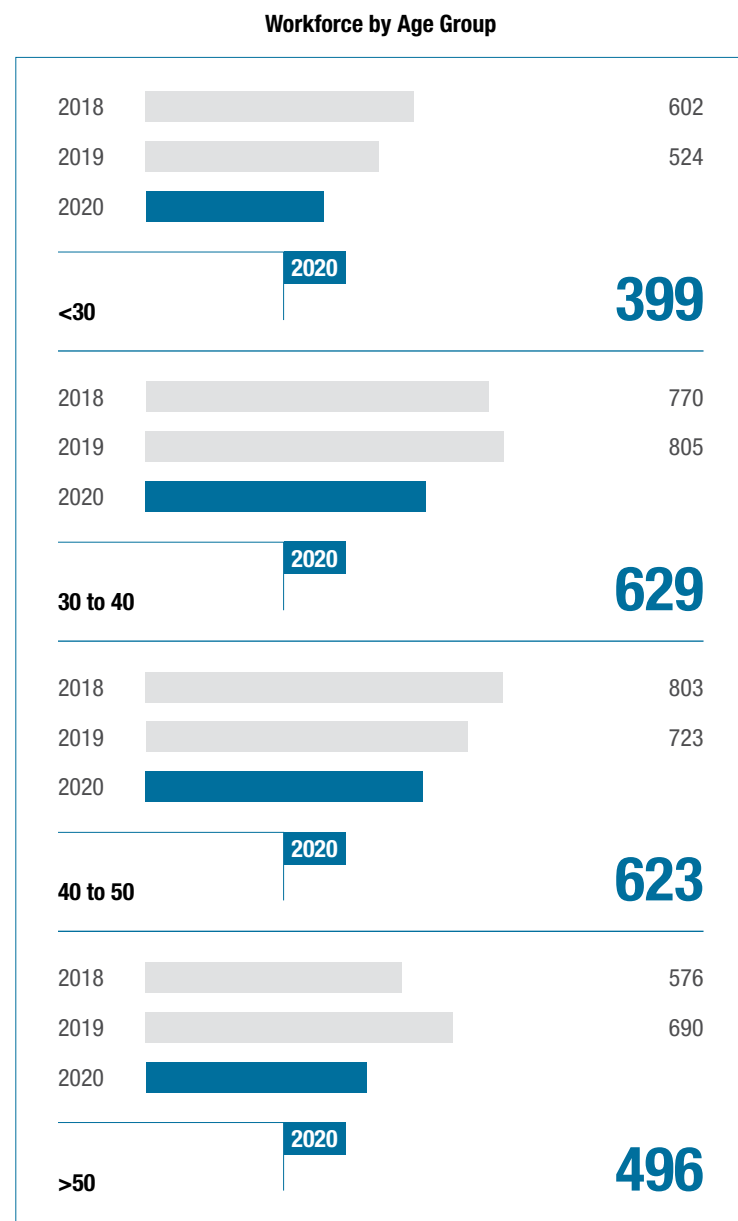
EMBRACING A DIVERSE WORKFORCE

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

CMS' Diversified Workforce



SOCIAL: Labour Practices and Decent Work



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

Fair Treatment for All

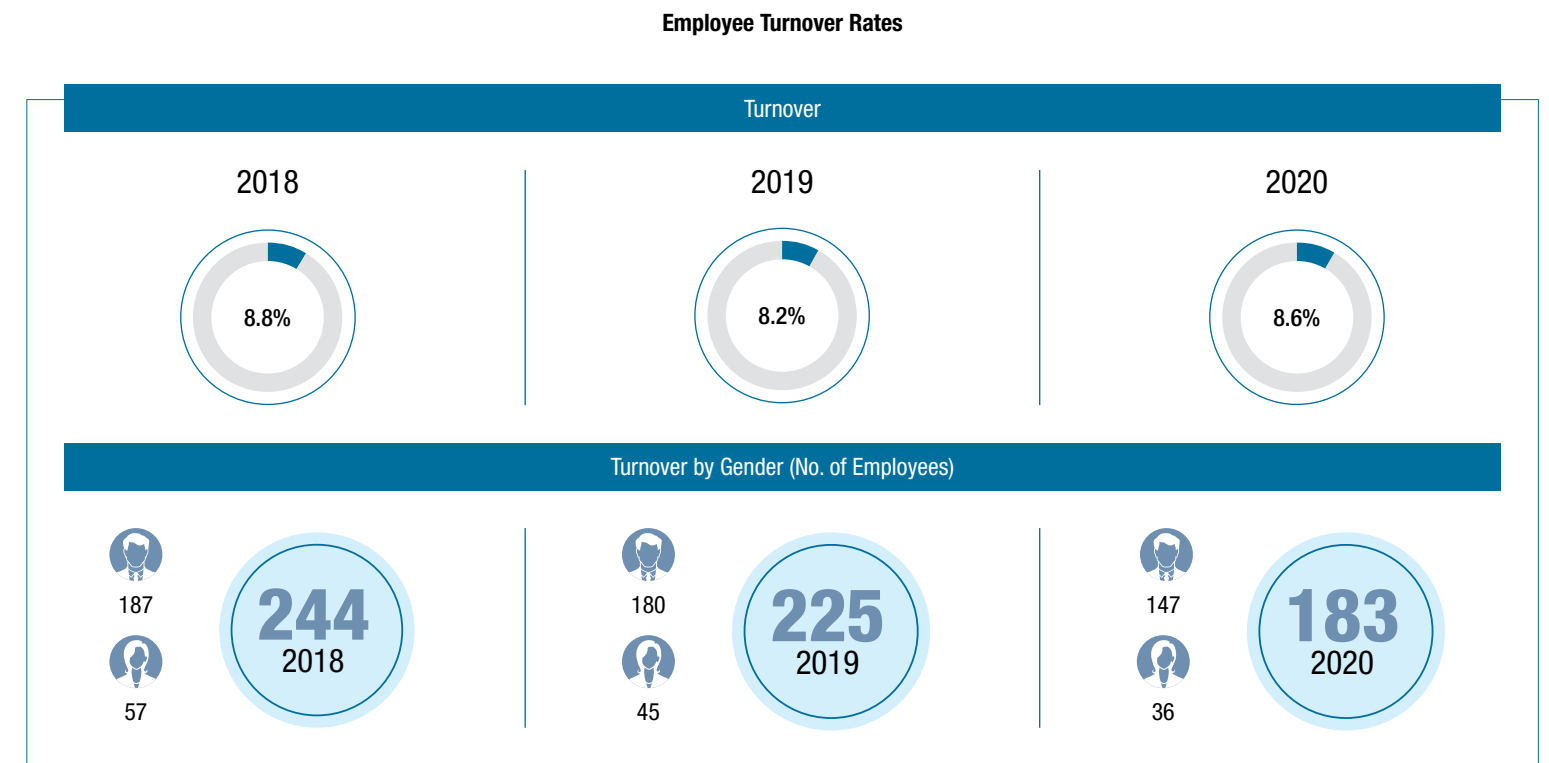
When it comes to upholding workforce diversity, CMS is committed to providing equal employment opportunities and makes no discrimination based on race, religion, gender, age, sexual orientation, disabilities or nationality. The Group practises merit-based promotion regardless of gender. Currently, 79.2% of the Group's employees are male while 20.8% are female. For managerial positions and above, male employees account for 73.7% of our workforce while female employees make up the balance 26.3%.

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



Employee Turnover

Our progress in the area of employee development is evident in the Group's moderate turnover rate (as per the table below) over the last three years. The turnover number this year dropped to 183 from 225 in 2019 while the percentage rate rose due to the decline in the total workforce to 2,147 from 2,742 last year.



RESPONSIBLE EMPLOYEE PRACTICES

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

Grievances

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

Bullying and/or Harassment

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

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

The Group's employees are encouraged to report improper behaviour that is either repeated on numerous occasions or is of such a significant nature that it is offensive and detrimental to a reasonable person. No cases of sexual harassment were reported in 2020.

Notice Period for Operational Change

Where changes in employees' roles or operational changes are deemed necessary, we take care to provide the appropriate notice to the employees affected in such instances. The amount of time given in the notice depends on the type of operational change being made. In instances of a significant operational change which involves a transfer or secondment to another location, the employee is given reasonable notice before he or she is required to move. On other occasions, a period of one week is considered adequate. A total of 69 inter-company transfers took place in 2020 with the majority of cases being a transfer within an employee's home base. All cases were handled according to Group policy and procedures.

SOCIAL: Labour Practices and Decent Work

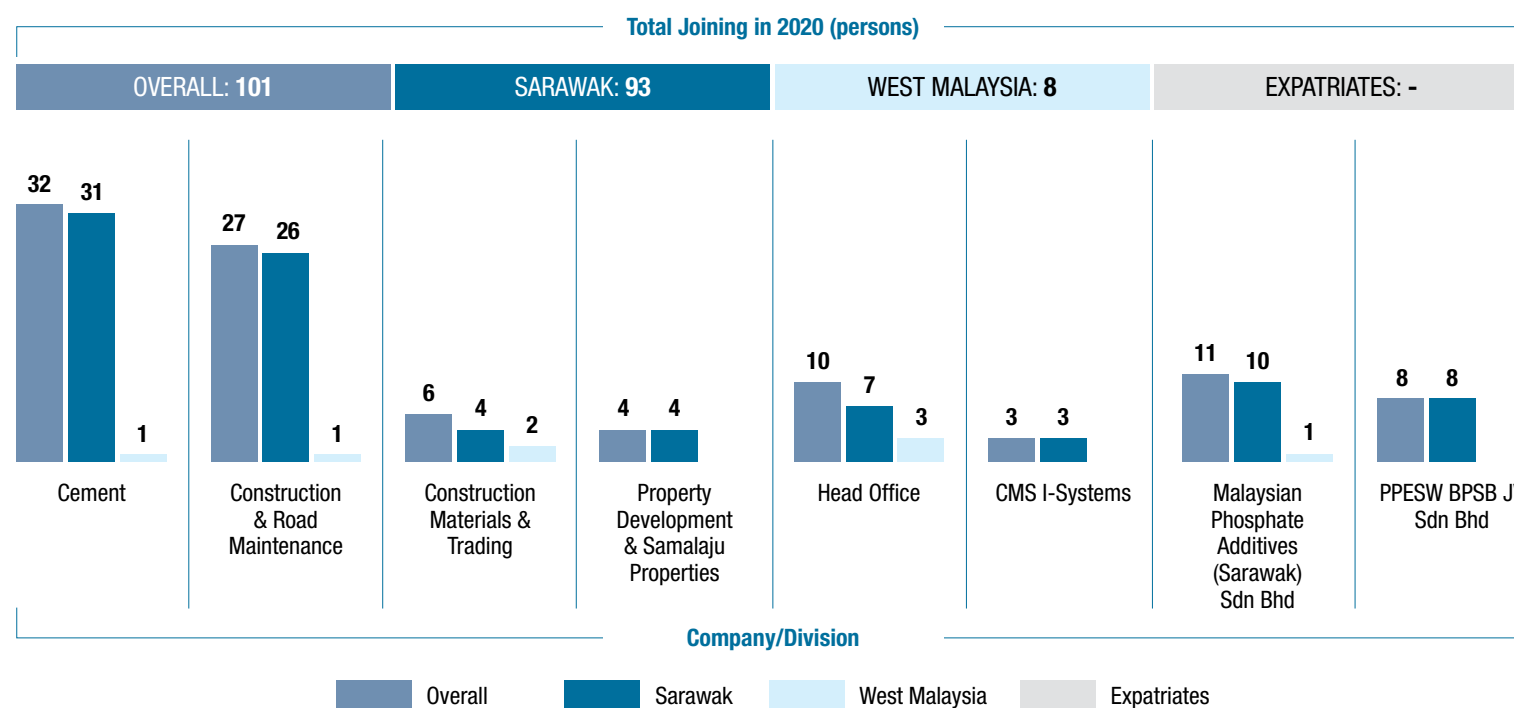
Local Hiring

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

New Employee Recruitment in 2020

2019			2020		
Sarawakians	Other Malaysians	Expatriates	Sarawakians	Other Malaysians	Expatriates
No. employees 174	No. employees 1	No. employees 13	No. employees 93	No. employees 8	No. employees -
92.6%	0.5%	6.9%	92.1%	7.9%	NA
Total: 188 (100%)			Total: 101 (100%)		

New Employee Deployment in 2020



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

Minimum Wages

We comply with the Minimum Wages Order 2020. The monthly salary of affected employees was adjusted accordingly from RM1,100 to at least the minimum threshold of RM1,200. CMS commits to exceeding the minimum wage and offers remuneration for a living wage while complying with statutory requirements for calculating wages. The salary for an employee of CMS shall be based on the market rate, the company's capability to pay, the profile of work experience and internal equity.

Fair Working Hours

CMS upholds fair working hours and does not deliberately practice working excessive hours. The Group's policy, principles, and the code addressing the elimination of excessive working hours are in compliance with local laws on working hours and overtime. The company also promotes flexible work hours (flexi-time) that enables employees to more effectively manage their work and other commitments. These are covered in the Group Human Resources Policies and Procedures Manual 2020.

Mechanisms to Engage with Management

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

Freedom of Association

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

Collective Bargaining

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

Upholding Good Labour Standards

We take part in law conventions and seminars to keep abreast of labour standards and obtain updates on employment-related issues from the Malaysian Employers Federation (MEF). The Group policy on labour standards is communicated to employees through the Employee Handbook translated in the dual languages of English and Bahasa Malaysia. For 2020, there were no instances of non-compliance with labour standards.

UPHOLDING HUMAN RIGHTS – RESPECTING AND PROTECTING OUR WORKERS

The issue of human trafficking has gained more prominence in the global arena with many nations coming together to eradicate this crime. Some human-rights activists claim that the growing need for unskilled workers is attracting undocumented migrants to Malaysia.

In this regard, CMS strictly bans the use of forced or compulsory labour. Employing some 2,147 people in Sarawak, we ensure our permanent and contractual employees are treated with dignity and respect.

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



SOCIAL: Labour Practices and Decent Work

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

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

Over and above this, Group HR also actively engages with the communities it works in and prioritises them for employment opportunities should such opportunities arise.

Work-Life Balance

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

- Safety awareness campaigns, briefings and the adoption of best practices;
 - Employee engagement activities such as teambuilding and mentoring;
 - Improved employee retention and satisfaction through job rotation, right fit, enhancement, empowerment and employee inclusion;
 - Special programmes that help employees understand common goals, share a passion for success and take pride in their work;
 - Health awareness of major diseases, recognising health symptoms, joining support groups, understanding healthy eating habits and the importance of exercising;
 - Managing workloads and deadlines to avoid burn-out by adopting flexi-hours, managing leave utilisation and taking time to recuperate or indulge in meaningful hobbies;
 - Celebrating staff birthdays within the individual Divisions;
 - Keep-fit initiatives such as aerobic and Zumba sessions; and
 - The implementation of a Work-Life Balance Policy which endorses flexible working hours and parttime 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.
- Due to the COVID-19 pandemic, the Group was unable to hold any physical Work-Life Balance initiatives due to social distancing restrictions and resorted instead to twice weekly online Zumba sessions which were accessible to all staff.
 - Work-From-Home policy was introduced to enable office-based employees to work from the confines of their homes whilst ensuring their safety and well-being.
 - Regular SOPs and Guidelines on COVID-19 health and safety measures were issued to keep all employees abreast of the latest developments with regular tracking and monitoring of the health of staff up to three times per week.
 - Two health talks were conducted by Rehab Concept during the pandemic period titled as follows:
 - Mental Health Issues at Workplace, 10 June 2020
 - Coping and Managing Workplace Stress and Anxiety, 24 June 2020

Koffee Talk Initiative

Our Group's Koffee Talk Initiative accords non-executive employees (the largest category of workers within the Group), a platform to voice out their work-related issues and general concerns directly to the Group Managing Director (GMD) and Group HR. The biennial programme also encourages our non-executive employees to interact among themselves and the GMD in a comfortable setting, devoid of the constraints of corporate hierarchy. Issues raised during the Koffee Talk sessions are summarised and highlighted during the following Townhall sessions where the GMD will explain how each issue is being addressed, thereby retaining employees' faith in the process. Koffee Talk sessions are scheduled biennially. Only one Koffee Talk session was held this year, in Bintulu on 26 October 2020, which was attended by 30 non-executive employees from various Divisions under strict SOPs for their engagement with top management comprising of the GMD, then Group Chief Corporate Services Officer (GCCSO) and Senior General Manager, Group HR on work-related issues.

Board of Directors, Senior Management and Management Strategic Retreats

In past years these Retreats have been an opportunity for CMS' Board of Directors and Management to come together to discuss the Group's operating status and strategize for the future. Due to the pandemic this

year, the Company was unable to hold retreats for its Directors, Senior Management and Management. Instead, online forums and meetings were held with Senior Management and the Board of Directors through Google Meet which became the new normal.

Townhall Sessions

The CMS Townhall sessions, which were first introduced in 2007, serve as a platform for Senior Management to engage with all the Group's employees to discuss important issues that affect the organisation and the workforce. We were unable to arrange a physical Townhall this year due to travel restrictions and a limitation on the number in attendance. Instead, a virtual townhall was broadcast across the Group on 4 December 2020.

4 December 2020

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SOCIAL: Labour Practices and Decent Work

CMS' Maiden Virtual Townhall Meeting

The COVID-19 crisis that has affected the plans of many business organisations, also almost upended the rollout of CMS annual physical townhall. To keep the show on the road, the CMS Townhall 2020 committee swiftly adapted to the new environment and took the 2020 townhall online.



For the premiere of our CMS Virtual Townhall 2020, staff who were working remotely had their earphones plugged into their mobile devices, while those in the office assembled in front of the nearest television, they could find ready to watch the live stream.

Upon the clock striking two in the afternoon, the event kicked off with warm welcoming remarks by our Group Managing Director, Dato Isaac Lugun, followed by his keynote address to the Group. Our C-Suite then made their debut during the "Q&A with C-Suite" segment, with our Group Chief Financial Officer, Group Chief Operating Officer, and then Head of Group Corporate Services coming online to personally answer thought-provoking questions from our employees from across the Group.

Some of our CMS colleagues also made their debut performances on "Spotlight on CMS Colleagues" as the committee enquired about and shared coping strategies for dealing with the pandemic and what key actions were still needed to deal with the challenges. The moving Long Service Awards – described by many as the highlight of the year's Virtual Townhall 2020 event – saw our long-serving employees, the backbone of CMS, featured in their daily routines and sharing their insights about being a part of the CMS Family.

To wrap up the event, our very own CMS Band comprising some 30 from across the Group put their heads, hearts and talents together to bring the CMS Family a musical production to remind us that even in hard times like these, we are all in this together.

Annual Dinner

In prior years as a gesture of gratitude for all our employees' contributions, efforts and services to CMS, we have held an annual dinner for all our employees at the end of each year. However, the Group Annual Dinner 2020 could not be organised, in compliance with COVID-19 SOPs and Guidelines.

CMS Inter-Regional Games and CMS Friendly Games

Every other year, CMS organises its Group-wide sporting event, the CMS Inter-Regional Games for employees and CMS Friendly Games with various business-related Government agencies and companies as part of our efforts to promote stronger ties and Group-wide unity. All CMS Games and other physical activities and events were not implemented in 2020 due to the measures imposed to resist the pandemic.

Employee Satisfaction Survey

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

The Employee Satisfaction Survey originally planned for this year was deferred due to the reorganisation and restructuring of the Group in 2020/2021. The methodology for the last ESS conducted, which was in 2018, and the results, were as follows:

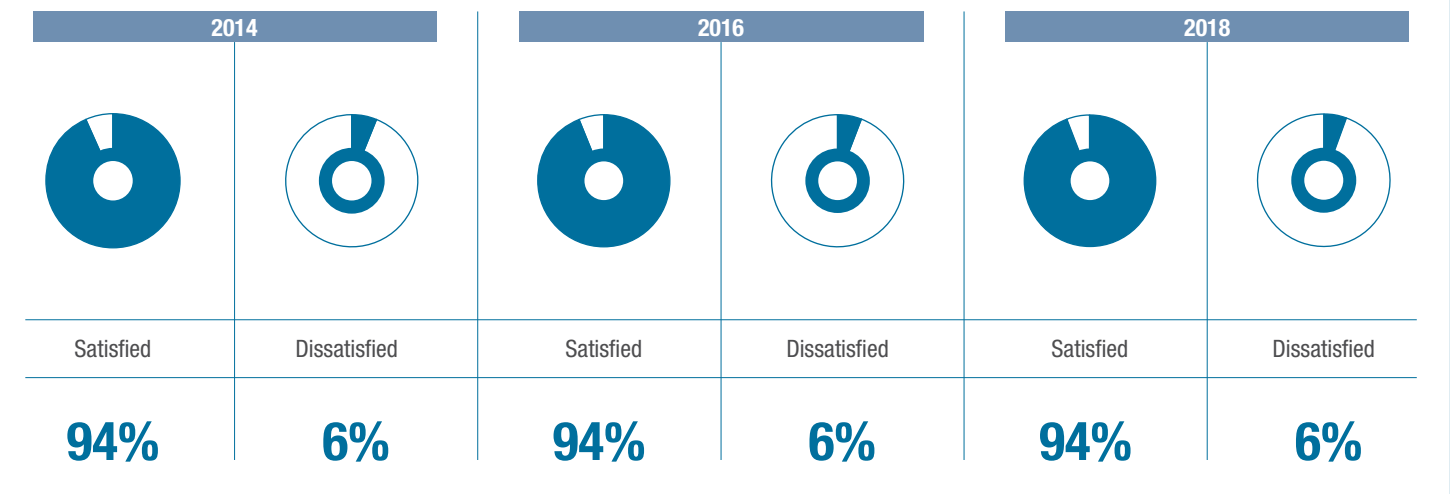
Methodology for 2018 ESS

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

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

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

Employee Satisfaction Survey Results 2018



Long Service Awards

The Group introduced its annual Long Service Awards event in 2007 to show its appreciation and accord special recognition to long-serving employees of CMS. Each loyal employee who has served CMS for their first 10 years (and subsequently every five years) is rewarded with a cash award, a certificate and long service leave. In 2020, a total of 206 employees received the Long Service Award which had a combined monetary value of RM828,500.00 (2019: 361 employees received RM1,298,982.00; 2018: 178 employees received RM827,500.00). Their long service recognition and interviews were also captured on videos and streamed into the Virtual Townhall for all staff to view.

CMS' Long Service Awards

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

SOCIAL: Labour Practices and Decent Work

Other Forms of Engagement

Other forms of employee engagement occur regularly throughout the year. In 2020, all engagement and communication during the COVID-19 pandemic with employees was carried out via Google Meet, WhatsApp, Company e-blast, emails and by phone calls in order to comply strictly to the Group's SOPs and Guidelines. Employees were also encouraged to participate in the Q&A Session with the Senior Executives which was aired during the Virtual Townhall.

PERFORMANCE MANAGEMENT

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

CMS' KPI System

At CMS, our KPI system comprises five main components:

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

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

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

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

For 2018 and 2019, additional KPI elements were introduced:

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

Management Performance Assessment

The Management Performance Assessment or MPA complements the KPIs and is an evaluation of the employees' behavioural competency in delivering their work performance. The assessment also considers employees' additional responsibilities and work initiatives. The MPA determines the salary increment of employees. In the event an employee fails to achieve a minimum MPA rating of 'Meets Expectations', salary increases or bonuses are not considered for that year.

Sustainability KPIs

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

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



Tracked SKPIs are to take the following into consideration:

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

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

COMPETITIVE BENEFITS

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

SUMMARY OF BENEFITS

<p>TRAINING An average of 24 hours of compulsory training per year for Executives and above</p> <p>Non-Executives are required to attend an average of 18 hours of training per year</p>	<p>OVERTIME</p> <ul style="list-style-type: none"> • Non-Executive • Others • Executive (leave-in-lieu) 	<p>ANNUAL LEAVE</p> <ul style="list-style-type: none"> • Executive • Non-Executive 	<p>TRAVEL</p> <ul style="list-style-type: none"> • Accommodation • Subsistence allowance • Mileage 	<p>HOSPITALISATION</p> <ul style="list-style-type: none"> • Executive • Non-Executive • Delivery • Warding
<p>SALARY & ALLOWANCES</p> <ul style="list-style-type: none"> • Acting responsibility • Relief • Site/Hardship • Others 	<p>SALARY DEDUCTIONS</p> <ul style="list-style-type: none"> • EPF • SOCSO • EIS • Tax • Staff panel bank loans (from panel banks - Bank Islam and Bank Rakyat) 	<p>MEDICAL LEAVE</p> <ul style="list-style-type: none"> • Sick Leave • Prolonged illness 	<p>MEDICAL CARE-OUTPATIENT TREATMENT</p> <ul style="list-style-type: none"> • Married/Single employees with dependent children • Married/Single employees without dependent children 	<p>OTHER TYPES OF LEAVE</p> <ul style="list-style-type: none"> • Compassionate/Calamity • Marriage, Paternity & Maternity • Examination & Study • Pilgrimage (all religions) • Unpaid • Leave of absence to represent State/country

Flexible Working

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

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

In 2019, a flexible working arrangement was approved for selected staff to work from home on a full-time basis due to justified personal needs. In 2020 the Work-From-Home policy was extended to allow employees to work from home during the pandemic with an option for flexible working hours to be agreed and approved by the immediate superior.

Educational Assistance

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

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

Employees may apply for a reimbursement of fees after completing the course. This is subject to the approval of our Management. During the year one member of staff from CMS Quarries was offered Education Assistance. Employees may then apply for reimbursement of fees after completing the course.

SOCIAL: Labour Practices and Decent Work

EMPLOYEE HEALTH

Health Screening

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

Employees aged 40 and below are subject to health screening once every two years, while employees above 40 years old are screened annually. In 2020, a total of 140 employees underwent health screening. Going forward, employees aged 30 and below will be subject to health screening once every two years, while employees above 30 years old will be screened on an annual basis.

Compassionate Fund

CMS has set up a compassionate fund to help employees in ways that are not covered by their employment benefits and entitlement. Some of the situations covered by the fund include a loss of home due to fire, floods, landslides, or other acts of God. The fund also covers the death of employees or medical assistance for employees and their family members. Each year, all proceeds from in-house training are channelled to the Compassionate Fund. In 2020, we made good use of the compassionate fund to help alleviate some of the hardship to our staff and their families caused by the protective measures taken to combat COVID-19 and utilised RM265,191.88 (2019: RM37,987.00). The available balance as at 31 December 2020 is RM310,692.24. Since its inception, the Compassionate Fund has never had to turn a valid claim away due to a lack of funds.

Retirement Benefits

Employees of the Group on mandatory retirement may receive a retirement ex-gratia based on their last drawn basic salary. This benefit is accorded to employees with a minimum of 10 years of continuous employment and a clean disciplinary record for the last two years. A retirement benefit of up to two and half month's salary is given. A retirement gift voucher, plaque and certificate of appreciation are presented to the retiring employee. In 2020, a total

of 33 employees received a Retirement Gratuity for a total sum of RM376,671.25. In 2019, a total of 44 employees received retirement benefits.

OCCUPATIONAL SAFETY AND HEALTH (OSH)

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

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

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 the Group Safety & Health Policy is in line with changes to our business model/operations.

Group Safety Taskforce

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

The key roles of the Taskforce include:

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

In 2020, the Group Safety Taskforce held four meetings and rolled out the following health initiatives:

- COVID-19: Producing and implementing the Group SOPs for COVID-19 prevention measures based on Government guidelines covering employees, visitors and contractors;
- HIV/AIDS;
- Tuberculosis; and
- Malaria.

Health, Safety, Security & Environment Department

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

A HSSE Committee has been set up within every Division and subsidiary company to enforce HSSE implementation and compliance with related statutory



requirements. Approximately 95% of the Group's workforce is represented by these committees. The remaining 5% comprises employees of the subsidiary companies involved in trading, investments and the development office.

High Risk Occupational Activities

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

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

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

Other preventive measures include the execution of Hazard Risk Assessments at the workplace and medical surveillance for the workforce in accordance with statutory requirements. This year a Control of Industrial Major Accident Hazards (CIMAH)

The Group's Health, Safety, Security & Environment (HSSE) Department (formerly known as the OSH team) is the driving force behind CMS' commitment towards bolstering its sustainability and environmental awareness activities.

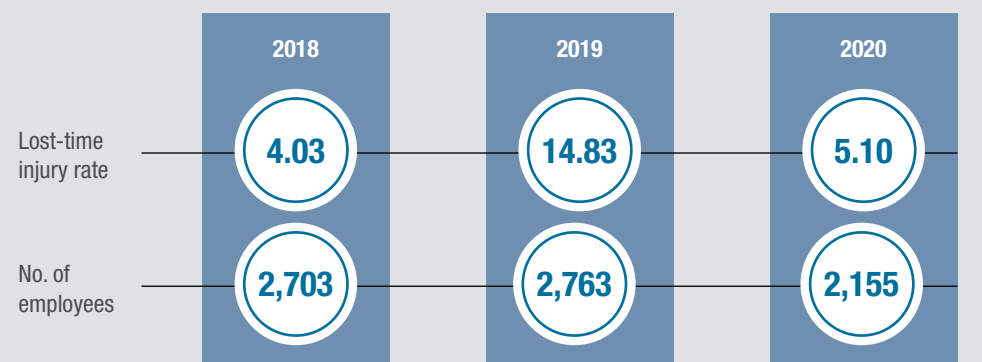
Assessment was carried out for Construction of a MPAS Plant in Samalaju, Bintulu and a Method of Statement and Hazard Identification Risk Assessment Risk Control prepared for all projects under Project Management Office (PMO), CMS Quarries Sdn Bhd. Should an accident occur, a doctor from our panel clinic will provide counselling to the affected personnel.

The Group is committed to ensuring that the recording and reporting of accidents strictly adheres to the requirements of NADOOPOD Regulations 2004 in the OSHA 1994. The five forms in application are JKKP6 to JKKP10. However, the HSSE Committee has produced other forms for internal usage only. Any investigation into an accident is to be handled by the HSSE Committee. Over the course of 2020, there were a total of 20 contractors with one fatality.

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

Lost-Time Injury Rate (LTIR)

The LTIR is the rate of lost time injuries occurring in a workplace per 1,000 workers. Lost time injuries (LTI) include all on-the-job injuries that require a person to stay away from work more than eight hours (the CMS accounting period), or which result in death or permanent disability. We are pleased to report that in 2020 the Group's LTIR declined while noting that the size of the workforce has been reduced. These incidents are all unacceptable and we are taking stringent measures and implementing safety programmes to prevent any recurrences.



SOCIAL: Labour Practices and Decent Work



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

Safety and Health Programmes

CMS is deeply committed to safety compliance and will not compromise on its staff's health. We aim to eliminate risks that may harm our employees, contractors, visitors, customers and others affected by our businesses. In 2020, Group HSSE initiated several programmes to raise awareness on topics such as HIV/AIDS, Tuberculosis and Malaria.

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

CMS Safety Month

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

CMS has held annually a CMS Group-wide Safety Month Campaign. The campaign, which normally 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. This year's campaign was postponed to 2021 due to the COVID-19 outbreak.

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

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

A variety of health and safety events are organised during the CMS Safety Month Campaign. These activities centre 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. This year the Safety Month campaign was postponed.

TRAINING AND EDUCATION

The Group is committed to providing each employee with training and career development opportunities. This approach produces a highly-skilled workforce for CMS to retain. Executives, managers and above must attend an average of 24 hours of training per year while non-executives must undertake an average of 18 hours of training per year. As no physical In-House Training could be carried out due to the pandemic, training went online.

Training	Unit	2018	2019	2020
Average training budget per employee	RM	960	1,156	1,517
Average number of hours of training per year per employee	Hours	14	15	7
Average days per employee	Days	1.75	1.88	0.82

In-House Training Capability (ITC)

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

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

In 2020, two briefings were conducted via Google Meet:

- i) CMS' SOP for Workplace during MCO by SGM Group HR; and
- ii) Anti-Bribery & Anti-Corruption Policies Briefing by Risk Department.

Other Training Programmes

The following table covers the various training sessions undertaken by our employees in 2020.

Technical Skills

- 1) Basic First Aid Refresher Course
- 2) Easy list & HIRARC Environment/Safety Policies/Objective/Target Quality
- 3) Chemical Hazard Management & Spillage Control
- 4) Working at Height Refresher Course
- 5) Effective Safety and Health Committee (NIOSH)
- 6) Safe Handling of Forklift Truck

Public Programmes (Webinars)

- 1) New updates on Services Tax
- 2) MFRS Seminar series 2020
- 3) Internal Audit Leadership Forum
- 4) Review of Corporate Governance Monitor 2020
- 5) Managing Risk Through a Global Pandemic
- 6) Global Conference 2020: Enterprise Risk Management
- 7) Budget Seminar Overview 2020
- 8) Governance Symposium 2020 - Driving Governance in the New Normal
- 9) Principle of Fraud Investigation
- 10) Related Party Transaction - Conflict of Interest
- 11) Internal Audit National Conference 2020
- 12) Effective Tender Management in Procurement Process During Tough Time
- 13) Workshop 2020 on Companies Act 2026
- 14) Common Pitfalls in Transactions & RPT Rules
- 15) Briefing on Baitumal New Payment System
- 16) Managing Immigration Matters for Expatriate
- 17) Computation of Percentage Ratios
- 18) Getting to know Malaysian Employers Federation
- 19) Decoding Transaction and RPT Rules
- 20) MEF Seminar 2020
- 21) Fraud and the Internal Audit Roles
- 22) Conference on Corporate Communication Professionals

SOCIAL: Labour Practices and Decent Work

SUCCESSION PLANNING

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

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

CMS Tier-2 and Tier-3 Succession Planning

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

In line with the Group's succession planning efforts Tier-2 Succession Planning candidates will normally hold individual sessions with the Group Chief Operating Officer. Candidates would undergo one-on-one mentoring sessions where plans to further develop candidates are discussed. This includes sending candidates on leadership programmes and enabling further exposure to business operations. Potential successors were also identified at these sessions.

Meanwhile, Tier-3 candidates undergo a Leadership Development Programme customised to meet their specific needs. The programme seeks to get candidates to identify their own personal challenges and work obstacles, as well as to overcome these issues over time while equipping them to move into general management positions in the future.

Management Trainee Development Programme (MTDP)

The Management Trainee Development Programme (MTDP) initiative aims to attract and develop executive-level talent as part of the Group's succession plans. Under this initiative, trainees are accorded 12 months of structured training in core corporate functions and specialised functions at various Business Divisions. While there was no MTDP for the year in review, the programme will resume in the 2021/2022 period.

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

The selection criteria for MTDP candidates is as follows:

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

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

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

Positions held by MTDP Graduates

- Operations Manager
- Assistant Design Engineer
- Contracts Executive
- Senior Corporate Communications Executive
- Design Engineer
- Senior Executive, Purchasing
- Human Resources Executive
- Project Engineer
- Project Engineer
- Project Engineer
- Project Engineer
- Risk Manager
- Safety & Health Officer
- Senior Audit Executive
- Senior Executive, Group Human Resources
- Senior Production & Maintenance Engineer
- Senior Project Support Officer

SOCIAL: SOCIETY

CMS is a home-grown Sarawakian company that is intent on building sustainable communities. To this end, we are committed to strengthening ties with the State's diverse communities and exploring various means by which we can help them elevate their livelihood in a sustainable manner.



As we journey together with various communities and cultivate enduring relationships with them, we are according them the opportunity to create a better, sustainable future whilst firmly establishing CMS as a reliable friend.



EMPLOYEE VOLUNTEERISM AND THE CMS DOING GOOD CULTURE

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

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

DOING GOOD

All of the Group's Corporate Social Responsibility (CSR) efforts come under the ambit of CMS' Doing Good programme. Fuelled by employee volunteerism, this initiative underscores the Group's endeavour to undertake tangible CSR initiatives that will create a lasting positive impact on communities across the State. Our long-term engagement initiatives with communities in the vicinity of Mambong have proven fruitful. Initiatives such as these serve as proven models for the good things we can do with other communities across Sarawak. We will leverage on the Doing Good platform to work with communities where we can truly make a long-term difference by way of elevating lives and creating growth opportunities.

In 2020, our employees raised a total of RM32,937.38 (2019: RM86,139.91; 2018: RM105,065.00) under this initiative. These 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 18,018 man-hours (2019: 41,949 man-hours; 2018: 50,241 man-hours) for CSR activities including clothes donations, rebuilding communities, recycling campaigns, community work and much more.

SOCIAL: Society

2020

MAN-HOURS VOLUNTEERED

CMS employees dedicated a total of

18,018

man-hours to CSR activities
(2019: 41,949 man-hours)

2020

FUNDS RAISED

CMS employees raised a total of

RM32,937.38

for CSR activities
(2019: RM86,139.91)

Given the restrictions imposed under the various phases of the MCO in 2020, the Group was unable to carry out many of its planned CSR activities because of the SOP guidelines that were maintained and the official 'Stay Home' advice asking citizens to isolate to stop the spread of infection – all of which inhibited social activity.

As a consequence, a host of charitable programmes including marathons, charity events and the regular donation drives our customarily participate in, had to be cancelled. These health and safety measures put in place to combat the epidemic also had the effect of restricting the number of man-hours that could be expended on CSR activities and constrained the amount of funds raised for distribution this year.

The various Doing Good initiatives are discussed under the following sections.

Doing Good

➔ Rebuilding Communities ➔ page 80

➔ Sustaining Charitable Organisations ➔ page 81

➔ Environmental & Health Awareness Programmes ➔ page 82

➔ Saving Lives ➔ page 83

➔ Community Clean-ups ➔ page 83

The following tables highlight the various CMS Doing Good initiatives between 2018 to 2020.

Breakdown of Activities (% of Concentration)

Area of Focus	2018	2019	2020
Rebuilding Communities	46	31	25
Sustaining Charitable Organisations	25	28	42
Environmental & Health Awareness Programmes	20	27	22
Saving Lives	8	10	8
Community Clean-ups (gotong-royong)	2	4	4

Breakdown of Activities (Man-Hours Volunteered)

Area of Focus	2018	2019	2020
Rebuilding Communities	23,040	13,130	4,436
Sustaining Charitable Organisations	12,372	11,811	7,513
Environmental & Health Awareness Programmes	9,904	11,150	3,959
Saving Lives	3,920	4,352	1,398
Community Clean-ups (gotong-royong)	1,005	1,506	712

Rebuilding Communities

The MCOs implemented as a preventive measure in response to the COVID-19 pandemic in the country from March onwards, and the observance of stringent health and safety SOPs, restricted the number of man-hours available for volunteering in 2020. Nevertheless, intermittently throughout the year 2020, when conditions permitted, 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 the capital city Kuching, but were implemented throughout Sarawak, especially in the rural areas, where often the need is greatest, among schools, villages, mosques, churches and other establishments.

Kindy gets a cheery makeover

The pre-school at Sarikei, Tabika KEMAS, Sg. Rusa, now looks bright and new – thanks to our volunteers from CMS Premix Sdn Bhd who on 15 February 2020 gave the school building a new coat of paint and worked with the school committee to cut grass, trim bushes and prepare the soil beds for vegetables and flower-planting.

CMS Quarries donated quarry waste to St. Matthew's Parish, Padawan

On 23 February 2020, a total of 37 employees from CMS Quarries Sdn Bhd volunteered to put their expertise to good use at St. Matthew's Parish in Kampung Mundai, Padawan by levelling its parking area with 200 metric tonnes of quarry waste donated by the Company. General cleaning was also conducted around the church's compound and cemetery area.

Muddy village road no longer a safety hazard

Twenty-six volunteers from CMS Roads Sdn Bhd laid aggregate onto the long, stretch of often muddy main road leading up to Kampung Antayan Keropok and the village's school SRK Antayan on 3 October 2020. This upgrading is to ensure that the small village

community along with its 120 children can have a safe journey walking to and from their homes, the surrounding farms and the local school, especially in rainy weather.

Getting church's hostel back in shape

To get the dilapidated hostel of Church Mary Immaculate Conception in Kapit back in good shape, 37 volunteers from CMS Roads Sdn Bhd (RMU Kapit), JKR Kapit and the church community teamed up on 14 October 2020 to paint and insulate the hostel's ceilings and walls. They replaced termite-damaged wood and also donated new mattresses, fans and exhaust fans worth over RM8,000 to the church.

Church's parking lot gets an upgrade

On 5 December 2020, a team 60 volunteers from PPES Works Sdn Bhd spent a Saturday at the BEM Church in Sungai Klampai, Saratok carrying out maintenance on the church's parking area. With strict adherence to the SOPs established, our volunteers safely and efficiently upgraded the church's parking lot used by the church community.

Road to SK St Patrick Tangga gets an upgrade

75 volunteers from CMS Roads Sdn Bhd (RMU Serian) laid aggregate and tar to seal the gravel road leading up to SK St Patrick Tangga, Serian on 19 December 2020 with premix donated by the company. They also helped spruce up the school compound and clear the concrete drains surrounding the school.

Sustaining Charitable Organisations

In 2020, the Group's employees came forward to lend a helping hand towards the following:

Running into a new decade

On 1 January 2020, a total of 61 CMS employees kicked off their new year celebrations by joining the masses at Saradise and MBKS, or Kuching South City Council, in raincoats and holding umbrellas with children in tow, to participate in the Happy New Year Run and the New Year Resolution Run respectively.

Donating clothes to charity

On 10 and 23 January, and 10 February 2020, CMS Group-wide participated in a Clothes Donation Drive as employees donated their second-hand clothes to various charities such as The Salvation Army, Yayasan Kebajikan Insan Sarawak, The Malaysian Red Crescent Society, Sarawak Branch and The Malaysian Red Crescent, Miri Chapter.

Clothes donation for Malaysian Red Crescent Society

CMS Works Sdn Bhd held their clothes donation on 13 January 2020 which saw used clothing in good condition donated to the Malaysian Red Crescent Society.

SOCIAL: Society

Yayasan Kemajuan Insan receives donated clothes

Eleven employees from CMS Infra Trading Sdn Bhd donated clothes on 19 June 2020, weighing a total of 159 kg to Yayasan Kemajuan Insan (YAKIN) to assist the needy.

Environmental & Health Awareness Programmes

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

Reducing and recycling responsibly

In line with CMS' efforts to create a culture of sustainability, the Group's first recycling campaign of the year was organised on 15 January 2020, and gathered 11,650 kg of recyclable materials, yielding proceeds of RM2,196.76, for donation to charity.

CMS cyclists join Night Ride

Ten cyclists from CMS met up at the heart of the city, joining 300 fellow cycling enthusiasts on 6 February 2020 for the Le Tour de Langkawi (LTdL2020) Night Ride organised by the Federal Agricultural Marketing Authority (FAMA) in collaboration with Kuching Division Cycling Association and Matang Jaya Cycling Club.

Recycling drive by CMSCI

On 12 February 2020, 27 employees from CMS Cement Industries Sdn Bhd (CMSCI) collected a total of 1268.96 kg of reusable items at the Company's recycling drive held at its Pending Grinding Plant.

Recycling at the workplace

Two days ahead of the MCO, CMS' Construction Division and Road Maintenance Division, comprised of CMS Works Sdn Bhd, CMS Roads Sdn Bhd, CMS Pavement Tech Sdn Bhd, and PPES Works (Sarawak) Sdn Bhd, organised their annual recycling campaign on 16 March 2020 and banded together to collect an enormous weight of 4,030 kg of recyclable goods.

Recycling today for a better tomorrow

CMS Cement Industries Sdn Bhd held two recycling campaigns on 18 and 25 September 2020 to spur greater motivation among employees to become zero-waste individuals. Our teams from the Sibul Bulk Terminal and Mambong Plant collected a total of 3,591.30 kg worth of recyclables which were sold

for RM1,216.20. The money raised was donated to local charities.

Recycling Drive 2.0 by CMSCI

On 21 October 2020, CMS Cement Industries Sdn Bhd kept the Group's Doing Good programme ball rolling amidst the pandemic by organising their second recycling drive of the year, albeit at a much smaller scale with SOPs being strictly adhered to. 886 kg worth of recyclables were collected by volunteers at the Pending Grinding Plant.

Mambong Recycling Campaign returns for the 4th time in 2020

Twenty-five volunteers from CMS Cement Industries Sdn Bhd (CMSCI) returned to the Company's Mambong plant yet again on 18 December 2020 to participate in its fourth recycling campaign of the year. Altogether, 619 kg of recyclable items worth RM244.55 were collected and the proceeds allocated to CMSCI's Compassionate Fund set up to help employees who are in need. Kudos to our staff for their unwavering spirit of volunteerism!

Ending the year on a green note

A total of 80 employees from PPESW BPSB JV Sarikei Sdn Bhd and CMS Works Sdn Bhd ended the year on a green note by collecting 806.4 kg and 1,333 kg respectively of recyclable items for the Companies' 3R programmes held on 12 December and 15 December 2020. All the items gathered had been collected at the recycling centre. The volunteers are looking forward to another round of successful recycling drives in the year ahead.

12 DECEMBER AND 15 DECEMBER 2020

A total of 80 employees from PPESW BPSB JV Sarikei Sdn Bhd and CMS Works Sdn Bhd ended the year on a green note by collecting 806.4 kg and 1,333 kg respectively of recyclable items for the Companies' 3R programmes.



Saving Lives

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

Giving life by giving blood

On 10 January 2020, a group of 21 employees from CMS Cement Division donated blood during the Division's Blood Donation Drive held at the Pending Grinding Plant. The blood drive included free health screenings and a free health talk on sports injury provided by Norma Medical Specialist Centre.

Community Clean-Ups

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

Clearing cemetery grounds for local community

11 employees from CMS Cement Sdn Bhd Pending held a *gotong-royong* session at Tanah Perkuburan Islam, Sungei Perioik in Kuching on 7 February 2020 to help spruce up the cemetery for the benefit of the local community.

Rekindling the gotong-royong spirit

On 13 September 2020, after months of isolation and separation from colleagues during the RMC0, 15 employees from CMS' Construction Materials & Trading Division rekindled the *gotong-royong* spirit by working alongside local villagers to resurface the exterior grounds of the multipurpose hall of Kampung Stampin Baru with aggregates donated by CMS Quarries Sdn Bhd.

Plogging around Kampung Nangka Sibul

21 employees from CMS Cement Industries Sdn Bhd and other volunteers from JKKK Kampung Nangka, Pusat Khidmat Dun Nangka and Sibul Municipal Council participated in a plogging (jogging & pick up) cum *gotong-royong* session at Kampung Nangka, Sibul on 20 September 2020. Through this kind of community initiative, CMS hopes to raise the village folk's awareness of the importance of keeping the environment clean and maintaining a healthy lifestyle, especially in the midst of this pandemic.

St. Luangga Church gets spruced up

CMS Roads Sdn Bhd (RMU Tapah) and CMS Premix Sdn Bhd fielded a group of 57 volunteers on 5 December 2020 to lay aggregate on the compound of the new St. Luangga Church in Kampung Sungai Barie, Serian to prevent flooding which had been re-occurring whenever it rained. They also set about getting the church compound into spic-and-span condition by clearing the site with heavy machinery and trimming overgrown grass.

Corporate Philanthropy

CMS remains committed to helping better society by lending financial support to causes that make a positive impact on local communities.

A full list of these initiatives would be too extensive to report, but we continue to prioritise community development, sporting activities, health, education and culture. In 2020, we spent RM1,614,794.34 (2019: RM1,740,586.92; 2018: RM1,767,027.00) 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.

To ensure the Group's corporate philanthropy arm operates in a manner that aligns with our business activities, corporate values and social responsibility, a new Sponsorship, Donation & Community Investment Policy was launched on 1 March 2020 establishing several focus areas that will be prioritised by CMS when carrying out sponsorships and donations in the community.

SOCIAL: Society

Sponsorship, Donation & Community Focus Areas

Geographical Location

As one of the largest corporate citizens in Sarawak, CMS has a corporate social responsibility towards the State. As such, we prioritise our sponsorships and/or donations to entities within Sarawak.

Education

We strive to provide better opportunities for underprivileged students to realise their potential through education.

Community Well-Being & Development

We aim to improve the standard of living for the local communities we operate in by creating a pathway for sustainable livelihood and better health.

Environment

As custodians of the environment, we undertake efforts to protect and preserve the environment through biodiversity, conservation and carbon neutral awareness programmes.

Youth & Sports

We seek to provide sponsorships to encourage and support high achieving youth in sports.

Sarawak Indigenous Music, Arts & Buildings

We endeavour to preserve and promote Sarawak Indigenous Music, Arts and Buildings beyond Sarawak.

Official State Functions

We seek to support the State through the provision of sponsorships/donations for legitimate celebrations or functions for the State.

CMS donates RM1 million to help Sarawak in time of crisis

As part of the Group's contribution to help Sarawak mitigate the economic impact of the COVID-19 pandemic on the State, its people and businesses, CMS donated RM1 million towards the Sarawak State Disaster Relief Fund on 7 April 2020.

Frontliners grateful for PPE

CMS' associate company, OM Materials (Sarawak) Sdn Bhd, came forward to donate RM1.4 million worth of Personal Protective Equipment (PPE) to Government and medical frontliners on 22 April 2020. The PPE, comprised of 10,000 disposable medical protective suits, 10,000 isolation gowns, 5,000 face shields, and 5,000 safety goggles, were donated to help safeguard Sarawak's frontliners tasked with the challenging duty of treating suspected and infected COVID-19 patients.

Food aid goes a long way for the needy

To support the Consulate General of the Republic of Indonesia in their food distribution effort, CMS Quarries Sdn Bhd (CMS Quarries) donated 300 packs of food stuffs worth RM10,000 on 29 April 2020 to ease the hardships faced by Indonesian migrant workers working in Sarawak and affected by the COVID-19 crisis.

Dyslexia Association Sarawak receives quarry waste

On 23 June 2020, CMS Quarries Sdn Bhd sponsored an additional 3,000 tonnes of quarry waste worth RM33,000 on top of the 1,000 tonnes previously donated for the association to conduct maintenance works on their ravine platform.

Sponsoring our junior squash players

The pandemic came with many repercussions, one of which was the cancellation of what would have been the 6th CMS Borneo Junior Open. Committed to supporting the Squash Racquets Association of Sarawak (SRAC) and their Sarawak Squash Junior Development Programme, CMS sponsored RM10,000 on 28 August 2020 to SRAC for a closed competition held in Kuching, Sibul and Miri in replacement of the cancelled annual international championship to give junior players the opportunity to play in competitive matches.

Protecting our native floral treasures

To help advocate for the important task of guarding our forests' biodiversity and preventing the extinction of indigenous orchids, CMS – a strong supporter of sustainability and biodiversity – donated RM30,000 to the Sarawak Orchid Society, an NGO creating and promoting awareness about native orchids, on 4 September 2020.

CMS is Sarawak Badminton Association's title sponsor

On 5 September 2020, in the spirit of contributing meaningfully to energising Sarawak's youth, CMS committed a total of RM600,000 to a 5-year sponsorship deal with the Sarawak Badminton Association (SBA), becoming the association's main sponsor until the year 2025. Under the sponsorship agreement, CMS will be giving RM120,000 annually to SBA for the purpose of funding local events including tournaments for junior players that will augur well for developing the talent of these young athletes.

Supporting the State's Digital Economy initiatives

The Sarawak State Government and Sarawak Multimedia Authority received a sponsorship of RM84,800 from CMS on 30 September 2020 for their joint organisation of the 4th International Digital Economy Conference Sarawak (IDECS), themed "Data & Innovation Accelerating Social & Economic Prosperity". This 2020 hybrid event with a blend of live and webinar sessions, for which CMS is a platinum sponsor, was held on the 7th and 8th of October 2020 at the Borneo Convention Centre.

Preserving our museums

To help protect the integrity of The Brooke Gallery and The Rane Margaret of Sarawak museums during the pandemic, CMS donated RM15,000 to The Brooke Trust on 5 November 2020. We wish for the museums'

sustainability so that the displays of valuable antique artifacts and historical exhibits which we treasure can be curated and enjoyed by future generations of Sarawakians and inquisitive tourists and travellers.

Supporting LIONS Nursing Home amidst the pandemic

LIONS Nursing Home (LNH) Kuching's operations rely heavily on public donations and funds raised through their annual food fair which CMS has continuously supported since 2017. Their inability to organise the event this year due to the pandemic constrained the budget available to cover their rising operational expenses. To ease LNH's financial situation during this difficult time, CMS donated RM10,000 on 25 November 2020 demonstrating the Group's unwavering support and appreciation for the NGO's care and attention towards our senior citizens.

Aiding the Salvation Army's children

CMS and its Deputy Group Chairman, Dato Sri Mahmud Abu Bekir Taib contributed RM5,000 and RM2,500 respectively to The Salvation Army on 16 December 2020 to help with their daily operational costs, and to procure IT gadgets to enable the centre's children to continue their education uninterrupted by attending online classes during the pandemic.

Gift of love

On 21 December 2020, a total of 36 employees from across the CMS Group contributed RM7,197.54 from their own pockets to purchase Christmas gifts to brighten the season of goodwill for 112 children under the care of The Salvation Army and the Kuching Autistic Association of Kuching.

CMS remains committed to helping better society by lending financial support

DONATES

RM1,614,794.34

in community development, sporting activities, health, education and culture

DONATES

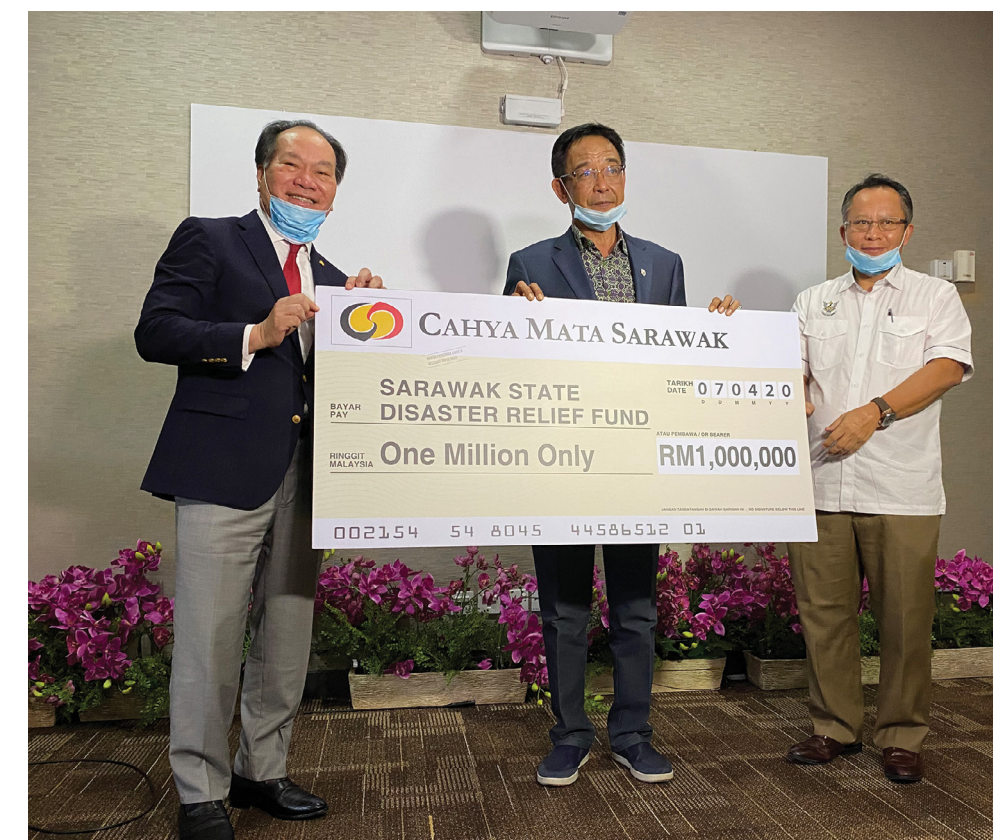
RM1 million

towards the Sarawak State Disaster Relief Fund

DONATES

RM1.4 million

worth of Personal Protective Equipment (PPE) to the Government and medical frontliners



Caring for our caregivers

To support the noble work of our local NGOs in caring for our *warga emas*, CMS donated RM5,000 to Home of Peace, Kuching on 30 December 2020 to aid them in their caregiving efforts of 32 elderly residents in their good hands.

BUILDING SUSTAINABLE COMMUNITIES IN THE VICINITY OF MAMBONG

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

Employment

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

Annual Grant

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

'Kem Kepimpinan Pengawas' sponsorship

CMS Cement Industries Sdn Bhd (CMSCI) sponsored the sum of RM1,377 to SK St. Augustine Mambong for the organising of a 3-day leadership camp held from 21 February to 23 February 2020 at Sarawak Co-Curriculum Centre – otherwise known as the Santubong Camp. Through this sponsorship, CMSCI hopes to enhance the leadership skills, confidence and communication skills of the 15 participants who are newly appointed school prefects and make great leaders of them.

Strengthening the Bidayuh's cultural heritage

In an effort to help the Mambong community protect and strengthen their local cultural heritage, CMS Cement Industries Sdn Bhd (CMSCI) sponsored Pertubuhan Kebudayaan dan Kesenian Kampung

SOCIAL: Society

Mambong (PKKKM) RM2,660 on 17 November 2020 for their much needed purchase of 24 sets of Bidayuh traditional costumes.

Cement donation to St. Michael's Chapel, Kampung Bratan

On 12 November 2020, CMS Cement Industries Sdn Bhd (CMSCI) donated 100 bags of 50 kg Portland Limestone Cement (PLC) valued at RM1,009.66 to St. Michael's Chapel in Kampung Bratan located 7 km from the company's plant in Mambong to assist with hastening the delayed completion of its chapel delayed by the recent deterioration of economic conditions and the price hike seen in building materials.

Cement Cares for the Community Programme

Since the reopening of schools following the pandemic, students have been advised to attend class with face masks to curb the spread of the coronavirus. Although purchasing single-use or reusable face masks might be affordable for some households, concern arose for students from less privileged backgrounds whose parents could be facing financial constraints in providing them with face masks every day.

Steadfast in coming to the local community's aid, CMS Cement Industries Sdn Bhd (CMSCI) rolled out their Cement Cares for the Community program to assist the communities around its facilities in Sarawak. Under this program, 20 primary schools within a 3 km radius from CMSCI's cement plants across Sarawak were identified for the provision of 16 boxes of face masks each to be distributed to underprivileged pupils. Within the Mambong vicinity, representatives from CMSCI Mambong Plant visited four primary schools, namely SK St Augustine Mambong, SK Sitang-Petang, SJK (C) Chung Hua Batu 15 and SK St Francis Xavier on 3 December 2020 to hand over the facemasks to each school. Through this initiative, CMSCI hopes to make a difference in helping to relieve some parents' financial worries and to safeguard the hygiene and health of students by ensuring that single-use face masks are not re-used at school.

As part of the Group's commitment to maintaining clear lines of communication and cultivating good relationships with the communities in the vicinity of Mambong, we continue to engage with them. The open dialogue session that usually takes place on an annual basis could not be held this year due

to the pandemic. When the sessions resume, they involve the Senior Management of CMS, CMSCI and the community leaders, as well as village heads or their representatives from the eight villages situated in and around the Mambong area. The last roundtable session held on 29 August 2019 between the various parties marked the sixth such session since it was first initiated in 2014.

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

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



Cement donation to St. Michael's Chapel, Kampung Bratan

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

First Response Teams

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

CONTINUING TO DO GOOD

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 all the initiatives under our Doing Good banner impact and strengthen communities for the better in a sustainable manner.

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

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

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

The CMS Tribal Run could not be held this year due to the pandemic. Barring unforeseen circumstances, come August 2021, we hope to organise again the ever-popular Run for the sixth consecutive year. The last CMS Tribal Run 5.0 event in 2019 drew over 3,700 participants and saw 100% of the RM154,800 in entry fees collected being divided equally among 12 charitable bodies throughout Sarawak. Through our Adopt-a-Mosque initiative, the Group continued to support the Muslim communities in Sarawak by contributing RM94,000 to the 47 mosques and suraus under this programme.

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

PUBLIC POLICY AND LOBBYING

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

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

SEDC 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 among members.

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

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

SOCIAL: PRODUCT RESPONSIBILITY

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



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

PRIORITISING HIGH QUALITY PRODUCTS AND SERVICES

As part of efforts to ensure all raw materials and products measure up to specifications and customer requirements, the Cement Division has implemented a strict testing regime (as per the Quality Control Plan) whereby samples are collected and tested on regular basis by the Quality Control (QC) Section.

In the event of any non-conformance, action is taken immediately to mitigate the root cause and to prevent recurrence. Production processes are monitored and adjusted where necessary to maintain consistent blending, calcining and grinding of materials. The finished products are tested at various stages including at production mills and silos to ascertain that products comply with the set perimeters.

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

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

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	 ISO 18001:2007 Occupational Health and safety Assessment Series Management Systems
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PPES Works and CMS Roads are in the process of migrating the ISO 18001 certification to ISO 45001.

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

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

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

QUALITY CERTIFICATIONS WITHIN THE GROUP			
CMS Cement Industries Sdn Bhd (Pending Grinding Plant) <ul style="list-style-type: none"> ISO/IEC 17025 – since Dec 1996 ISO 9001 – since Dec 1998 ISO 14001 – since April 2001 OHSAS 18001 – since Nov 2002 5S Certification – since Aug 2004 	CMS Cement Industries Sdn Bhd (Mambong Integrated Plant) <ul style="list-style-type: none"> ISO 9001 – since Nov 2009 5S Certification – since Nov 2009 ISO/IEC 17025 – since June 2011 ISO 14001 – since Sept 2012 OHSAS 18001 – since Nov 2013 ISO 50001 – since May 2016 	CMS Quarries Sdn Bhd <ul style="list-style-type: none"> IMS Certification (ISO 9001, ISO 14001 and ISO 18001) 	CMS Quarries Sdn Bhd & CMS Premix Sdn Bhd (Kuching only) <ul style="list-style-type: none"> IMS Certification (ISO 9001:2015, ISO 14001:2015 and ISO 18001)
CMS Cement Industries Sdn Bhd <ul style="list-style-type: none"> ISO 9001 – since Nov 2009 ISO/IEC 17025 – since June 2011 ISO 14001 – since Sept 2012 5S Certification – since Nov 2009 ISO 50001 – since May 2016 OHSAS 18001 – since Nov 2013 	CMS Cement Industries Sdn Bhd (Bintulu Grinding plant) <ul style="list-style-type: none"> ISO 9001 – since July 2003 ISO/IEC 17025 – since May 2010 ISO 14001 – since Feb 2008 5S Certification – since Sept 2007 ISO 45001:2018 – since Nov 2019 	CMS Concrete Products Sdn Bhd <ul style="list-style-type: none"> 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 Roads Sdn Bhd <ul style="list-style-type: none"> IMS Certification (ISO 9001, ISO 14001 and ISO 18001) recertification Apr 2019
	CMS Premix Sdn Bhd (Sibu, Sarikei), Betong Premix Sdn Bhd & CMS Premix (Miri) Sdn Bhd (Miri & Bintulu) <ul style="list-style-type: none"> ISO 9001:2015 	CMS Wires Sdn Bhd <ul style="list-style-type: none"> ISO 9001:2015 	PPES Works (Sarawak) Sdn Bhd <ul style="list-style-type: none"> IMS Certification (ISO 9001, ISO 14001 and ISO 18001) recertification Nov 2019
			CMS Pavement Tech Sdn Bhd <ul style="list-style-type: none"> ISO 9001 – recertification Oct 2019

SOCIAL: Product Responsibility

CERTIFICATES OF REGISTRATION WITH RELEVANT AUTHORITIES

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

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

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

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

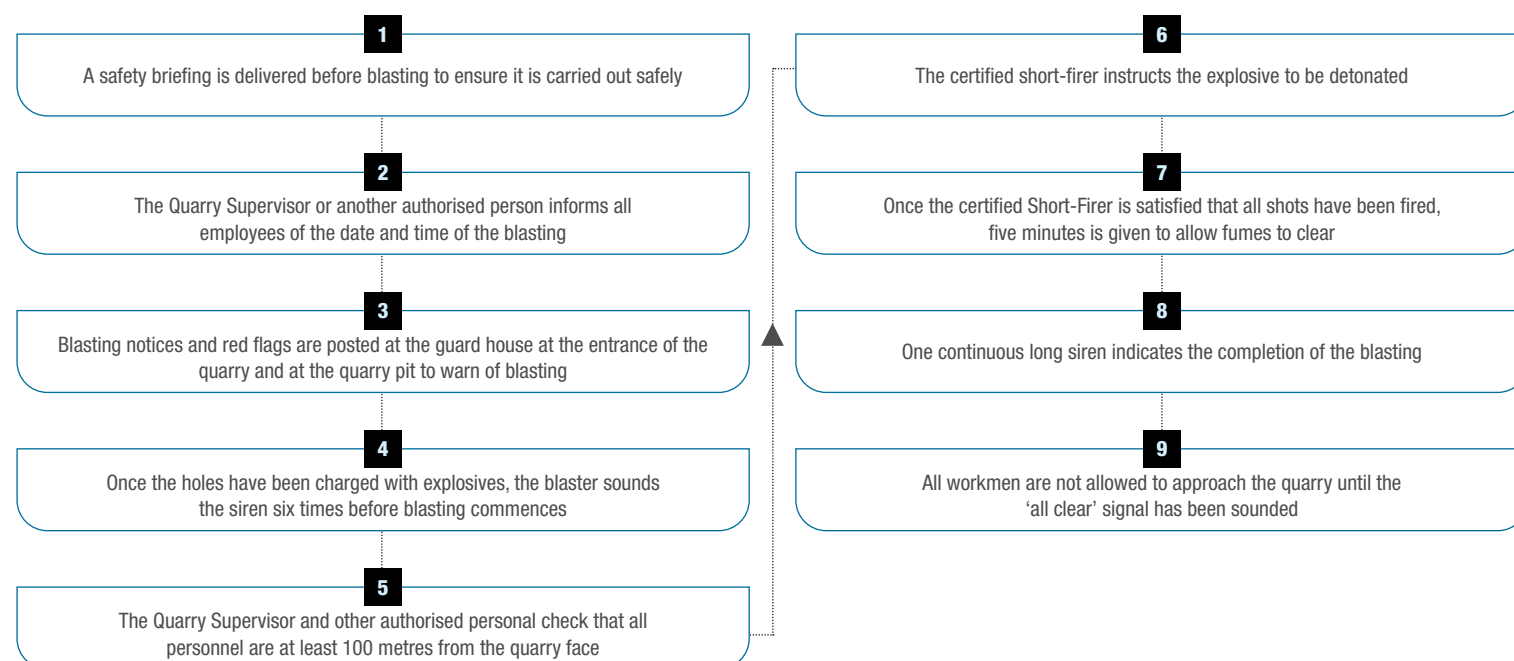
- The Construction Industry Development Board or CIDB Malaysia;
- The Ministry of Works (Malaysia) Contractor and Entrepreneur Development Division; and
- The Sarawak State Financial Secretary's Contractor and Consultant Registration Unit (UPKJ) with Class A.

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

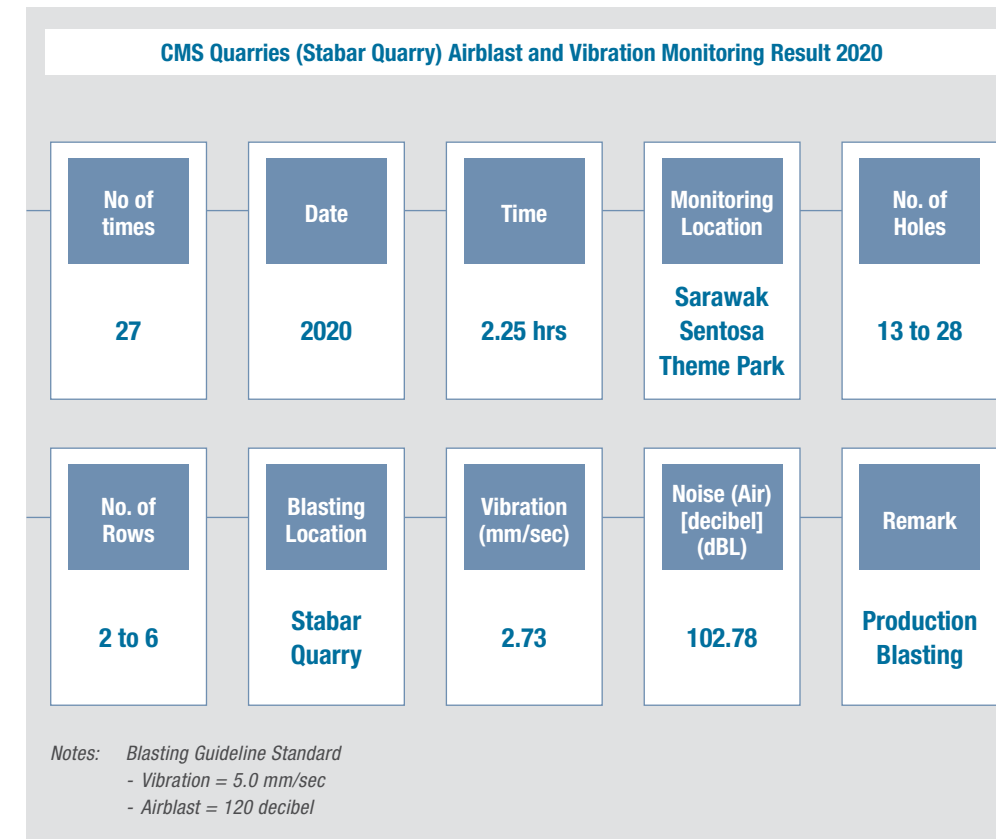
SAFE BLASTING

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

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



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



For 2020, the Stabar Quarry recorded an average blasting vibration of 2.73 mm/sec which was well within the Blasting Guideline Standard of 5 mm/sec set by Jabatan Mineral dan Geosains (JMG). Its recorded air blasts were also within the Malaysian Recommended Air Quality Guideline maximum of 120 dB(A).

CUSTOMER PRIVACY

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

We do not disclose personal data unless it is:

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

CUSTOMER SATISFACTION

Customer satisfaction is fundamental to our operations as it helps us to gauge the performance of our subsidiary companies while providing us with insight into consumer trends. Each of our subsidiary

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

At the Cement Division, the Customer Satisfaction survey results for 2020 turned in an average score of 82%. This indicates that the Cement Division was able to maintain the intended levels of rapport and engagement with customers and dealers and is meeting their expectations.

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. For CMS Quarries, 89% of customers surveyed in 2020 (2019: 83%) rated the products and services it rendered as 'good.' At CMS Premix Sdn Bhd, 100% of customers surveyed in (2019: 99.9%) rated the products and services it rendered as 'good'. Meanwhile, at CMS Wires Sdn Bhd, 78% (2019: 80.4%) of customers surveyed rated the products and services it rendered as 'good.'

For the Construction & Road Maintenance Division, the Client Satisfaction Survey Summary for 2020 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 78% (2019: 87.6%). These results included that pertaining to surveys carried out at worksites in RMU Serian and RMU Samarahan.

ETHICAL BUSINESS CONDUCT

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

Corruption

The Group has formalised policies and procedures to deal with corruption and improper conduct. Our Code of Ethics and Business Conduct strictly forbids:

- Bribes, kickbacks or payments of money;
- Gifts, loans, property, the use of services, entertainment or any other benefits more than a nominal value; and
- Making payments to any Government employee or representative or to any other third party.

Our Group Internal Audit Department reviews the adequacy of systems and controls to manage corruption risks. We prioritise audit areas, as well as assess risks and their significance to the Group. All business units are analysed for risks related to corruption.

There were no identified incidents or reports in response to corruption in 2020.

Anti-Fraud Management

The Group has zero-tolerance for fraud and the practice of any other form of deception for the benefit of one person that causes loss to another. As part of anti-fraud policy compliance requirements, each employee is required to sign a form that states that they possess an understanding on what is constituted as fraud and that they agree to report any occurrences and suspected incidences of fraud.

Whistleblowing

Even as the Group upholds high standards of conduct, we expect our employees to reflect the same ideologies when it comes to ethics, morals and legal business conduct. As such, we have provided the relevant platform for any employee or external party to 'blow the whistle', that is, to make a formal confidential disclosure to a member of Designated Authority (DA).

In the event of a policy violation, DA members refer suspected misconduct to the Board of Directors or Group Audit Committee. Misconduct consists of fraud, misappropriation, abuse of authority, corrupt practices or any other form of contravention or non-compliance with company policies and procedures. Employees are encouraged to raise serious concerns should they suspect any illegal or unethical behaviour in any part of the Group's operations.

Towards a Sustainable Future



As CMS sets its sights on creating sustainable stakeholder value and ensuring the Group's long-term success, we are determined to uphold the agenda of sustainability and ensure it remains a top priority within CMS.

It is only by genuinely committing to balancing out our strong economic performance with responsible environmental and social considerations, and then by executing this in a meticulous manner, will we be able to deliver true and sustainable value to our various stakeholders.

Although market conditions and the geopolitical outlook remain extremely challenging, CMS will continue to leverage on a three-pronged strategic response to achieve its next phase of growth. This will see us working to reposition and fortify all our traditional core businesses, fully implement and grow our strategic businesses, as well as reposition and strengthen the CMS brand. We are cautiously optimistic that the plan for our core businesses and strategic investments to contribute equally to our profits will create a sustainable growth pathway for us in the long-term. At the same time, we will tap a host of supporting initiatives and key foundation stones to help us maintain our momentum.

We expect our reinvigorated Sustainability Roadmap (2021-2023) to provide us the impetus that we

need to build upon the many impactful sustainability initiatives already in place. Given the stronger Board and Management oversight in this area, we expect to see the agenda of sustainability growing from strength to strength within CMS and cascaded down in a more vigorous manner throughout our organisation and business framework.

Moving forward, CMS will work diligently to rise above all challenges and capitalise on select opportunities. As we do so, we remain committed to carrying out our business in a responsible manner by upholding good Economic, Environmental and Social performance. Our plan going forward is simple.

On the Economic front, we will work to ensure that all our core businesses and strategic investments deliver performances that align with our five-year plan. We will focus our efforts on optimising cost structures, upholding excellence and driving innovation throughout our operations to enhance business efficiency and strengthen our competitive edge.

On the Environmental front, recognising how important it is to mitigate the impact of our business activities on our surroundings, we are committed to expanding and improving our KPIs, policies, technologies and environmental practices. This will help us to conserve and maintain our ecosystems for future generations in a more effective and sustainable manner. We will also strengthen the momentum of the solid R&D work we have achieved at Samalaju in the area of managing scheduled wastes and by-products, as well as assist industries and the State to develop tangible, and sustainable solutions in this area. We will continue to develop innovative products like our eco-friendly Portland Limestone Cement to help end users

undertake their projects in a more cost effective and efficient manner.

In terms of our Social obligations, CMS will leverage on continuous employee training to augment operational efficiencies and productivity, as well as rollout Group-wide teambuilding initiatives to strengthen the esprit de corps within the Group.

Last but not least, we will continue to implement meaningful CSR activities leveraging on employee volunteerism under the CMS Doing Good banner. With the staff of our nine RMUs across the State already actively serving as ambassadors to the communities around them, as well as first responders who are ready to be mobilised and coordinate relief efforts in times of natural disasters, we are well-positioned to impact communities across Sarawak and entrench ourselves in a firmer manner among them. As our Senior Management travels to all areas of our business to engage with our people and tap their on-the-ground ideas to serve communities, we expect to take our CSR efforts up several notches. At the same time, due to social distancing constraints, we will explore innovative means to make an impact on Sarawak's communities.

As we move forward to embrace a highly competitive and ambiguous landscape characterised by disruption on so many levels, business unusual will be the norm. The key is to continue evolving to remain relevant in the face of the daunting challenges. As such, as we work to embed business sustainability within our working culture in a more significant manner, we will also work to ensure that our EES practices evolve in a manner that are relevant to all our stakeholders. Only then, can we be confident of achieving meaningful long-term, sustainable growth and accelerating closer towards our ambition of becoming "the PRIDE of Sarawak and Beyond".

The Group is confident of achieving meaningful long-term, sustainable growth and accelerating closer towards our ambition of becoming

"the PRIDE of Sarawak and Beyond"

Upholding 11 of the 17 Sustainability Development Goals

The United Nations' Sustainability Development Goals or SDGs represent a collection of 17 global goals designed to be a "blueprint to achieve a better and more sustainable future for all" by the year 2030." In adopting mutually agreed upon global goals that define what really matters for the future, individuals, organisations and Governments worldwide now have a reference point by which they can agree on and act upon.

The SDGs also serve as a universal framework for the private sector which can be leveraged on to harness the combined potential of industry peers and drive collaboration across sectors. Businesses that choose to align with the SDGs now have a shared guide and metrics by which to evaluate progress. More importantly these businesses now have a mutual universal lens through which to transform the world's needs and ambitions into business solutions. The SDGs also accord businesses a framework by which they can better manage their risks, anticipate consumer demand, build positions in growth markets, secure access to needed resources, and strengthen their supply chains, while advancing the world towards a sustainable and inclusive development path.

While CMS' agenda of sustainability is already well-supported by an effective EES framework, as part of our efforts to strengthen our sustainability endeavours for the long-term, we are aligning with 11 of the 17 SDGs that are most relevant to our business. This initiative will ensure we have a common guide and metrics by which we can measure our sustainability endeavours as we join the thousands of other likeminded organisations who are intent on achieving a better and more sustainable future for all.

As CMS aligns with the United Nations' 2030 Agenda for Sustainable Development, the following 11 SDGs will guide us in our endeavours:

SDG Goals	CMS Activities Aligned to the SDGs √ Section Heading • Sub-section title	Page Number(s)
	√ Work-Life Balance	p. 69
	√ Flexible Working	p. 73
	√ Employee Health	pp. 74
	√ Occupational Safety and Health (OSH)	pp. 74-76
	√ Educational Assistance	p. 73
	√ Training and Education	pp. 77-78
	√ Embracing a Diverse Workforce	pp. 63-64
	√ Fair Treatment for All	p. 64
	√ Using Recycled Water to Cool Machinery	p. 40
	√ Rainwater Harvesting Programme	pp. 40, 62
	√ Water Pollution	p. 40
	√ Water-stressed Environment and Water-related Risks	p. 41
	√ Implementing ISO 50001 throughout CMS' Cement Division	pp. 34-36, 89
	√ Improving Energy Efficiency at the Cement Division	pp. 9, 35-36
	√ Use of Energy Efficient Lighting throughout the Group	pp. 36-37
	√ Green Buildings at The Isthmus	pp. 9, 62
	√ Upholding Good Labour Standards	p. 68
	√ Performance Management	pp. 72-73
	√ Training and Education	p. 77
	√ Succession Planning	p. 78

Upholding 11 of the 17 Sustainability Development Goals

SDG Goals	CMS Activities Aligned to the SDGs √ Section Heading • Sub-section title	Page Number(s)
	√ Implementing ISO 50001 throughout CMS' Cement	pp. 34-36
	√ Use of Energy-Efficient Lighting throughout the Group	pp. 36-37
	√ Using Recycled Water to Cool Machinery	p. 40
	√ Rainwater Harvesting Programme	p. 40
	√ Ongoing Research & Development Efforts	pp. 9, 44-47
	√ Product Development initiatives	p. 44
	√ Alternative Raw Materials initiatives	pp. 45-47
	√ Alternative Fuels initiatives	pp. 47-48
	√ CMS Eco Wall Panel	p. 62
		√ Employee Volunteerism and the CMS Doing Good Culture
√ Rebuilding Communities		pp. 10, 79-81
√ Sustaining Charitable Organisations		pp. 10, 81-83, 87
√ Environmental & Health Awareness Programmes		p. 82
√ Saving Lives		pp. 80, 83
√ Community Clean-Ups/ <i>Gotong-royong</i>		pp. 80, 83
√ Corporate Philanthropy		pp. 83-87
√ Building Sustainable Communities in the Vicinity of Mambong		pp. 85-87
√ Continuing to Do Good		p. 87
√ Green Buildings at The Isthmus		p. 62
	√ Energy Management	pp. 34-38
	√ Water Management	pp. 39-41
	√ Materials Management	pp. 42-48
	√ Ongoing Research & Development Efforts	p. 9, 44-47
	√ Waste Management	pp. 9, 48-53
	√ Dust Emissions Management	pp. 53-57
	√ Risk Analysis of Climate Change at Cement Division	p. 59
	√ Noise Monitoring	pp. 59-60
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This year is the second in which CMS is formally adopting the GRI Sustainability Reporting Standards (GRI Standards), the first and most widely adopted global standards for sustainability reporting.

The GRI Standards feature a modular, interrelated structure, and represent the leading global standards that organisations are using to report on a range of economic, environmental and social (EES) impacts, as well as the manner in which they are contributing towards sustainable development.

The GRI Standards are also a trusted reference for policy makers and regulators (including stock exchanges) worldwide – they serve to encourage and enable credible non-financial reporting by the companies under their jurisdictions. CMS' move to adopt the GRI Standards underscores our efforts to report both the positive and negative impacts of our businesses in a transparent and cohesive manner that is readily accessible by all stakeholders. By more effectively understanding, managing and disclosing our impacts, we are in a better position today to improve our strategic decision-making, mitigate risks, pinpoint business opportunities and strengthen stakeholder relationships.

In referencing the content below please refer to CMS's Sustainability Report 2020 and our Integrated Annual Report 2020.

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