

# CONNECTING COMMUNITIES

DELIVERING VALUE

—  
SUSTAINABILITY REPORT 2017



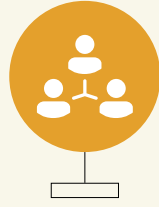
CAHYA MATA SARAWAK





### Our Vision

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



### Our Stakeholders

Our Shareholders, Staff, Customers & Community



### Our Mission

- Ⓟ Producing Quality, On Spec & On Time
- Ⓡ Respect & Integrity
- Ⓜ Improving, Innovating & Investing in People
- ⓓ Delivering Sustainable Growth
- ⓔ Environmentally Conscious, Safe & Conducive Workplace

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## Connecting Communities Delivering Value

The cover of Cahya Mata Sarawak Berhad's 2017 Sustainability Report portrays the Darul Hana Bridge, Kuching's iconic new landmark which connects the northern and southern parts of the city, and which CMS had a hand in constructing. Our cover also carries the theme 'Connecting Communities. Delivering Value' which not only reflects the role that the bridge is playing in integrating communities and delivering tangible value, it also serves as an expression of how CMS is doing its bit to connect communities and deliver real value.

As a leading proponent of the Sarawak's growth story, CMS continues to identify opportunities to help build and strengthen linkages between markets, businesses and communities, as well as create tangible value for our key stakeholders. These include the host of infrastructure projects and related services required across the State and the energy-intensive opportunities under the Sarawak Corridor of Renewable Energy (SCORE) initiative. By continuously reinvesting into our core competencies and expanding into related infrastructure facilitation activities, we continue to create a long-term, sustainable growth pathway for both CMS and Sarawak, as well as good value for our stakeholders. As we maximise our participation in the Sarawak growth story, CMS undoubtedly remain one of the best proxy-listed investments for Sarawak's dynamic growth.

**This is Cahya Mata Sarawak Berhad's (CMS or the Group) third Sustainability Report, which discloses our sustainability achievements in a transparent and objective manner in line with the Global Reporting Initiative or GRI Guidelines.**

This Report serves as a tool to demonstrate to our stakeholders and other interested parties how we continued to undertake our operations in a responsible and sustainable manner throughout 2017.

Together with our Annual Report 2017, which highlights the financial aspects of our business, these two reports provide a clear, comprehensive and transparent representation of our performance in managing the Economic, Environmental and Social (EES) aspects of our operations. Outlined below is detailed information on the scope and criteria used when preparing this Report. There have been no changes to the boundaries of this Report from the previous Sustainability Report 2016.



### REPORTING PERIOD

- 1 January to 31 December 2017 (Financial Year or FY 2017) unless specified



### REPORTING CYCLE

- Annually



### SCOPE

- CMS' Departments and Divisions:
  - Head Office Departments
  - Cement Division
  - Construction Materials & Trading Division
  - Construction & Road Maintenance Division
  - Property Development Division
  - Samalaju Development Division
- Note that the scope of this Report only covers the abovementioned Departments and Divisions that CMS has full management control over and which we are able to apply our Sustainability Agenda to.
- The activities of the Group's associate companies are not covered in this Report due to the fact that at the associate level, CMS' influence is at Board level only. At each associate company, the respective management teams are responsible for implementing their own sustainability agendas.
- The scope of this Sustainability Report aligns with that of the Annual Report to ensure consistency in the line of reporting and financial statements.



### REFERENCES AND GUIDELINES

- Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines
- Bursa Malaysia's Sustainability Reporting Guide
- Association of Chartered Certified Accountants (ACCA) Malaysia
- Sustainability Reporting Awards (MaSRA) Guidelines for Malaysian Companies
- International Organisation for Standardisation (ISO) 26000:2010 Guidance on Social Responsibility

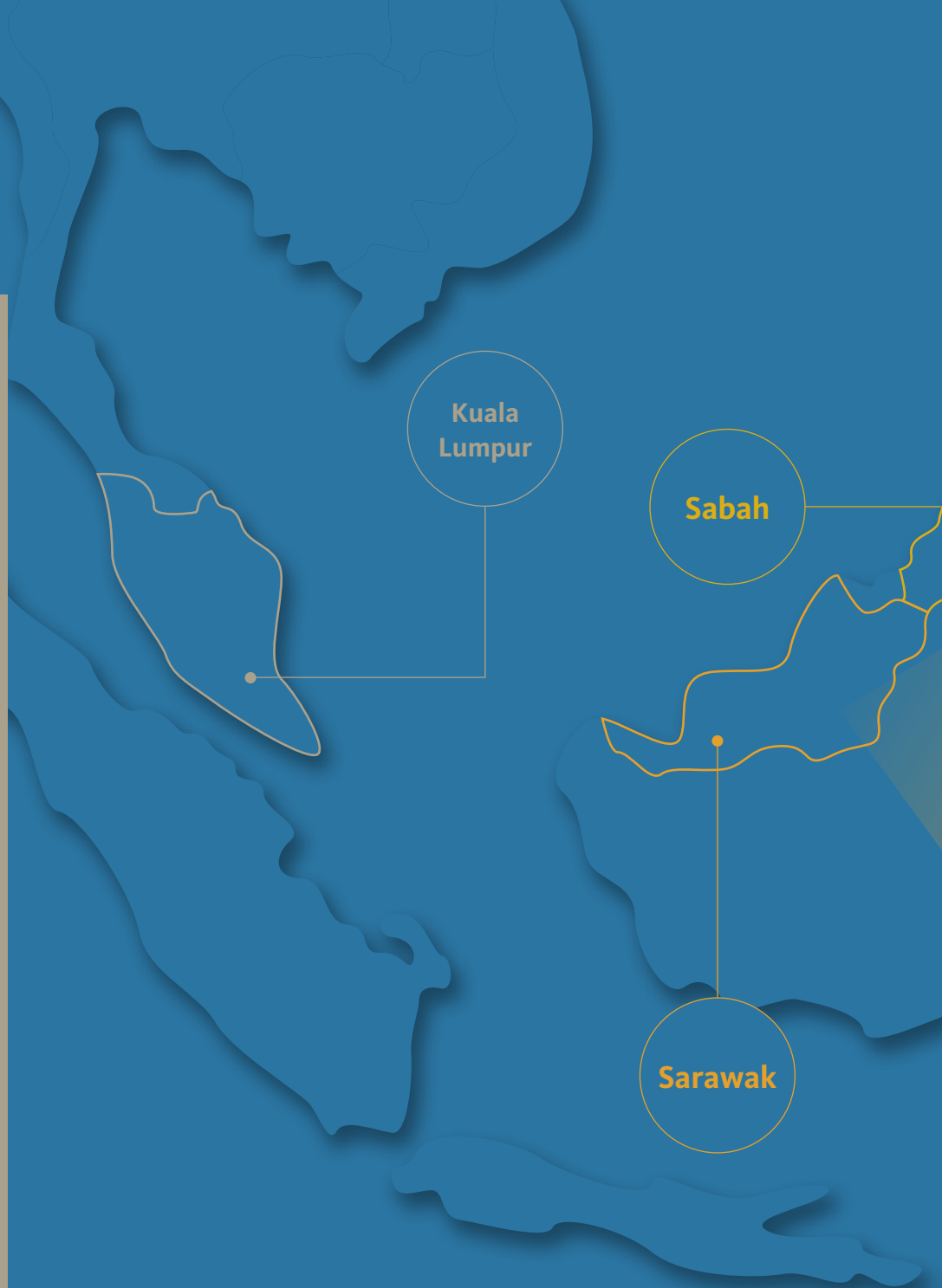
# Our Business

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

Originally established as a cement manufacturer some 43 years ago, CMS has steadfastly grown from strength to strength amidst the challenges of the marketplace and successfully diversified into the manufacturing and trading of Cement and Construction Materials; Construction; Road Maintenance; Township, Property and Infrastructure Development; Education; Financial Services; and Alloys Smelting. In 2015, CMS bolstered its role as an infrastructure facilitator by venturing into the telecommunications infrastructure arena.

CMS' solid progress over the years is very much a reflection of Sarawak's own dynamic progress. As the State moves into a new era of growth with the Sarawak Corridor of Renewable Energy (SCORE), CMS' expansion path too is moving into a new trajectory to take advantage of the business investment opportunities in energy-intensive industries and their infrastructure and related needs. Given the vast business potential within SCORE and throughout the State of Sarawak, CMS continues to leverage on its healthy balance sheet, local knowledge, an experienced management team, proven strategies and a synergised portfolio of Sarawak-based businesses, to maximise its participation in the Sarawak's growth story.

Today, CMS is listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Malaysian stock exchange. As of 31 December 2017, CMS' market capitalisation stood at RM4.19 billion.



## CMS' Stable of Businesses:



**Cement & Clinker**



**Construction**



**Construction Materials Trading & Agencies**



**Education**



**Ferrosilicon & Manganese Alloys Smelting**



**Financial Services**



**Hotel & Workers' Accommodation**



**Industrialised Building System (IBS) Products & Solutions**



Precast Concrete Products



Premix



Project Management



Road Maintenance



Steel Fabrication & Engineering



Steel Pipe Manufacturing & Laying



Stone Aggregates



Telecommunications Infrastructure



Township & Property Development



Wire Mesh

## Corporate Information



### COMPANY NAME

Cahaya Mata Sarawak Berhad

### COMPANY NUMBER

21076-T

### DIRECTORS

Y A M Tan Sri Dato' Seri Syed  
Anwar Jamalullail

Y Bhg Dato Sri Mahmud Abu Bekir Taib

Y Bhg Datuk Syed Ahmad Alwee Alsree

Y D H Dato' Richard Alexander John Curtis

Y Bhg Datuk Seri Yam Kong Choy

Y Bhg Datu Hubert Thian Chong Hui

Mr Chin Mui Khiong

Mdm Umang Nangku Jabu

### GROUP COMPANY SECRETARY

Denise Koo Swee Pheng

### REGISTERED OFFICE

Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
Sarawak

t +60 82 238 888

f +60 82 333 828

w [www.cmsb.com.my](http://www.cmsb.com.my)

### SHARE REGISTRAR

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

t +60 3 7849 0777

f +60 3 7841 8151 / 8152

### AUDITORS

Ernst & Young

### PRINCIPAL BANKERS

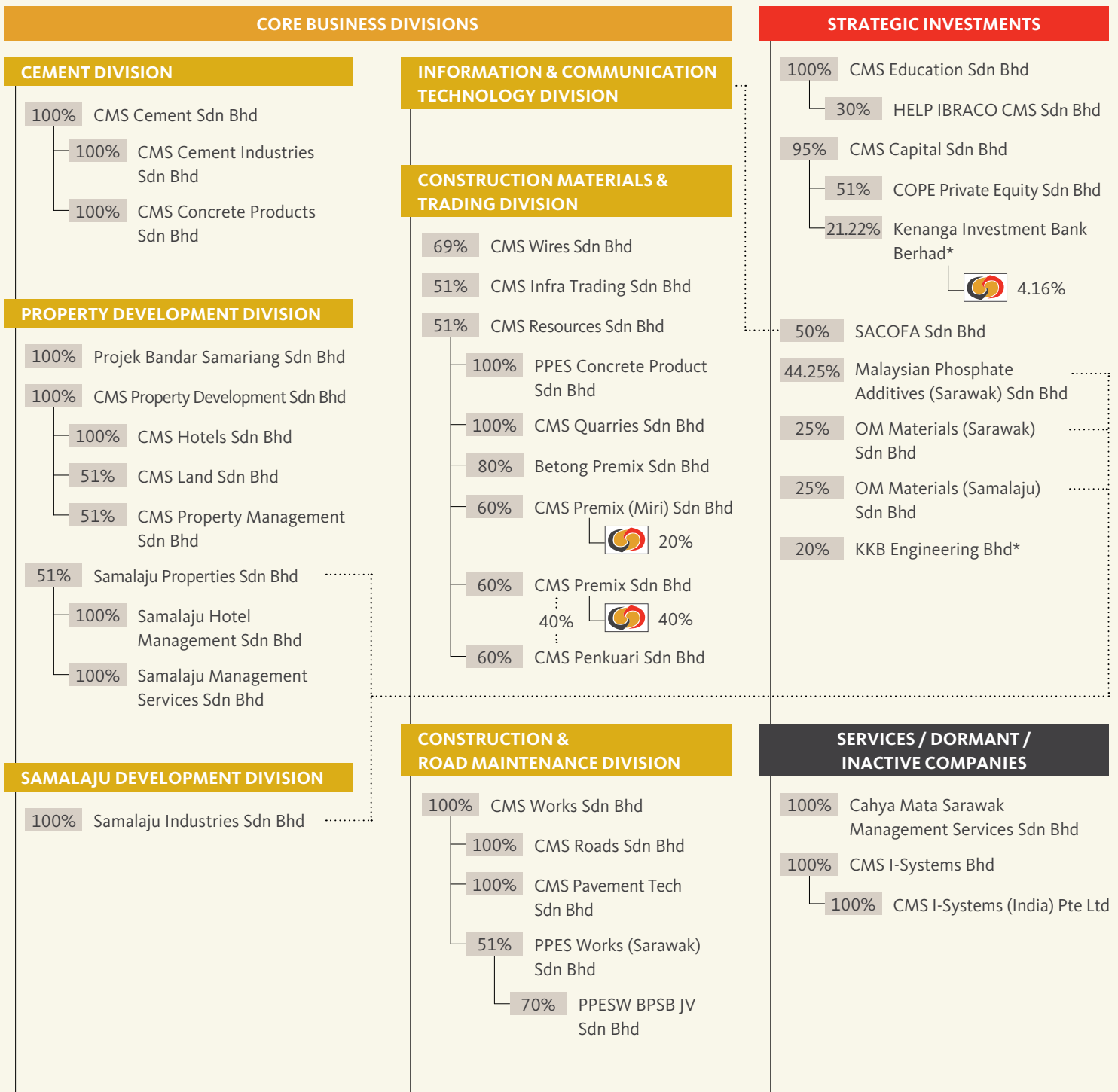
Bank Muamalat Malaysia Berhad  
CIMB Islamic Bank Berhad  
Hong Leong Bank Berhad  
Kenanga Investment Bank Berhad  
Maybank Islamic Berhad  
RHB Bank Berhad

### STOCK EXCHANGE LISTING

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



## CAHYA MATA SARAWAK\*



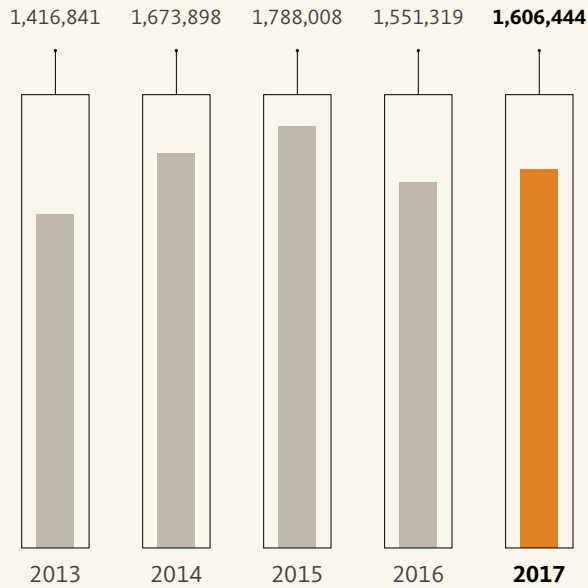
\* Listed on Main Market of Bursa Malaysia

..... The dotted line above represents the Management reporting lines

# Performance at a Glance

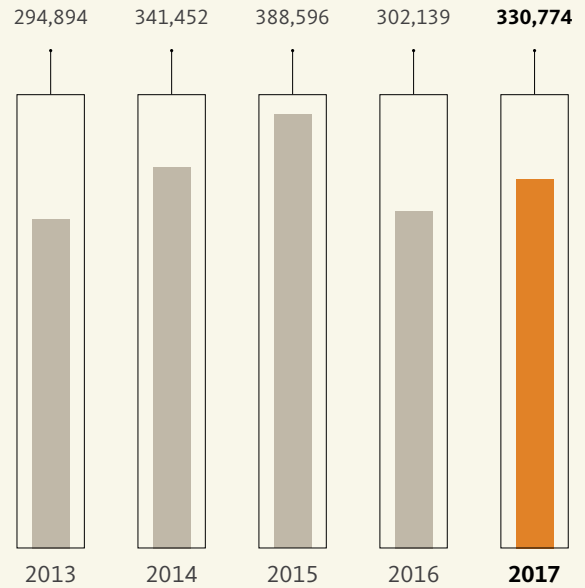
## REVENUE

(RM'000)



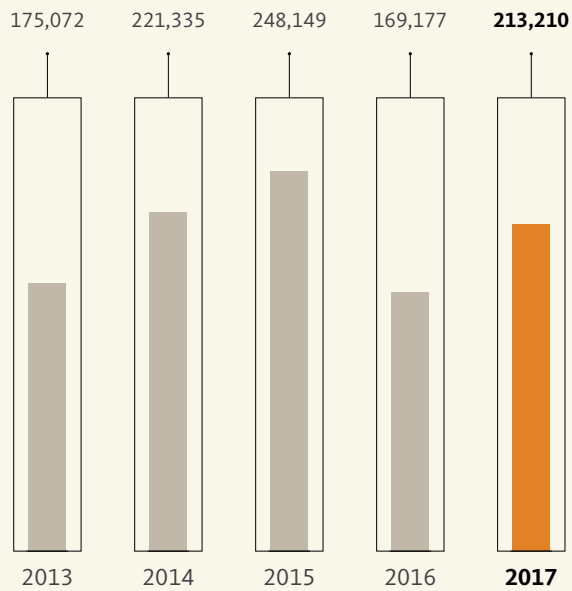
## PROFIT BEFORE TAXATION

(RM'000)



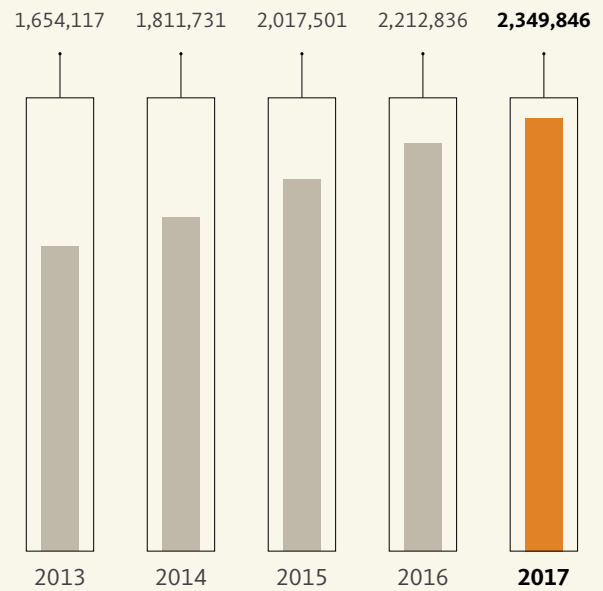
## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

(RM'000)



## TOTAL SHAREHOLDERS' FUNDS

(RM'000)



## Financial Highlights

	2013	2014	2015	2016	2017
Revenue (RM'000)	1,416,841	1,673,898	1,788,008	1,551,319	<b>1,606,444</b>
Profit before taxation (RM'000)	294,894	341,452	388,596	302,139	<b>330,774</b>
Profit attributable to owners of the Company (RM'000)	175,072	221,335	248,149	169,177	<b>213,210</b>
Weighted average number of shares ('000)	999,276 *	1,033,352	1,064,741	1,074,376	<b>1,074,376</b>
Basic earnings per share (sen)	17.52 *	21.42	23.31	15.75	<b>19.85</b>
Gross dividends per share (sen)	17	8.5	4.5	6.3	<b>8.0</b>
Total shareholders' funds (RM'000)	1,654,117	1,811,731	2,017,501	2,212,836	<b>2,349,846</b>
Total assets (RM'000)	2,423,892	2,800,131	3,231,079	3,451,337	<b>4,087,202</b>
Net tangible assets per share (RM)	4.70	1.68	1.82	2.00	<b>2.13</b>
Net assets per share (RM)	4.88	1.74	1.88	2.06	<b>2.19</b>
Return on average shareholders' equity (%)	11.17	12.77	12.96	8.00	<b>9.35</b>
Return on total assets (after tax) (%)	7.22	7.90	7.68	4.90	<b>5.22</b>
Total borrowings (RM'000)	100,102	104,796	163,678	247,956	<b>636,364</b>
Gearings (times)	0.06	0.06	0.08	0.11	<b>0.27</b>
Current assets (RM'000)	1,349,054	1,602,401	1,307,756	1,371,984	<b>2,033,084</b>
Current liabilities (RM'000)	451,313	639,462	611,112	687,867	<b>689,628</b>
Current ratio (times)	2.99	2.51	2.14	1.99	<b>2.95</b>

\* Adjusted for the share split and bonus issue

## 2017 Share Price Performance (RM)

	2013	2014		2015	2016	2017
		Before split and bonus issue	After split and bonus issue			
Low	2.99	6.55	3.30	3.80	3.17	<b>3.30</b>
High	6.99	11.46	4.72	6.00	5.23	<b>4.70</b>
Closing	6.89	10.50	3.96	5.13	4.00	<b>3.90</b>

## Board of Directors



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

*Group Chairman  
Independent, Non-Executive Director*



**Y BHG DATO SRI MAHMUD  
ABU BEKIR TAIB**

*Deputy Group Chairman  
Non-Independent, Non-Executive Director*



**Y BHG DATUK SYED  
AHMAD ALWEE ALSREE**

*Group Executive Director*



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

*Non-Independent, Non-Executive Director*



**Y BHG DATUK SERI  
YAM KONG CHOY**

*Independent, Non-Executive Director*



**Y BHG DATU HUBERT  
THIAN CHONG HUI**

*Independent, Non-Executive Director*



**CHIN MUI KHIONG**

*Independent, Non-Executive Director*



**UMANG NANGKU JABU**

*Non-Independent, Non-Executive Director*

# Senior Management Team

1

**Y BHG DATUK SYED AHMAD ALWEE ALSREE**

*Group Executive Director*



1



2

2

**Y BHG DATO ISAAC LUGUN**

*Group Chief Executive Officer - Corporate*



3



4

3

**GOH CHII BING**

*Group Chief Executive Officer - Operations*

4

**SYED HIZAM ALSAGOFF**

*Group Chief Financial Officer*



5



6

5

**MOHAMED ZAID ZAINI**

*Head, Information & Communication  
Technology Division  
Chief Information Officer*

6

**DAVID LING KOAH WI**

*Group General Counsel*

7

**DANNY SIM WEI MIN**

*Senior General Manager,  
Group Procurement*



7



8

8

**TAN MEI FUNG**

*General Manager,  
Group Finance*



**ABDUL NASSER BIN MOHD SANUSI**

*Senior General Manager,  
Special Projects*



**WENDY YONG SAN SAN**

*Senior General Manager,  
Group Human Resources*



**FRANCIS LOU CHEE NGEE**

*Group Internal Auditor*



**LIM JIT YAW**

*Head, Construction &  
Road Maintenance Division*



**VINCENT KUEH HOI CHUANG**

*Head, Property Development Division*



**CHONG SWEE SIN**

*Head, Construction Materials &  
Trading Division*



**GOH CHII YEW**

*Chief Executive Officer,  
Samalaju Properties Sdn Bhd*



**SUHADI SULAIMAN**

*Acting Chief Executive Officer,  
Cement Division*

## Message from Our Group Managing Director



**CMS' inclusion in the FTSE4Good Bursa Malaysia index for the second consecutive year attests to the fact that we continue to gain good ground as we implement tangible corporate social responsibility practices and entrench ourselves as a progressive and ethical company.**



**Dato' Richard Curtis**  
Group Managing Director

CMS continues to identify strategies that will help build and strengthen linkages between markets, businesses and communities, as well as create real value for diverse stakeholders.

Dear Stakeholders,

I am delighted to present the third standalone Sustainability Report of Cahya Mata Sarawak Berhad (CMS or the Group) which encapsulates CMS' sustainability journey for the financial year ended 31 December 2017 (FY 2017). For the year in review, CMS once again made good progress in its pursuit of responsible business and sustainable growth, turning in commendable performances on the Economic, Environmental and Social (EES) fronts.

Several positive developments took place in FY 2017, one of which was the Group's success in remaining a constituent of the FTSE4Good Bursa Malaysia (F4GBM) Index. I am pleased to report that that on 13 January 2018, CMS received news that we had maintained our status as a constituent of the F4GBM Index for the second year running. The F4GBM Index is a globally recognised index launched by the FTSE Group and owned by the London Stock Exchange. It measures and recognises companies across the world who are demonstrating strong Environmental, Social and Governance (ESG) practices. In Malaysia, F4GBM index constituents are selected from the Top 200 Malaysian stocks on Bursa Malaysia and screened in accordance with transparent ESG criteria.

CMS' inclusion in the index for the second consecutive year attests to the fact that we continue to gain good ground as we implement tangible corporate social responsibility practices and entrench ourselves as a progressive and ethical company. With this international recognition, we now show up on the radar of financial institutions who have set down strict ESG criteria for their investments. This achievement is also doing much to reduce our perceived non-financial risk profile by positioning us as a company that is upholding a sustainability-based (and thus safer) business model which will ultimately draw more investors in. This repeat performance is a result of the worthy efforts put in by the entire Group including our Board of Directors (Board), Senior Management team and employees and I sincerely thank them for their fine work.

**OUR ROLE IN CONNECTING COMMUNITIES AND DELIVERING VALUE**

This year, the cover of our Sustainability Report portrays the newly-built Darul Hana Bridge which CMS had a hand in constructing. Launched by Sarawak's Head of State, His Excellency Tun Pehin Sri Haji Abdul Taib Mahmud, on 11 November 2017, this iconic bridge connects Kuching City North with Kuching City South. Our cover also carries the theme 'Connecting Communities. Delivering Value' which is not only a reflection of the role that the bridge is playing in linking and integrating communities, it also serves as an expression of how CMS is doing its bit to connect communities and deliver tangible value. As a leading proponent of the Sarawak's growth story, CMS continues to identify strategies that will help build and strengthen linkages between markets, businesses and communities, as well as create real value for diverse stakeholders.

Aside from the Darul Hana Bridge, another one of the linkages that CMS has had a hand in forging is the Miri-Marudi Road Rehabilitation Project by Group subsidiary, CMS Roads Sdn Bhd. Connecting towns and people, the project is not only on track but progressing well ahead of its original 30-month schedule. The project also directly addresses one of Sarawak's biggest challenges which is to reduce the development gap between the rural and urban areas, not only in terms of infrastructure, but also by way of improving access to markets and lifting the level of income in the State's rural communities.

Other examples of our building linkages and delivering value include the construction of the Datuk Temenggong Abang Kipali bin Abang Akip Interchange, via a shallow underpass, to ease traffic congestion and connect communities; the construction and fiberisation of telecommunication towers, as well as the rollout of broadband infrastructure throughout Sarawak to link and elevate the livelihood of rural communities; and the celebration of the 20<sup>th</sup> anniversary of Bandar Samariang, the township and community which we have built and developed, as well as created tangible value for.



CMS continues to maintain its status as a constituent of the F4GBM Index for the second year running.

CMS has had a hand in forging the Miri-Marudi Road Rehabilitation Project which is helping reduce the gap between rural and urban areas.

We are humbled yet honoured to have had a hand in undertaking these initiatives that are certainly doing much to strengthen linkages between markets, businesses and communities, as well as to create tangible value for a variety of stakeholders. The finer details of these and our other achievements are spelt out in the Economic section of this Report.

### OUR EFFORTS TO PRESERVE THE ENVIRONMENT

CMS is deeply committed to preserving the environment and to this end, we have been applying best practices, innovative operating strategies and technologies to minimise our environmental footprint. Our efforts thus far centre on honing our environmental practices by developing more robust and integrated air, materials, waste and water environmental strategies that go beyond meeting basic compliance standards.

Our environmental preservation efforts also extend to rejuvenating the Group's Industrialised Building System (IBS) business through the Cement Division. IBS construction underpins sustainable construction as it is a methodology that lends to better construction quality and productivity, reduces occupational safety and health risks, alleviates the issue of dependency on skilled workers and manual foreign labour, plus reduces the overall cost of construction. With the government showing its commitment to pushing the IBS agenda through by making it mandatory for government projects to utilise at least 70% IBS components and solutions, this augurs well for our own plans and CMS' sustainability agenda.

In FY 2017, we continued to make good progress by way of our ISO 5000:2011 energy management framework which is enabling us to set objectives and measure results in a more effective manner. Following the implementation process at our Mambong clinker and Pending grinding plants in 2016 and 2017 respectively, the Bintulu plant is scheduled to follow suit in 2018.

The results of CMS' preservation efforts are spelt out in the Environmental section of this Report.

### OUR FOCUS ON NURTURING THE CMS FAMILY

Our employees are more than just components of our workforce – they are part and parcel of the CMS family. We are deeply committed to nurturing the well-being of our family by according them the warmth and camaraderie of a family environment, coupled with the professionalism of a well-run meritocratic listed company. Over and above contractual employee benefits, we are proud of our Compassionate Fund which, upon application, steps in to help employees facing challenges beyond their resources such as meeting otherwise unaffordable medical expenses or a family disaster. Here at CMS, we endeavour to look for the best talent, retain them, nurture them within a creative environment, as well as work together with them to find new and innovative ways to deliver ever-increasing value to our stakeholders. Our success in fostering strong ties within our family continues to hold us in good stead especially amidst the difficult times.

### OUR ENDEAVOURS TO ENRICH COMMUNITIES

Back in 2007, we launched the 'CMS Doing Good' campaign to improve CMS' contribution to society and our image in the community through increased Corporate Social Responsibility (CSR) efforts and initiatives. 10 years on and our employee volunteers continue to lend support to the communities in Sarawak through the Rebuilding Communities, Sustaining Charitable Organisations, Environmental & Health Awareness, Saving Lives and Community Clean-up (*Gotong-Royong*) components of the 'CMS Doing Good' initiative.

In 2017, CMS employees clocked a total of 48,420 man-hours (2016: 45,534 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and much more. At the same time, our employees raised a total of RM103,560 (2016: RM117,121) in funds that were distributed among various locally-based charitable organisations, mosques, churches, a home for the elderly and children's homes. Our efforts have certainly gone a long way in elevating the livelihood of the many communities that we operate in and helped entrench CMS as a friend to them. We will continue to look for ways to enrich communities and strengthen ties with them.

### OUR COMMITMENT TO DELIVERING SUSTAINABLE GROWTH

FY 2017 was a good year for us on the sustainability front and I am pleased with the positive results that we derived in the different areas.

Our efforts to embed sustainability within the mindsets of our workforce and our work culture continues to gain good ground. Our employees have come to understand the importance of sustainable growth and are committed to advancing the Group's sustainability agenda by giving their best to deliver true and sustainable value, as well as establish enduring ties with our four key stakeholders, namely our shareholders, customers/suppliers, staff and community.

As we move forward, we want to reiterate the Group's commitment to upholding responsible management and sustainable development on the EES fronts to secure the future of the Group. We are determined to create long-term shared value for our stakeholders by 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 continue to prioritise excellence and innovation throughout our operations to bolster efficiency and our competitive edge. CMS remains committed to strengthening our existing programmes and rolling out new ones so that we will truly achieve meaningful long-term, sustainable growth while creating value for all our stakeholders.

### ACKNOWLEDGEMENTS AND FAREWELL

Many parties have supported our pursuit of sustainable long-term growth and we want to acknowledge their worthy contributions. I wish to express my heartfelt gratitude to CMS' valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners and associate companies, for their unwavering trust and confidence in us.

My deep appreciation is extended to our Board for their astute insights and wise counsel. To the CMS family of employees, I wish to convey my utmost gratitude for their dedication, diligence and resilience amidst the challenges of our business. CMS has become deeply entrenched among the communities that we operate in simply because of their worthy support and efforts, particularly by way of employee volunteerism.

To the communities that we operate in and which in turn support us, a big thank you for your unrelenting trust in us. Having you as one of our four stakeholder groups continues to be both encouraging and beneficial and CMS look forwards to your continuing support as we work together to see the development and the progression of our State.

It is with a tinge of sadness that I pen my final note on sustainability to you. As you may know, I retired as Group Managing Director on 31 December 2017 after having served the Group for over 11 years. In that time, my team and I have worked hard to lay some solid groundwork for the next phase of CMS' transformational growth.

The Group's businesses now all have clear strategic direction that will carry them to greater heights. Our profits are now solidly sustainable, diversified and on a clear upward trend reflecting Sarawak's own economic growth. On top of this, we can now expect future transformational profit growth once our energy-intensive investments accelerate into profitability. Today, we have in place engaged, competent and high performing employees at all levels which gives us the bandwidth to manage our businesses and to grow. Above all, the building blocks are in place to ensure the sustainable growth of CMS' business for the long-term.

As I take my leave, I leave you in the good hands of my accomplished successors both of whom are Sarawakians from within CMS, who will lead CMS to the next level of success. Dato Isaac Lugun and Mr Goh Chii Bing will serve as Group Chief Executive Officer – Corporate, and Group Chief Executive Officer – Operations, respectively, as part of the Board's dual leadership strategy. They have a combined 46 years of work experience in CMS and are a fine testament of the Group's prudent succession planning efforts.

These two gentlemen bring with them an intimate understanding of CMS' businesses and a shared belief in the Group's direction. Collectively, their proven track-record and profound business acumen translates into an absolute continuity that all stakeholders can leverage on as we usher in a new era of leadership for CMS. Both gentlemen will work together with our current Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, to deliver on our targets while I will remain on the Board as Non-Independent Non-Executive Director. These three gentlemen's familiarity with the workings of CMS instils in the Board a confidence that CMS' succession planning is sound, solid and geared for even greater success. I am confident that under their leadership, CMS will take its sustainability practices to the next level.

As the Group ventures forth to explore new areas of opportunity, rest assured that your Board and the new leadership remain committed to conducting business in a responsible manner by upholding good EES performance. I call upon all four groups of our key stakeholders to continue lending the new leadership team their steadfast support as they venture forth to secure the future of the Group and create long-term shared value for our stakeholders.

Thank you all for your very kind support all these years. May our CMS truly become the '**PRIDE** of Sarawak and Beyond'. I bid you all adieu.

Yours sincerely,



**Dato' Richard Curtis**  
Group Managing Director

## Our Four Stakeholder Group Model

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

Internally within CMS, our employees clearly understand that given our role in Sarawak's economy, we are obliged to adopt a long-term perspective, as well as ensure we remain responsible and accountable in every aspect of our business. This ranges from delivering quality on spec and on time, to treating all stakeholders with respect and integrity (which includes for example, paying our suppliers, consultants and contractors on a timely basis), to ensuring we innovate so that we do not lag behind others. In addition, for our employees, this is further manifested internally via our commitment to upholding their well-being and through implementing meaningful Corporate Social Responsibility or CSR activities at several levels. Employee volunteers are involved in community projects as they feel a strong sense of obligation to fulfil their responsibilities to stakeholders. At the Divisional level, there is a strong emphasis on maintaining a sustainable, ethical and honourable operational performance to uphold our obligations to the *rakyat* (community).

### Stakeholder Engagement

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

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

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

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

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

### Stakeholder Engagement at CMS



The following section highlights the diverse stakeholder engagement practices that the Group undertook in 2017 and the frequency of these activities.

STAKEHOLDER	METHOD(S) OF ENGAGEMENT	FREQUENCY
<b>Shareholders</b> 	<ul style="list-style-type: none"> <li>• AGM presentation (by the Group Managing Director)</li> <li>• Quarterly result briefings</li> <li>• Media statements</li> <li>• Investor presentations</li> <li>• Meetings/telephone calls with (potential) investors</li> <li>• Comprehensive investor relations portal</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li> <li>• Quarterly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• 24/7</li> </ul>
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Koffee Talk sessions</li> <li>• Town Hall sessions</li> <li>• Management/Senior Management retreats</li> <li>• Employee Satisfaction Surveys</li> <li>• Departmental meetings</li> <li>• <i>OurCMS</i> Magazine</li> <li>• CMS intranet</li> <li>• E-blasts</li> <li>• Annual dinners</li> <li>• CMS Friendly Games</li> <li>• Safety Month</li> <li>• <i>OurCMS</i> Blog</li> <li>• Family Day</li> <li>• Bowling games/birthdays</li> <li>• Festive open houses</li> <li>• Employee engagement initiatives</li> <li>• Incentive trips</li> </ul>	<ul style="list-style-type: none"> <li>• Biennially</li> <li>• Annually</li> <li>• Annually</li> <li>• Biennially</li> <li>• Regularly</li> <li>• Tri-annually</li> <li>• Daily</li> <li>• Regularly</li> <li>• Annually</li> <li>• Biennially</li> <li>• Annually</li> <li>• Regularly</li> <li>• Annually</li> <li>• Ad hoc</li> <li>• Annually</li> <li>• Ad hoc</li> <li>• Regularly</li> </ul>
<b>Customers/Suppliers</b> 	<ul style="list-style-type: none"> <li>• Customer surveys</li> <li>• Customer training (within the respective Divisions)</li> <li>• Code of Ethics and Business Conduct</li> <li>• Dialogues with customers/dealers</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Ad hoc</li> <li>• Regularly</li> <li>• Regularly</li> </ul>
<b>Media</b> 	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Meet &amp; Greet the Media</li> <li>• Media get-togethers</li> </ul>	<ul style="list-style-type: none"> <li>• Ad hoc</li> <li>• Regularly</li> <li>• Ad hoc</li> </ul>
<b>Department of Environment</b> 	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Progress updates</li> <li>• Compliance reports</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• Quarterly</li> </ul>
<b>Government Agencies</b> 	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Project progress updates</li> <li>• CMS Friendly Games</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> </ul>
<b>Community</b> 	<ul style="list-style-type: none"> <li>• Sponsorships and donations</li> <li>• Employee volunteerism</li> <li>• CMS Friendly Games</li> <li>• Corporate Social Responsibility activities</li> <li>• Dialogue sessions</li> </ul>	<ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> </ul>

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

# Materiality Mapping

Back in 2015, we undertook a materiality analysis of our business to gain a better understanding of topics that are important to both CMS and to its stakeholders. Our aim then was to prioritise the most important areas of sustainability for inclusion in this report. Material topics were defined as those which had a direct or indirect impact on our ability to create, preserve or erode Economic, Environmental and Societal values for CMS, its stakeholders and the community.

For the year 2017, we did not conduct a new materiality analysis but continued to align our sustainability initiatives with the findings of 2015's analysis as we believe that the topics of relevance would not have changed significantly over the course of two years. We will endeavour to roll out a second materiality analysis in the year 2018 and report the findings in the next reporting cycle.

### The Methodology

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

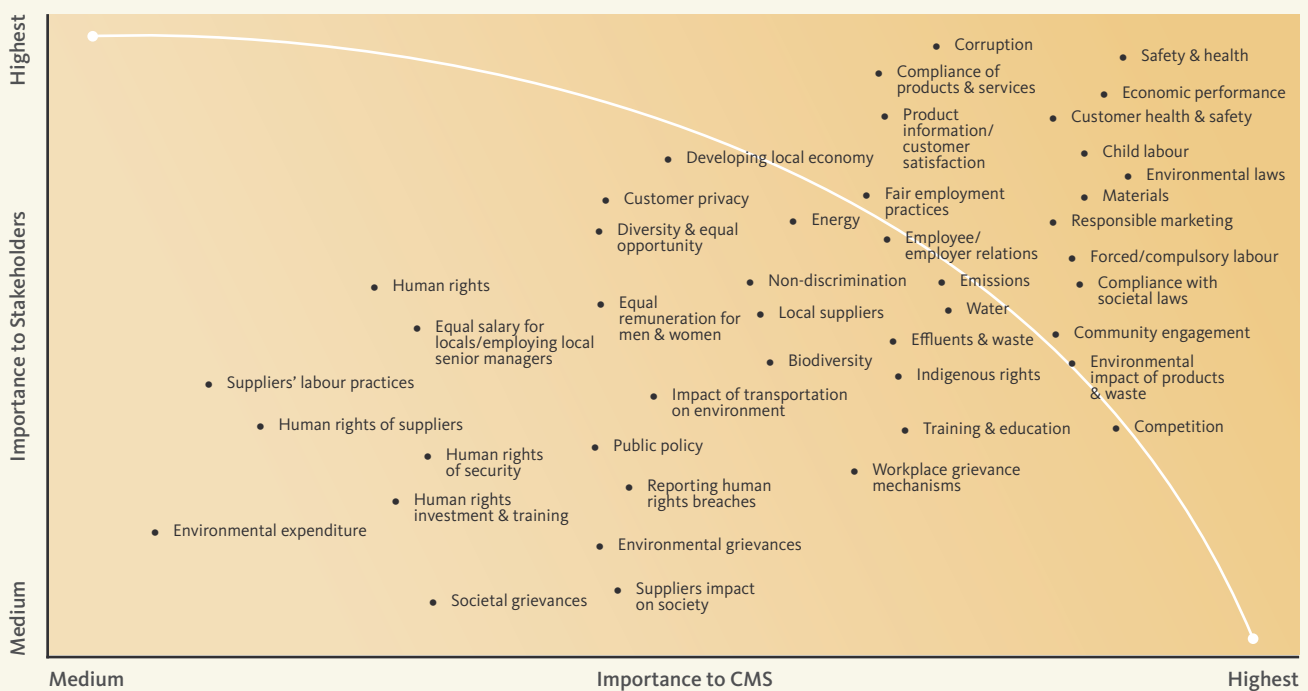
- Shareholders
- Employees
- Customers
- Community
- Media
- Suppliers and contractors

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

### Results

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

The materiality matrix is presented in the following diagram.



As per the diagram, the topics that are most relevant to our stakeholders are plotted towards the top of the matrix; with those towards the right being the most important to CMS. The issues in the top right quadrant are material to both stakeholders and to CMS and have been prioritised in this report.



**Our Edging Strategy**

Following the incorporation of an **Edging Strategy** into Divisional management plans and budgets, **our core businesses all met with some early success in 2017.**

**Recycling Waste Materials**

The Construction Materials & Trading Division **has been exploring the use of waste slag from smelters** as road base with good effect.

**Job Opportunities**

In implementing its road maintenance concession contract, CMS Roads Sdn Bhd has created **additional jobs for some 800 Sarawakians and hundreds of local sub-contractors.**



# The Economic dimension of sustainability

refers to the capacity of the Group to generate steady, improving growth in relation to our economic indicators. We view this as an important dimension as a strong, stable and sustainable financial and economic system supports, not just the company, but various other critical activities.

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

## Economic

### OUR EDGING STRATEGY

In a bid to counter sluggish market conditions, the lack of large scale greenfield opportunities and operating constraints, we continue to explore the feasibility of growth opportunities nearer to home. Following the introduction of the *Edging Strategy* back in 2016, the Group moved to focus more closely on maximising opportunities on the 'edges' of our current businesses to create significant growth. Often overlooked by companies, businesses in the 'near field of vision' or on the 'edge' of a company's range of focus often carry opportunities for success with lower risks than a *Blue Ocean Strategy* or a greenfield expansion.

Following the incorporation of an *Edging Strategy* into Divisional management plans and budgets, our core businesses all met with some early success in 2017.

The Construction Materials & Trading Division for instance, has been exploring the use of waste slag from smelters as road base with good effect. The trials were successful and the Division is now aggressively seeking approval from the relevant authorities in order to start incorporating this method of fabrication in its day-to-day business. The Division has also been exploring the use of innovative new technologies for the premix plants, as well as investing in a second line at the Sibanyis quarry. They are also looking at new construction revenue by securing additional works from existing contracts.

Our trading arm too has extended its product line and now offers light-emitting diode (LED) lighting while our property development arm is repositioning itself as a quality developer. On the HR front, we are automating our systems and looking to adopt more ICT applications to make work more efficient. All in all, the Group's businesses are making good progress as they incorporate more out-of-the-box thinking into their daily activities.

### In Support of Sarawak's Sustainable Progress

Being Sarawak's leading infrastructure facilitator, CMS is committed to meeting the needs of the State's sustainable growth mandate and helping transform it into a major regional economic powerhouse. In 2017, we rolled out several initiatives that underscore our commitment to strengthening the State's sustainable progress.

### Creating Linkages and Delivering Value

Last year, one of the most talked about events in Sarawak's capital city of Kuching was the official opening of the iconic new landmark across the Sarawak River, the Darul Hana Bridge. This symbolic mid-river construct, the

first of its kind in Southeast Asia in terms of its design and engineering, links Kuching City North with Kuching City South, providing an alternative route to the residents of both areas. This RM35.00 million bridge was implemented by the Sarawak Economic Development Corporation for the State Government of Sarawak and the turnkey contract was awarded to the consortium of PPES Works (Sarawak) Sdn Bhd and Naim Land Sdn Bhd.

CMS is proud to have played a part in the construction of this magnificent structure which we also drew inspiration from for this year's Sustainability Report theme, 'Connecting Communities. Delivering Value.' This year's theme not only aims to reflect the role that the bridge is playing in linking and integrating communities, it also serves as an expression of how CMS is doing its bit to connect communities and deliver tangible value.

Being a leading proponent of the Sarawak's growth story, CMS continues to identify opportunities to help build and strengthen linkages between markets, businesses and communities, as well as create tangible value for our diverse stakeholders.

The Construction Materials & Trading Division has been exploring the use of innovative new technologies for the premix plants, as well as investing in a second line at the Sibanyis quarry.





The Miri-Marudi Road Rehabilitation Project by CMS' Construction & Road Maintenance Division is a clear example of the linkages we are building and the value we are creating in the marketplace. Connecting towns and people, the project which began on 15 September 2016 is on track and progressing well ahead of its original 30-month schedule. Scheduled for completion by 31 March 2019, the RM77.40 million contract entails trimming slopes, elevating flood-prone sections, laying a stone-gravel base and sealing with a tar surface. In view of extensive public interest due to the road's previous long-standing unsatisfactory condition and growing importance, the Division volunteered to provide quarterly updates to the media for further dissemination on the project's progress. These updates have gone down well with our target audiences.

We are pleased to report that notwithstanding the many challenges ranging from the road's remote location in terms of getting materials in, inclement weather, crop compensation issues and the need to keep the road open to users as much as possible whilst works are underway, we are ahead of schedule. Since the project's commencement, the focus remains on expediently providing long-lasting upgrades to the road so that it is safe and fit-for-purpose for those who travel between Miri and Marudi. This project directly addresses one of Sarawak's biggest challenges which is to reduce the development gap between the rural and urban areas,

not only in terms of infrastructure, but also by way of improving access to markets and raising the level of income in our rural communities.

PPES Works (Sarawak) Sdn Bhd is a subsidiary under CMS' Construction & Road Maintenance Division. PPES Works (Sarawak)'s construction of the Datuk Temenggong Abang Kipali bin Abang Akip Interchange via a shallow underpass to ease traffic congestion is another project much welcomed by the communities it connects as it provides an innovative, cost effective solution to a long running debate on how best to resolve bottlenecks at a road roundabout.

There are many other instances in which CMS continues to build linkages while creating tangible value. Take the case of our telecommunications infrastructure and services provider associate, SACOFA Sdn Bhd, which is doing its bit to link communities through its rollout of the State's telecommunication towers and their subsequent fiberisation. In FY 2017, SACOFA rolled out more than 100 towers bringing the total number of telecommunication towers it now operates throughout Sarawak to more than 1,300 with more than 11,000km of fibre optic cables in place. SACOFA continues to implement many initiatives, among which is the rollout of its SACOFA4U community outreach programme that is doing much to bridge the digital divide by strengthening telecommunication penetration in rural areas.

The Miri-Marudi Road Rehabilitation Project by CMS' Construction & Road Maintenance Division is a clear example of the linkages we are building and the value we are creating in the marketplace.

Another example of how we are helping connect communities and delivering value is through the good work that CMS Roads Sdn Bhd has been undertaking these past many years via its road maintenance concession contract for currently 241km of Federal roads and 5,847km of State roads throughout Sarawak. The contract has created additional jobs for some 800 Sarawakians and hundreds of local sub-contractors. Furthermore, every road incrementally helps the flow of commerce on the State's network of roads and highways bringing communities closer together.

On 26 August 2017, Projek Bandar Samariang Sdn Bhd celebrated 20 years of growth and development. CMS' involvement in the development of the Bandar Samariang township is consistent with Sarawak's greater plan to continue on a growth path that will deliver long-term opportunities and development for the State and its people. On our part, we are humbled yet elated to have had a hand in developing this quality, sustainable township and creating strong community linkages that will endure for the long-term.

### *A Responsible Ally to the State*

On 27 February 2017, CMS Cement Sdn Bhd moved to instil confidence in the property development and infrastructure market in the State by refuting market rumours of a cement price hike. Responding to rumours of a nationwide cement price hike, the Company put on record that it had absolutely no plans to increase prices. As a result of CMS Cement's foresight, forward planning and management, it was ready to immediately rebut this rumour in the media and to manage the challenging operating environment without passing the increased cost of doing business on to its customers.

By working tirelessly to increase its clinker production facility's efficiency, pre-emptively negotiating more favourable revised rates for raw materials, and bringing its newly integrated cement and grinding facility in Mambong online, CMS Cement can effectively continue to support growth and development in Sarawak by maintaining the selling prices of its products at this point, despite rising input costs.

Today, with its third plant in Mambong, CMS Cement's total annual rated cement production capacity has increased by almost 60% to 2.75 million metric tonnes (MT), well above current local demand of around 1.7 million MT, enabling the Group to meet the growing demand for cement in Sarawak, including the procurement for projects such as the Baleh Dam and the Pan Borneo Highway. This forward planning by CMS Cement to ensure a reliable supply of quality cement is indicative of the Company's sound business practices and an illustration of the Group's unwavering commitment to safeguarding sustained economic growth for Sarawak.

### *Strengthening the State's Assets*

In April 2017, CMS Roads together with the Public Works Department of Sarawak (Jabatan Kerja Raya or JKR Sarawak) co-organised a two-day seminar and workshop entitled 'Management & Maintenance of Road Assets using a Performance-based Contract'. This event marked an important milestone as it set the stage for all parties to move towards achieving the highest performance standards relating to the management and maintenance of State roads. Serving as an open and collaborative platform to share, discuss and determine firm strategies to enhance the approach to Sarawak's management and maintenance of

road assets, the event proved timely given the rapidly changing needs of the fast-developing State. The event also saw the participation of the International Roads Federation, bringing the latest global approaches to road assets management and maintenance into the spotlight in a local context.

To date, CMS Roads holds the only performance-based long-term road maintenance contract in Malaysia. The format of this contract is now attracting interest as it seen as a model for other Malaysian road concession renewals or even for governmental agencies who have not yet opted for the privatisation of maintenance activities.

CMS Road's success in exceeding its contractual performance at every level, every year, as reflected in the Road Maintenance Index and Contractual Assessment Rating, underscores the Company's commitment to delivering real value to its stakeholders. To date, it has introduced specialised equipment, such as road scanners, and an innovative maintenance management system, the CMS Road Engineering Asset Management System - CREAM - to ensure the expectations of all our stakeholders are not only met, but surpassed. Notwithstanding all this, CMS Roads acknowledges there is always room for improvement and is collaborating with JKR Sarawak to incorporate revised and improved standards to ensure Sarawak enjoys better roads going forward.

### *Raising the Bar on Academic Excellence*

The Group is involved in the development of our nation's future leaders through subsidiary, CMS Education Sdn Bhd, the owner and operator of Tunku Putra School (the School). Already renowned for its commitment to academic excellence, this international school continues to explore ways and means to deliver top notch education.

In late 2017, CMS Education formed a partnership with HELP Education Services (HELP) to take Tunku Putra School up to the next level. HELP's proven academic success in its Kuala Lumpur campus, its strength in talent management and teacher development, as well as its philosophy and passion in leading the education charter, are all strong attributes that are absolutely transferable to the School.

Consequently, in March 2018, CMS Education Sdn Bhd, Ibraco Berhad and the HELP Education Group announced a partnership to establish the Tunku Putra-HELP International School in Kuching. The new Tunku Putra-HELP International School will begin its first intake in January 2020 at its new purpose-built campus, which will have a 1,500-student capacity.

Under this partnership, students of the School will be exposed to an array of intellectual, emotional, physical, social, moral and spiritual, as well as artistic and creative dimensions aimed at developing their full potential. These holistic learning experiences coupled with career and leadership development training will ensure students receive a solid, well-rounded education. This partnership is destined to position Tunku Putra School ahead of other existing international schools in the State.

### **Sustainable Procurement**

At CMS, our procurement procedures 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.

**Fair Competition**

We expect our suppliers to compete honestly, fairly and ethically for all business opportunities. We expect their statements and representations to be true and accurate in all respects. Suppliers and consultants are forbidden from:



**Manipulating** the tendering process with other parties or entities



**Engaging** in any anti-competitive conduct including tender rigging and entering into any arrangement with other parties that will compromise the genuine competition of those tendering



**Submitting** more than one tender through other parties:

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

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

**Our 9-Point Scorecard**

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

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

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

The finer details of CMS’ proven strategies for growth can be found in the Management Discussion and Analysis section of CMS’ 2017 Annual Report.



## Environment



### Energy Management

The usage of LED lighting at Samalaju Resort Hotel has translated into an **estimated 50% cost savings** for the hotel as compared to conventional lighting.

### Water Management

In 2017, there was a **significant 14.5% decrease in water consumption** at the Cement Division as compared to the amount of water used in the previous year.

### Solid Waste Management

At CMS Wires Sdn Bhd, waste iron oxide and scrap iron are sold to a local steel manufacturer. In 2017, **a total of 23.80 tonnes of iron oxide and scrap iron were recycled.**



## The environmental performance

of a company relates to the impact of its operations on living and non-living natural systems such as land, air and water. Here at CMS, we are committed to being a good steward of the resources we have been entrusted with and are focused on operating in a sustainable manner which mitigates our carbon footprint while conserving the environment. To this end, we have introduced KPIs, policies and various initiatives to ensure that the environment is preserved for the enjoyment of future generations.

**ENERGY MANAGEMENT**

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

**Sustainability at Our Workplace**

*Go Green gets the thumbs up*

The ‘CMS Goes Green’ Awareness Campaign was launched on 4 March 2016 with managers dressed in an invigorating green. ‘CMS Goes Green’ posters were presented to the Head of Divisions and 10 trees were ceremonially planted. The project calls for us to reduce our carbon footprint and our utility bills through the execution of the following guidelines:

*CMS Goes Green*

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

The ‘CMS Goes Green’ competition was rolled out to all employees within the CMS Group with the objective of raising awareness on sustainability and to being environmentally friendly in daily life. Prizes for the competition period March 2016 – June 2017 were awarded as follows:

**COMPETITION #1: CMS GREENEST OFFICE**

The 1<sup>st</sup> Place winner was CMS’ Group Procurement Department which won RM1,000 for their project which involved the use of plastic bottles and paper egg trays to plant vegetables in the vegetable garden outside their office patio at Level 2, Wisma Mahmud.

The 2<sup>nd</sup> Place winner was the QA Department of CMS Cement Sdn Bhd (Pending grinding plant) which won RM500 for their project entitled ‘Office Beautification’. This initiative revolved around planting more trees, flowers and having a herb garden.

**COMPETITION #2: CMS MOST CREATIVE RECYCLE PRODUCT**

The top winners were Daugal Miting and Dalia Aseng, a husband and wife team from CMS Infra Trading Sdn Bhd and Tunku Putra School respectively, who won RM1,000 for their project which involved making 61 pieces of a ‘Go Green Scribbling Pad’ from recycled paper.

**‘CMS TOP DO-GOODER’ AWARD**

The ‘CMS Top Do-Gooder’ title went to Daugal Miting from CMS Infra Trading Sdn Bhd who accumulated 148 CSR man-hours over the 2016/2017 period. He received prize money amounting to RM500.





**The Pending grinding plant saved 0.5 kWh/t of power in 2017.**

**The Mambong grinding plant saved 1.4 kWh/t of power in 2017.**

**The Mambong clinker plant saved 0.12 kWh/t of power in 2017.**

**Implementing ISO 50001 at our Cement Division**

In May 2016, we achieved full ISO 50001:2011 certification at our Clinker plant in Mambong. We also commenced the ISO 50001:2011 implementation process in our Pending grinding plant in 2017 and will follow suit with our Bintulu grinding plant in 2018.

Specifically, ISO 50001 provides a framework to:

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

As part of its efforts to adapt to the new initiative, our Cement Division has set up a committee to specifically monitor the implementation of ISO 50001 and to ensure its success within the Division's respective companies. The committee members comprise of the Division's Chief Executive Officer (acting as advisor), the General Manager of Production and respective plant managers as management representatives. It also includes engineers, energy managers and other positions of influence in order to ensure the success of this new strategy within the Division.

The ISO 50001 committee for Pending grinding plant has established the required framework for the monitoring of electrical energy usage, the significant energy usage circuit and the database for the committee to work on. The relevant documents have been issued. The committee has attended the required training and meetings are conducted on a quarterly basis. The

database for the system has been established and we will call upon Standard and Industrial Research Institute of Malaysia (SIRIM) energy auditors to vet through all the required information. The implementation of ISO 50001 certification will commence in Bintulu in 2018. In preparing the data relating to the system such as electrical energy usage and mill output optimisation, the relevant data has been collated from 2014 onwards.

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

**Improving Energy Efficiency at the Cement Division**

Through various initiatives introduced, the Group's Cement Division has been able to curtail its rate of power consumption. Though the Bintulu grinding plant is still in the preparatory stage for ISO 50001 certification, owing to the recent throughput optimisations and higher cement sales volume, the plant was able to reduce its specific power consumption from 43.38 kilowatt hours per tonne (kWh/t) to 40.89 kWh/t in 2017, a reduction of 2.49 kWh/t.

The Pending grinding plant's power consumption in 2017 was 34.51 kWh/t - down from 35.01 kWh/t in 2016, a reduction of 0.5 kWh/t.

At CMS Cement Industries Sdn Bhd (*formerly known as CMS Clinker Sdn Bhd*) or the Mambong grinding plant, the specific power consumption in 2017 was 43.81 kWh/t, down from 45.21 kWh/t in 2016, a saving of 1.4 kWh/t.

At the CMS Cement Industries' kiln (clinker plant) the specific power consumption in 2017 was 97.63 kWh/t, down from 97.75 kWh/t in 2016, a reduction of 0.12 kWh/t.

The Cement Division continues to explore all avenues to further improve kiln line availability, reliability and performance factors in order to reduce its power consumption rate.

### Energy Efficient Lighting

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

The Cement Division has implemented LED lighting at its grinding plant in Pending. The plant also strictly controls the starting of the 6kV motor, choosing to kick-start the motor after a 30-minute lapse from the previous tripping or stoppage, following the plant's conversion of motors from DC to AC power.

The Construction Materials & Trading Division is using LED lighting for its main buildings having switched from 40-watt fluorescent tubes to 18-watt LED tubes and from 18-watt saving lights to 9 and 12-watt LED bulbs.

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

Our efforts in implementing energy-efficient lighting extend beyond the changing of light bulbs, as is evident at our Samalaju Resort Hotel which was built with a green concept in mind. The architectural design of the building employs substantial amounts of tempered glass panels to allow indirect natural lighting into the premises. The hotel site was also deliberately designed to face the South China Sea to allow the wind off the sea to naturally cool the premises and to reduce the solar heat. To facilitate long-term savings, energy-efficient lighting fixtures have been planned for the hotel from the onset. The usage of LED lighting has translated into an estimated 50% cost savings to light up the hotel as compared to conventional lighting. In 2017, 34 80-watt LED street lights were introduced at the Samalaju Eco Park Apartments. Furthermore, since the installation of two units of solar lighting at the Eco Park Sales Gallery/Site Office in 2014 by Samalaju Properties Sdn Bhd, the 40W LED lanterns have been drawing RM35 per unit per annum electricity bills.

### CMS' Electricity Consumption

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

Electricity Consumption (kWh)			
Division/Company	2015	2016	2017
Cement	129,166,315	133,144,504	<b>128,054,580</b>
Construction Materials & Trading	3,912,248	5,582,464	<b>5,136,685</b>
Construction & Road Maintenance	660,837	697,800	<b>761,480</b>
Property Development	171,074	209,533	<b>215,368</b>
Samalaju Properties Sdn Bhd	1,915,639	1,226,612	<b>1,788,606</b>
<b>Total</b>	<b>139,304,786</b>	<b>133,765,112</b>	<b>135,956,719</b>

The increase in electricity consumption for the Samalaju Development Division in 2017 was due to higher occupancy by tenants at the Lodges.

The higher consumption of electricity by the Construction & Road Maintenance Division in comparison to 2016 was due to higher consumption from the Sarawak Museum Campus project and due to the construction of the Pan Borneo Highway project (WP06) undertaken by PPESW BPSB JV Sdn Bhd.

**WATER MANAGEMENT**

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

Some of the water-saving initiatives we have implemented include the reduction 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.

The year 2017 saw a significant 14.5% decrease in water consumption at the Cement Division compared to the amount of water used in the previous year. A number of coordinated actions were taken to reduce incidents of inlet pipe blockage or inefficiency at the water cooling towers and heat exchangers in the bearings cooling systems including:

- The introduction of organic fouling dissolving solvent for the cooling system heat exchangers
- The setting up of interval maintenance for the water cooling towers
- The usage of underground water
- Ensuring all water piping, pumps and tanks in the recycling cooling water system are well maintained in order to avoid leakages
- Rain water harvesting initiatives for toilet flushing and plant watering

**Using Recycled Water to Cool Machinery**

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

**Rainwater Harvesting Programme**

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

**CMS' Water Consumption**

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

Water Consumption (m <sup>3</sup> )			
Division/Company	2015	2016	2017
Cement	192,220	146,710	125,430
Construction Materials & Trading	30,730	60,096	59,971
Construction & Road Maintenance	4,615	3,470	4,135
Property Development	510	971	662
Samalaju Properties Sdn Bhd	57,763	175,067	262,950
<b>Total</b>	<b>361,159</b>	<b>485,544</b>	<b>453,148</b>

The higher consumption of water by the Construction & Road Maintenance Division in comparison to 2016 was due to higher consumption from the Sarawak Museum Campus project and due to the construction of the Pan Borneo Highway (Package WP06) undertaken by PPESW BPSB JV Sdn Bhd.

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

- Organised a centralised laundry system to optimise and reduce water usage
- Undertakes periodic checking on water mains, water tanks, pumps to detect potential leakage
- Installed sub-meters to track consumption
- Undertakes routine checks to mitigate wastage of water, especially at washrooms
- Uses rainwater/reused water from natural ponds to water the plants

## MATERIALS MANAGEMENT

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

### Revitalising the Industrialised Building System (IBS) Business

The Group is endeavouring to revitalise the Industrialised Building System (IBS) business through the Cement Division. IBS construction underpins sustainable construction because it is able to address several prevalent issues in some parts of the industry such as poor quality of construction work, low productivity, a relatively long construction period and too much dependency on foreign labour.

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

IBS is the way forward for future construction projects. The Government has shown its commitment in pushing the agenda on IBS through 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.

### Cement Division's Alternative Fuel and Raw Materials Committee

During the year in review, the Cement Division's Alternative Fuel and Raw Materials Committee held six meetings in which they focused primarily on the suitability of the conversion of waste into a cement raw material. In line with their discussions, all waste from Samalaju and Samajaya Industries have been tested and research and development (R&D) processes have taken place.

### Reusing Waste in the Production of Clinker

For the first time in 2017, a total of 259.54 tonnes of Calcium Hydroxide  $\text{Ca(OH)}_2$  sludge was incorporated in the raw mix preparation. Future volumes are subject to the availability of the sludge from various waste generators. We are also continually looking into additional sourcing of sludge from within the industry.

Following extensive research into using Phosphogypsum (PG) as a replacement for limestone, our clinker plant has come to the conclusion that the waste material is viable as a material replacement. We have plans to purchase the waste material from an identified source. The plant has also considered replacing its Light Fuel Oil (LFO) with Residual Fuel Oil (RFO). We are in discussion with PETRONAS and have sourced several recycled oil suppliers in the Kuching area.

The plant is also looking to substitute its use of limestone by up to 3% by replacing this with sludge, old kiln bricks and ash. In line with this initiative, our Cement Division's environmental team contacted the waste generators from the Samalaju Industrial Park (SIP) and Samajaya Industrial areas. During the year, R&D in the laboratory, and then on an industrial scale, on waste generated within SIP was conducted and subsequently, the applications were submitted to and approved by the Department of the Environment (DOE) in Putrajaya. Scheduled Wastes Transportation licences especially on the sea route are being negotiated with the DOE.

The Cement Division's Alternative Fuel and Raw Materials Committee is working with the DOE in Putrajaya and the plant teams to actualise the 3% substitution target. In 2018, the alternative raw materials' usage will increase significantly with the future approval of waste usage from the waste generators at the SIP and at the Samajaya Free Industrial Zone.

### Tyre-derived Fuel

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

As the trials did not produce any significant negative effects at the clinker plant, the Company is seeking the relevant approvals from the governmental authorities like the Department of Environment, Sarawak (DOE Sarawak) and the Natural Resources and Environment Board, Sarawak (NREB) for the commercial usage of TDF. The DOE had asked for the installation of a CEMS-Gas Analyser as a prerequisite for the trial burn which was successfully carried out in December 2017. As a trial, we will burn 300 tonnes of TDF in February or March 2018 and once licensed, will co-process another 300 tonnes under a strict watch. The Company has also established a long-term TDF supply contract with ZHA Sdn Bhd, a Sarawakian-based company.

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

CMS Pavement Tech Sdn Bhd from our Construction & Road Maintenance Division has been researching the possibility of using by-products of smelting plants in SIP as material in its road base.

The initiative aims to recycle the waste material which would otherwise go into 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 concrete due to its extreme fineness and high silica content.



In the latest stage of the project, the Company recently completed a preliminary trial burn and stabilisation test at Mambong Integrated plant on silicon manganese furnace slag road base from OM Sarawak (Malaysia) Sdn Bhd and Pertama Ferroalloys Sdn Bhd. Laboratory test results to determine its suitability as supplementary material for subbase, roadbase and CIPR were convincing and are submitted in an application to the DOE in Sarawak which is now awaiting approval. CMS Pavement Tech is also currently running a field trial on the pavement after which post construction monitoring will be carried out.

Other uses for the slag waste such as in Ready-Mix Concrete, Premix, etc., 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 available in northern Sarawak. Even in the south, granite-type stone is in limited supply. The more we can recycle, the better we can help create a modern and environmentally-friendly society and at the same time, continue the economic development of the State.

**Cold in Place Recycling (CIPR)**

CMS Pavement Tech Sdn Bhd is a specialist provider of pavement works covering construction, rehabilitation and maintenance. As the conventional method of pavement rehabilitation tends to be costly, inefficient, slow and environmentally-unfriendly, CMS Pavement Tech specialises in using cement stabilisation technology

to reconstruct while rehabilitating pavements using the Wirtgen WR2500S machine. In this new method, existing pavements are recycled, stabilised with cement and enhanced with a higher strength, new bounded base. This subsidiary is also capable of performing stabilisation works using other agents such as lime, emulsion, bitumen and soil stabilisers. As an environmentally-friendly company, CMS Pavement Tech promotes sustainable engineering and construction using locally-sourced, alternative materials. By tapping the Company's technology, clients can take advantage of cost savings, quicker construction times, as well as improved pavement performance and design life.

In 2017, the total amount of recycling-in-place that the Company conducted amounted to 184,300 metric tonnes. The total length of off-site milling conducted during the year was 6km.

**WASTE MANAGEMENT**

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

**In 2017, CMS Wires Sdn Bhd recycled 23.80 tonnes of scrap iron and iron oxide.**

**In 2017, the total amount of recycling-in-place that CMS Pavement Tech Sdn Bhd conducted amounted to 184,300 metric tonnes.**



### Solid Waste

Care is taken in the disposal of solid industrial waste produced by our Cement Division through its annual production cycle. Wooden pallets, zinc and acrylic cladding sheets, old bag filters, contaminated gloves and rags, used PPEs (safety helmets, safety shoes, dust masks), used industrial pollution control systems like filter bags, hoses etc., spent greases, lubrication, hydraulic oil, broken off belt conveyor rollers, used and worn out conveyor belts, worn out ducting, old kiln bricks, and hacked off castables, are discarded in various ways that are deemed environmentally-friendly.

Our Cement Division does not record the weight of our solid waste as our focus is primarily on minimising or eradicating waste.

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

Recycling where we can, general waste is usually separated and sold to a third-party vendor for reutilisation. Wood waste is

donated to a nearby bricks manufacturing company and some of the waste components, including spent oil, are incinerated during clinker production. Used bag filters, paper bags, torn jumbo and pre-sling bags, old metal plates, etc. at CMS Cement Industries Sdn Bhd are sold as scrap.

At CMS Wires Sdn Bhd waste such as old metallic parts and old belt conveyors which can be sold to a third-party are weighed. Waste iron oxide and scrap iron is sold to a local steel manufacturer. In 2017, CMS Wires recycled 23.80 tonnes of scrap iron and iron oxide. Basic bricks are sold to a recycling company.

A total of 3,698 litres of waste oil, spent lubricant and hydraulic oil, classified under SW421 was generated and subsequently collected by a licensed contractor in 2017. Cotton rags and contaminated gloves were sent to Trienekens (Sarawak) Sdn Bhd, the operator of Sarawak's integrated waste management system, for proper disposal.

PPES Works (Sarawak) Sdn Bhd re-sells its leftover construction materials. It also re-uses construction waste such as timber and formwork, as well as demolition waste or broken slabs. Waste paper is recycled for internal photocopying and printing and waste from land clearing is utilised as the base for an access road in a swampy area.

### Recycling Capabilities for New Premix Plants

When the Group specifies and commissions new premix plants in the future, recycling capabilities will be built into the design.

### Scheduled Waste

Scheduled waste is any discarded solid, liquid or contained gas or material that can no longer be used. As it is hazardous and is difficult to dispose of safely without special technologies and facilities, we make it a point to ensure that all scheduled waste is discarded in compliance with operational regulations. In 2017, some 9,000 litres (2016: 7,000 litres, 2015: 5,800 litres) of waste oil, spent lubricant and hydraulic oil, classified under SW421 was generated and collected by the Cement Division. All materials that had come in contact with the oil, such as contaminated gloves and used cotton rags were also properly disposed of as well.

## Environment

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

Types of Scheduled Wastes	Waste Code
Contaminated rags, plastics, paper and filters	SW410
Spent oil lubricant and grease	SW421
Contaminated rags	SW410
Contaminated spill kits	SW410
<ul style="list-style-type: none"> <li>Containers contaminated with laboratory chemicals</li> <li>Drums contaminated with oil, lubricant and grease</li> </ul>	SW409
Obsolete laboratory chemicals	SW430
Waste lead batteries in whole or crushed form	SW102
Waste electricals and electronics	SW110

The procedure for handling the scheduled waste is summarised below:

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

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

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

### AIR EMISSIONS, NOISE, DUST AND VIBRATIONS

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

CMS Cement Division is continuously focused on controlling their environmental impact. Their environmental objectives and targets for the short, medium and long-term can be seen in their emission control goals listed as follows:

#### Short-Term

To improve the highly visible emissions from the clinker unloading/discharging activities

#### Medium-Term

To reduce the stacks' emission lower than 100  $\mu\text{g}/\text{m}^3$  for clinker plants and below 200  $\mu\text{g}/\text{m}^3$  for cement plant stacks

#### Long-Term

To reduce emission from main stacks below the stipulated requirements under the guidelines of Clean Air Regulation 2014 (i.e. clinker plants below 50  $\mu\text{g}/\text{m}^3$  and cement plants below 150  $\mu\text{g}/\text{m}^3$ ).

Based on ambient air monitoring at Pending, Bintulu, Sibu Bulk Terminal, Miri Bulk Terminal and Mambong Integrated Plant, the average Total Suspended Particles for the Cement Division in 2017 was 95.42  $\mu\text{g}/\text{m}^3$  which was within the Malaysian Recommended Environmental Air Quality Guidelines of 260  $\mu\text{g}/\text{m}^3$ .

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

Location	2015	2016	2017
Pending Grinding Plant	116.7	76.4	66.0
Bintulu Grinding Plant	197.07	129.3	112.8
Sibu Bulk Terminal	113.77	69.3	68.0
Miri Bulk Terminal	138.6	140.9	163.8
Mambong Integrated Plant	76.51	52.03	36.9
CMS Concrete Products	222.5	198	125.0
<b>Average</b>	<b>144.20</b>	<b>110.99</b>	<b>95.42</b>

Project sites under development by our Property Development Division are in compliance with Natural Resources and Environment Board, Sarawak (NREB) guidelines. These are covered in the quarterly monitoring and reporting submitted by our consultants to NREB.

The table below encapsulates the Air Quality results of our various operational sites. These are within the Malaysian Recommended Environmental Air Quality Guidelines.

Air Quality Results		
Location	Average Total Suspended Particulate ( $\mu\text{g}/\text{m}^3$ )	Readings taken during 2017
Quarry at Mile 7	15.1	1 <sup>st</sup> Half
Quarry at Mile 21	24.8	2 <sup>nd</sup> Half
Sibanyis Quarry	100	3 <sup>rd</sup> Quarter
	74.6	4 <sup>th</sup> Quarter

### Noise Monitoring

Based on noise monitoring at Pending, Bintulu, Sibu Bulk Terminal, Miri Bulk Terminal and the Mambong Integrated Plant, the average noise level for the Cement Division was 70 d(B)A which is within the recommended national guidelines. The Cement Division achieved this by the following actions:

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

A summary of the noise results at three of CMS Quarries Sdn Bhd’s sites is presented below. The noise permissible level for day time is 65 d(B)A and for night time, 55 d(B)A. Wherever effective to reduce noise, air compressors will be replaced with quieter versions. Noise from blasting is covered in our vibrations section.

The noise levels for CMS Quarries are an improvement over the previous year. The noise level during the night is mostly generated by public vehicles along the main road.

Location	1 <sup>st</sup> Half 2017		2 <sup>nd</sup> Half 2017	
	Day-time (d(B)A)	Night-time (d(B)A)	Day-time (d(B)A)	Night-time (d(B)A)
Quarry at Mile 7	49.5	50.1	-	-
Quarry at Mile 9½	-	-	-	-
Quarry at Mile 21	-	-	49.7	50.3
Sibanyis Quarry	58.7	55.7	58.6	50.1
Darul Hana Bridge	-	-	57.6	-

### Dust Emissions

#### Good housekeeping

At our Construction Materials & Trading Division, dust emissions are minimised by regular sweeping of roads, plants and compounds using sweepers and dampening by water sprinklers, reducing spillage of product/raw materials and the installation of washing bays for lorry tyres.

#### Upgrading of coal mill system

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

#### Baghouse Dust Collector

CMS Premix Sdn Bhd’s pollution control system which was changed from a Venturi Scrubber to a Baghouse Dust Collector in 2015 has resulted in the following advantages:

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

Dust emissions readings from our Construction Materials & Trading Division were similar to its Air Emissions, shown on table on the left. In addition, PPES Works (Sarawak) Sdn Bhd’s effort to reduce dust emissions includes washing, cleaning and dewatering of project sites.

### Vibrations

In the quarries business, ground vibrations are one of the risk factors to the surrounding landscape and infrastructure as uncontrolled vibrations may cause severe damage to nearby utilities and pipelines. When blasting, CMS Quarries monitors its seismic vibrations in three directions at right angles to each other – radial, transverse and vertical. Strict control is kept of explosive charges, depth and numbers of holes per blast. The loose blasting areas require additional measures.

CMS Quarries recorded average vibration was 6.6 mm/s surpassing the permissible level of 5 mm/s in 2017. This was because the vibrometer was installed closer than required. In any case, the number of blast holes has now been reduced in order to further reduce vibration levels.

At the limestone quarry, which comes under the Group’s Cement Division, the recorded average vibration was below 2 mm/s.

Across all our quarries, all air blasts recorded were within the Malaysian Recommended Air Quality Guidelines’ maximum of 12 d(B)A.

### BIODIVERSITY

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

## Environment

In 2017, our Property Development Division planted some 200 trees across its various developments. For landscaping, the flowering shrub *Eugenia* was chosen for its colourful foliage and the *Hibiscus* flower being the national flower of Malaysia.

Our Cement Division's contribution towards biodiversity included tree planting at the Mambong Integrated plant on a quarterly basis. A total of 80 tree saplings were planted in 2017. Trees were also planted in Pending and Bintulu grinding plants to beautify the environment.

Our Construction Materials & Trading Division exceeded their planting target of planting 500 trees by establishing 800 trees throughout the Division in 2017.

We also observed Earth Hour with all our offices switching off their lights between 8:00 p.m. to 9:30 p.m. and several cycling enthusiasts from our offices participated in an Earth Hour Night Ride.

### Samalaju Eco Park

The Samalaju Eco Park Township, a 2,000-acre eco-themed township adjoining the Samalaju Industrial Park (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, the vision for Samalaju Eco Park was conceptualised to provide a balanced, healthy and sustainable lifestyle to the thousands working at the SIP. The plan for the township incorporates the natural semi-undulating terrain of the area and 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.

Samalaju Properties Sdn Bhd has also planned to landscape the township with trees that are indigenous to Sarawak. 30 native tree species were selected for planting in the township. Species were selected based on their ornamental potential, usefulness and cultural significance. Their historical significance, local significance to the Bintulu area, endemism and current conservation status were also considered. Each species' natural habitat, ease of sourcing and planting were taken into account. The tree planting plan at the Samalaju Eco Park is encapsulated in the table below.

#### Tree Planting at Samalaju Eco Park

Description	Land Size (Ac)	Green Area (Ac)	% of Green Area	No. of Trees	Trees/Acre (Green Area)	Year of Planting
Samalaju Hotel Resort	23.1	18.1	78%	1100	61	2015 (done)
160 Units Apartments	6.01	2.45	41%	123	50	2016 (done)
96 Units Apartments	2.76	0.99	36%	50	50	2016 & 2017 (done)
96 Units Apartments	2.97	1.33	45%	67	50	2017 (deferred)
Lake & Canal Infrastructure	24.27	8.87	37%	532	60	2018 (re-planning)
Service Centre - 34 Units	5	0.45	9%	9	20	2017 (continuing)

During 2017, a total of 44 trees were planted at 16 units of shophouse 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).

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 is on the verge of re-planning the blue spaces.

To aid in the site clearing work, the Company employed an Enviro Mulcher to shred the oil palm trees as specified in our contract. It was not implemented in 2017 as our site clearing works had already been completed in early 2015. However, it will still be in Samalaju Properties' contract for any future site clearing works.

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

### Green Buildings at The Isthmus

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

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

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

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

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

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

### CMS ECO WALL PANEL

As CMS Concrete Products Sdn Bhd's answer to sustainable building materials, the ECO Wall Panel continued to see brisk sales with a total of 227 metric tonnes (about 1,650 m<sup>2</sup>) being sold in 2017 (2016: 3,000 tonnes). The ECO Wall Panel is an eco-friendly alternative to the conventional brickmaking method which consumes more energy and causes more pollution. The amount of labour required is reduced and it utilises quarry products such as quarry dust that are in less demand. The ECO Wall is 30% lighter in weight due to its advanced hollow core design. It is also equivalent to 90 pieces of brick and its compressive strength of 25 Newtons per square millimetre make it suitable as a load bearing wall.

The Government's policy and Public Works Department's specifications were the main push factors for the use of the ECO Wall and other IBS products in 2017. Awareness and acceptance in the private sector are still low. We note that the Federal Government is keen to continue to use ECO Wall and IBS in some schools in Sarawak in 2018. However, sales will very much depend on the magnitude of Federal funding.

### ENVIRONMENTAL COMPLIANCE

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

#### ISO 14001 Certification

<b>CMS Cement Sdn Bhd (Pending Plant)</b>
ISO 14001 certified since April 2001
<b>CMS Cement Sdn Bhd (Bintulu Plant)</b>
ISO 14001 certified since February 2008
<b>CMS Cement Industries Sdn Bhd</b>
ISO 14001 certified since September 2012
<b>PPES Works (Sarawak) Sdn Bhd</b>
ISO 14001 certified since 2004
<b>CMS Roads Sdn Bhd</b>
ISO 14001 certified since 2005
<b>CMS Premix Sdn Bhd</b>
ISO 14001 certified since 2013

## Social: Labour Practices and Decent Work



### Diversity in Sarawak

With a variety of ethnic groups and

**at least  
40 sub-ethnic  
groups,**

each with its own distinct language,  
culture and lifestyle,

**Sarawak is not only tolerant  
of diversity, but embraces it.**

### Local Hiring

In 2017,

**approximately  
96% of newly  
recruited**

employees were  
**from Sarawak.**

### Training & Education

We provide each employee with training  
and career development opportunities.  
In 2017, a total of

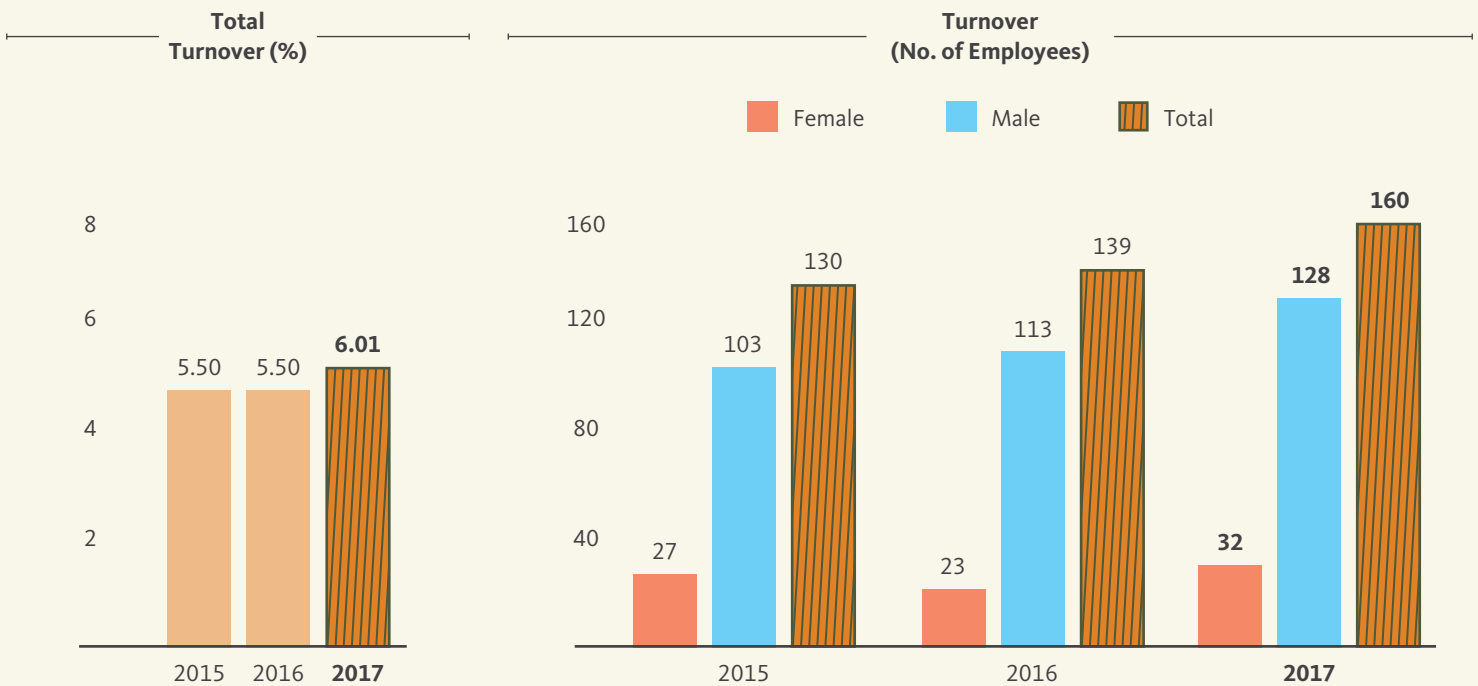
**2,571 out  
of 2,664  
employees attended  
training sessions,**  
including teambuilding sessions.



**CMS recognises that we  
owe our success to the hard  
work and efforts of our  
employees.**

As such, the Group is committed to creating a holistic working environment that inspires camaraderie, trust, excellence, initiative and professionalism. Our employee-based initiatives have been founded on our goal to provide fair treatment to all our employees while achieving equilibrium between performance, pay and participation. Our progress in the area of employee development is evident in the Group's relatively low turnover rate (as per the following table) in the last three years.

**EMPLOYEE TURNOVER RATES**



We have clear policies and processes in place to ensure that candidates are recruited and assessed on merit and rewarded based on their individual Key Performance Indicator (KPI) performance.

**Employment Practices**

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

*Grievances*

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

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

*Sexual harassment*

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

Our employees are encouraged to report unacceptable behaviour that is either repeated on numerous occasions or is of such a significant nature that it is offensive and detrimental to a reasonable person. No case of sexual harassment was reported in 2017.

*Notice period for operational change*

The changing of an employees' roles, or operational change, is another matter in which we take care to provide the appropriate notice. The amount of time given in the notice depends on the type of operational change being made. In the case of a significant operational change which involves a transfer or secondment to another location, the employee is given reasonable notice before he or she is required to move. In other instances, a period of one week is considered adequate. A total of 218 inter-company transfers took place throughout the year in review with the majority of cases being a transfer of company nominally whilst maintaining the same physical home base. All cases were handled according to Company policy and procedures.

*Local hiring*

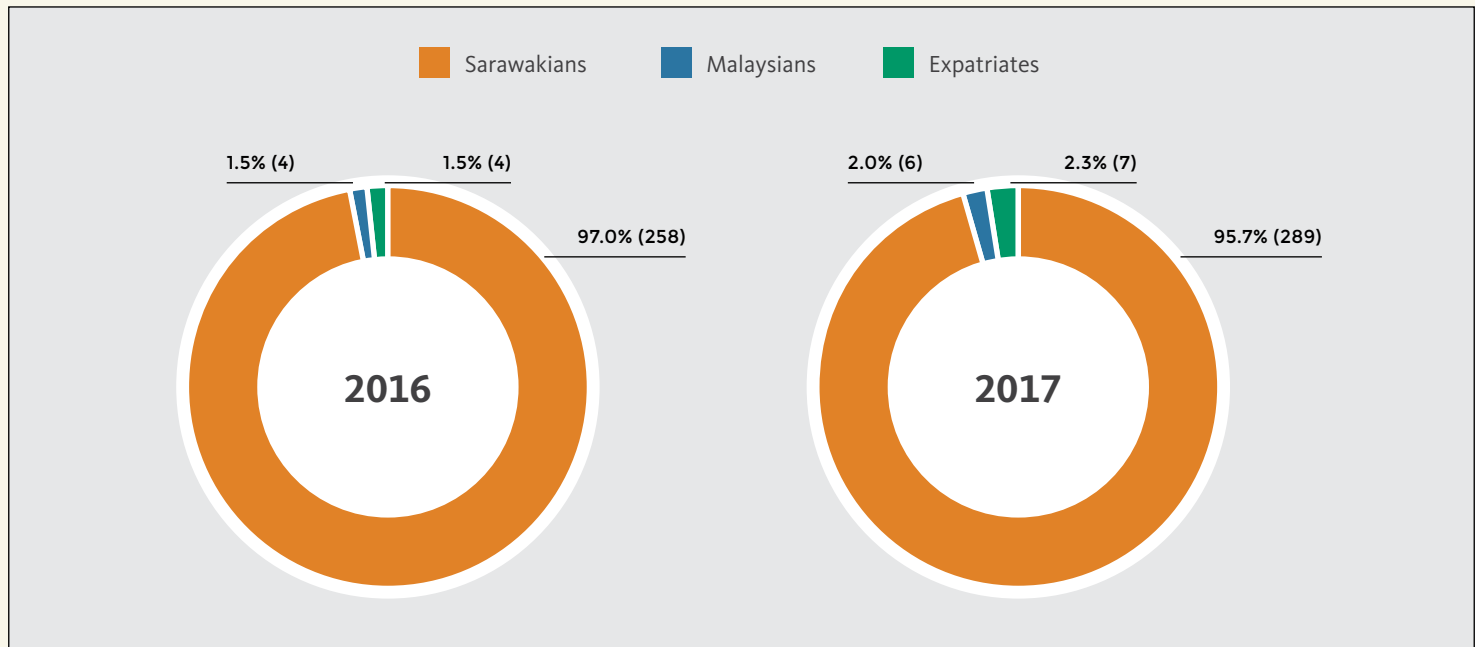
As we are committed to the development of the local infrastructure and economy of Sarawak in all aspects, employing Sarawakians continues to be a priority in the Group's employment drive. This endeavour is most evident in our Construction Materials & Trading Division and Samalaju Development Division as all members of senior management have been hired from the local community. If we are unable to recruit locally, other Malaysians are considered before we look further afield.

## Social: Labour Practices and Decent Work

### New Employees Recruited in 2017

Division/Company	New Employees in 2017 (individuals)			
	Overall	Sarawak	West Malaysia	Expatriates
Cement	57	57	0	0
Construction & Road Maintenance	130	129	0	1
Construction Materials	60	60	0	0
Head Office	0	19	1	0
Services (CMS Infra Trading & Tunku Putra School)	22	16	0	6
Finance Services (COPE)	5	0	5	0
Property Development & Samalaju Properties	8	8	0	0
<b>TOTAL</b>	<b>302</b>	<b>289</b>	<b>6</b>	<b>7</b>

### Breakdown of New Employees Recruited in 2016 and 2017



### Diversity in the Workforce

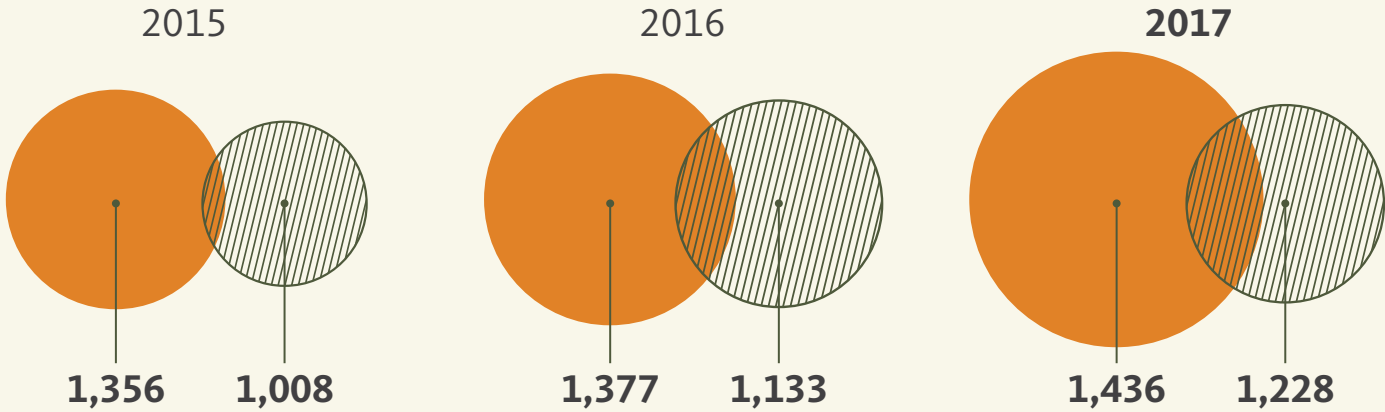
Sarawak is renowned for its multi-cultural and close-knit society. With a variety of ethnic groups and at least 40 sub-ethnic groups, each with its own distinct language, culture and lifestyle, Sarawak is not only tolerant of diversity, but embraces it. Being a home-grown company of the State, we hope to embody the same spirit and perspective when it comes to supporting a diversified workforce. We continue to drive a work culture that values the unique perspectives and contributions of every employee, thus ensuring that we attract and retain a talented workforce that contributes to the Group's success.



The following charts highlight the diversified workforce at CMS:

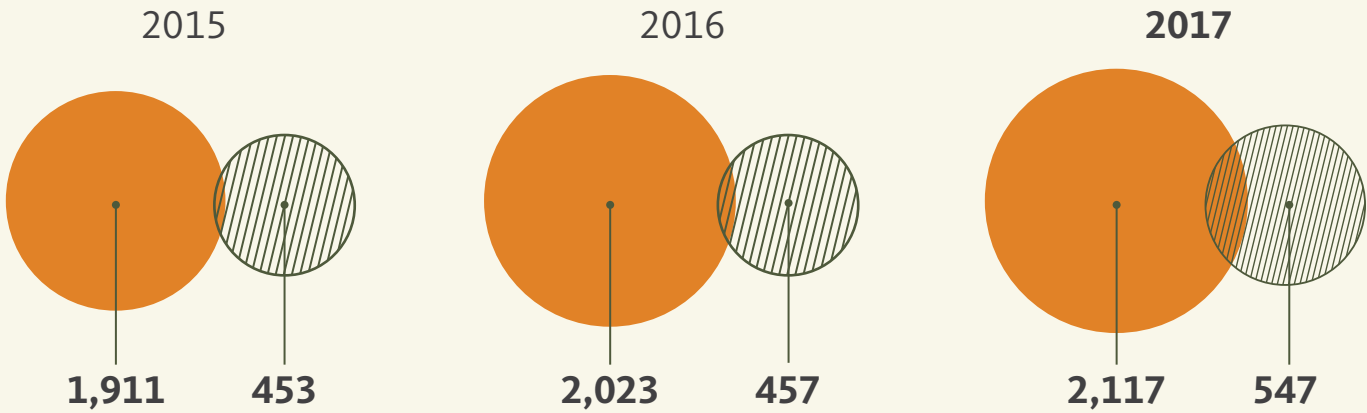
Workforce by Employment Type

Permanent Employees Non-Permanent Employees



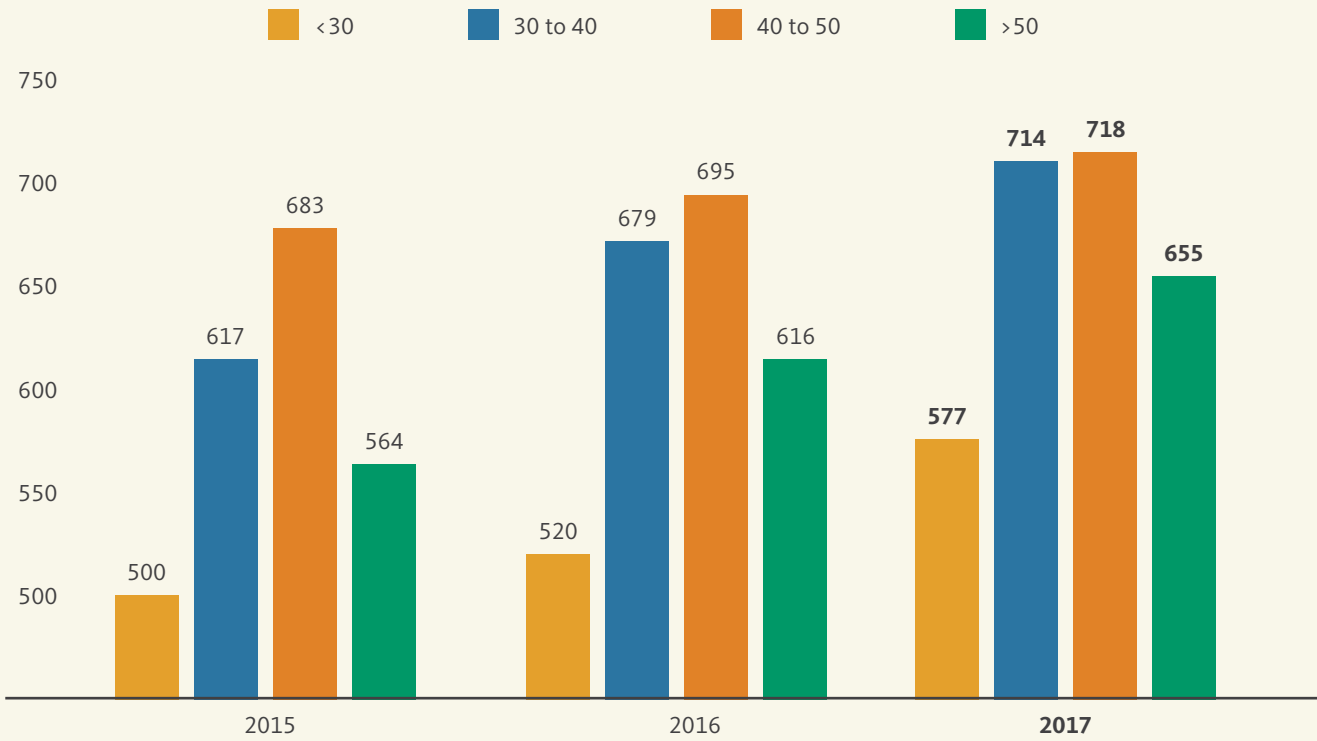
Workforce by Gender

Male Female

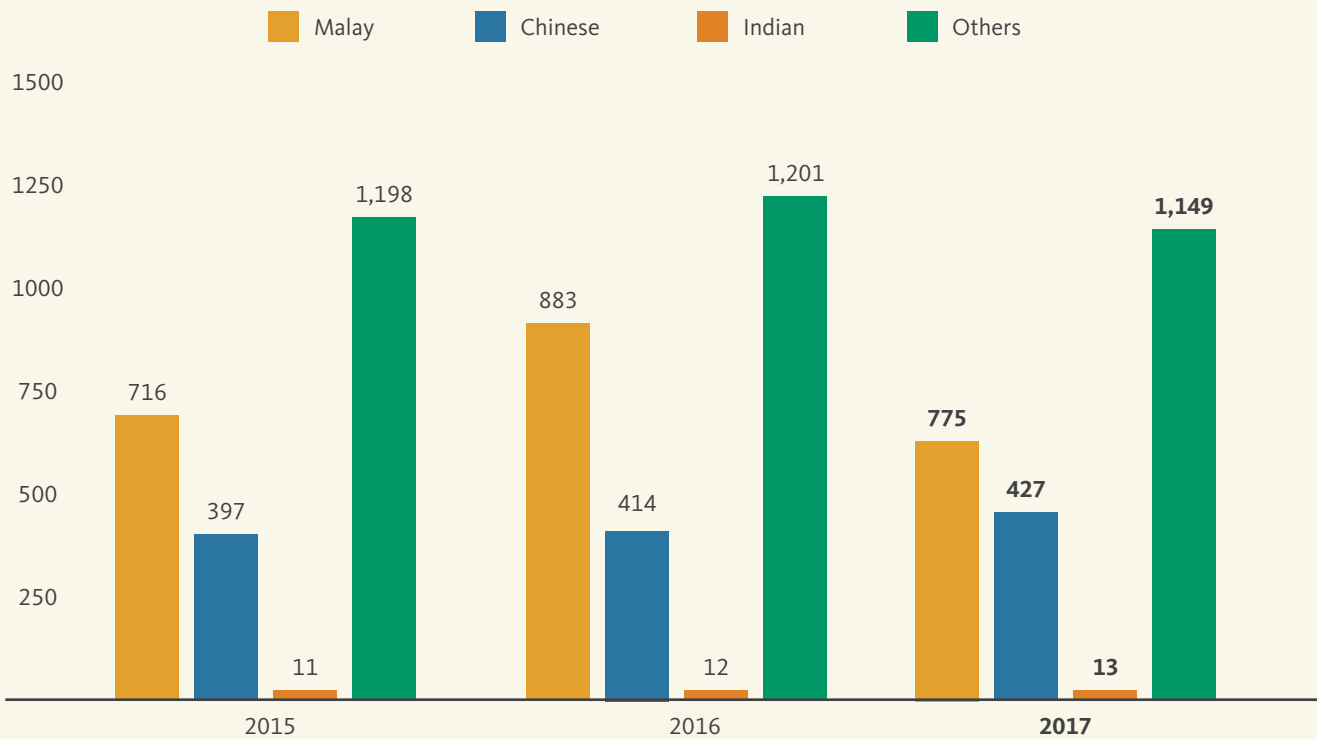


**Social: Labour Practices and Decent Work**

**Workforce by Age Group**



**Workforce by Ethnicity**



*Equal employment opportunities regardless of gender*

In respect of workforce diversity, the Group is committed to provide equal employment opportunities and practises merit-based promotion regardless of gender. Currently, 79.47% of the Group's employees are male while 20.53% are female. The share of women employees has grown about 12.32% in 2017 compared to 2016. For managerial positions and above, male employees account for 76.43% with females at 23.57%.

**EMPLOYEE ENGAGEMENT**

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

**Work-Life Balance**

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

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

**Koffee Talk Initiative**

The Group's Koffee Talk Initiative provides a platform for our non-executive employees, the largest category of workers within the Group, to voice their work-related issues and general concerns directly to senior management and Group Human Resources. The biennial programme also encourages our non-executive employees to interact among themselves and the senior management in a comfortable setting, devoid of the constraints of corporate hierarchy. All issues raised during the Koffee Talk sessions are summarised and highlighted during the following Town Hall sessions where senior management will explain how each issue is being addressed, thus retaining our employees' faith in the process.

In 2016, we organised a Koffee Talk session to finalise the prior year's meeting minutes and actionable points. Key members of senior management who were involved in the session included the Group Managing Director and the Group's Human Resources' Senior General Manager. With Koffee Talks being scheduled biennially, the next Koffee Talk session will be organised in 2018.



**Board of Directors and Senior Management Strategic Retreat**

Our Board of Directors came together to discuss our current operating status and to strategise for the future, during our annual Board of Directors and Management Strategic Retreat on 11 September 2017 at Casa Del Rio Melaka Hotel, Malacca. Five members of the Board were involved, which represented 71.42% attendance. During the offsite retreat, presentations from each Head of Division and key Head Office Departments covering their current operations, future plans and challenges were reviewed. Our Group Executive Director and Group Managing Director also made presentations that focused on big picture issues and CMS' overall strategic direction, challenges and opportunities.

In a similar fashion, we conducted our annual Senior Management Strategic Retreat which saw 21 senior managers gather on 11-13 September 2017 at Casa Del Rio Melaka Hotel, Malacca. 32 members of senior management were involved, which equates to 94% attendance. The retreats serve to improve synergy, increase collaboration and instil a sense of common purpose among the Group's leaders.

## Social: Labour Practices and Decent Work

### Management Retreat



We held the annual management retreat for our managers and senior executives at the Samalaju Resort Hotel in Samalaju from 23-25 October 2017. The retreat was conducted in a forum style in which participants received updates from top management on the performance and direction of the Group. Surveys and training specific to managers' needs were also conducted to help managers identify current issues relating to work performance and areas of concern.

### Town Hall



This year's Town Hall was also an emotional event as Datuk Syed Ahmad spoke at length on the successes the Group had enjoyed for the last 11 years under the helm of Group Managing Director, Dato' Richard Curtis, who also made his farewell speech. The session concluded by employees giving Dato' Richard Curtis a standing ovation.

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

### Annual Dinner



For the year 2017, we organised two Town Hall sessions. They were held on 4 December 2017 with 1,056 employees in attendance and on 6 December 2017 in Bintulu with 501 employees attending. The CMS Town Hall sessions, which were first introduced in 2007, saw our Group Executive Director and Group Managing Director provide an update on the annual performance of the Group and its future direction. The Town Hall also served as a platform for top management to engage with all employees to discuss important issues that affect the organisation and the workforce.

At the Town Hall this year, our Group Executive Director, Datuk Syed Ahmad Alwee Alsee, took the opportunity to introduce the newly appointed Group Chief Executive Officer - Corporate and Group Chief Executive Officer - Operations, Dato Isaac Lugun and Mr Goh Chii Bing, respectively. He emphasised that both gentleman are home-grown Sarawakian talents and have a combined 46 years of work experience in CMS.

As a gesture of gratitude for all our employees' contributions, efforts and services to the Group, we continue to hold an annual dinner for all our employees at the end of each year. Group annual dinners and respective Divisional annual dinners are held on alternate years. In the month of December, we organised three Divisional Annual Dinners. The Head Office and certain Divisions organised their annual dinners on 7 December 2017 at the Borneo Convention Centre Kuching (BCKK), the Cement Division Family Day was organised on 25 November 2017 at the BCKK, and the Construction & Road Maintenance Division Sports Carnival & Annual Dinner was organised on 24-25 November 2017 in Miri.

**Baleh Kapit Raft Safari**



The Baleh Kapit Raft Safari is a two-day rafting competition which is held along the Rejang River. CMS participates in this competition biennially as part of our employee engagement efforts and in 2017, the Group was represented by a team of 28 participants and three coordinators led by Dato’ Richard Curtis. One of the key purposes of participating in this competition is for Dato’ Richard Curtis to engage with and to bond with the trainees and executive-level employees who are mostly from the millennial generation. The competition’s fun but challenging environment also provides an opportunity for Dato’ Richard Curtis to share his thoughts on the Group and its future direction with the next generation of potential leaders.

The Baleh Kapit Raft Safari has been an integral event for CMS and we will continue with this tradition in 2018.

**CMS Inter-Regional Games & CMS Friendly Games**

Every other year, CMS organises its Group-wide sporting event, the ‘CMS Inter-Regional Games’ and ‘CMS Friendly Games’ as part of our efforts to foster stronger ties and Group-wide unity. In 2017, approximately 178 employees came together to engage in friendly clan warfare in the form of sports such as badminton, bowling, football, as well as track and field events. The participants were divided into four houses that were captained by the senior management of our various Divisions.

**Employee Satisfaction Survey**

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

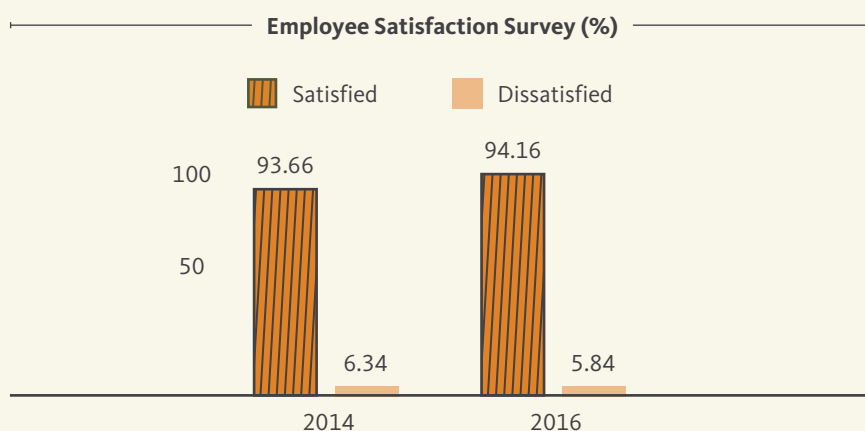
The methodology for the last ESS which was conducted in 2016 and the results were as follows:

*Methodology for 2016 ESS*

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

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

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



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

As the Employee Satisfaction Survey is conducted biennially, the next survey will be conducted in 2018.

**Long Service Awards**



We held our annual Long Service awards event to show our appreciation and accord special recognition to our employees for their loyalty to the Group. Since the first awards ceremony in 2007, each employee has been rewarded with a cash award, a certificate and long service leave after their first 10 years in their Company and subsequently every five years. In 2017, a total of 334 employees received the Long Service Award which had a combined monetary value of RM1,555,500 (2016: 128 employees, RM554,500).

## Social: Labour Practices and Decent Work

### Long Service Awards

Length of Service (Years)	Cash Value of Award (RM)		Long Service Leave (Working Days)
	2015	2016	
10 years	3,000	3,000	2
15 years	3,500	3,500	3
20 years	4,000	4,000	4
25 years	4,500	6,000	5
30 years	5,000	8,000	6
35 years	5,500	10,000	7

### OurCMS Blog

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

### Other Forms of Engagement

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

### PERFORMANCE MANAGEMENT

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

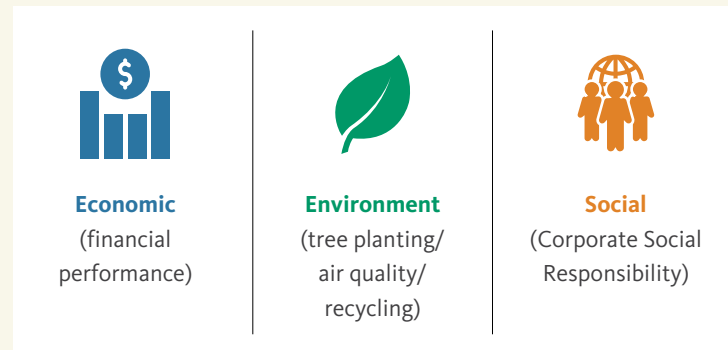
### CMS' KPI System

At CMS, our Key Performance Indicator (KPI) system comprises five main components:

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

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

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



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

### KPI System Scoring Methodology

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

### Management Performance Assessment (MPA)

The MPA complements the KPIs and is an evaluation of the employees' behavioural competency in delivering their work performance. The assessment also considers employees' additional responsibilities and work initiatives.

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

### Sustainability KPI











In 2015, CMS introduced its own Sustainability Key Performance Indicator (SKPI) with the aim of managing our long-term environmental performance and eventually improving our business operations. Each Business Division was required to select and to undertake relevant environmental targets for 2017. These targets could relate to materials management, energy management, water management, waste management, air emissions control and biodiversity. All SKPIs for 2017 were decided between the Head of Divisions and Group Managing Director, Dato' Richard Curtis as part of the annual KPI setting process.

In 2017, we introduced several new items for our SKPI including the following:

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

**COMPETITIVE BENEFITS**

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

<p><b>SUMMARY OF BENEFITS</b></p>	 <p><b>TRAININGS</b></p> <p>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><b>SALARY &amp; ALLOWANCES</b></p> <p>Acting responsibility</p> <p>Relief</p> <p>Site/Hardship</p> <p>Others</p>	 <p><b>OVERTIME</b></p> <p>Executive</p> <p>Non-Executive</p> <p>Others</p>	
	 <p><b>SALARY DEDUCTIONS</b></p> <p>EPF</p> <p>SOCSSO</p>	 <p><b>ANNUAL LEAVE</b></p> <p>Executive</p> <p>Non-Executive</p>	 <p><b>MEDICAL LEAVE</b></p> <p>Sick Leave</p> <p>Prolonged illness</p>	 <p><b>TRAVEL</b></p> <p>Accommodation</p> <p>Subsistence allowance</p> <p>Mileage</p>
	 <p><b>MEDICAL CARE- OUTPATIENT TREATMENT</b></p> <p>Married/Single employees with dependent children</p> <p>Married/Single employees without dependent children</p>	 <p><b>HOSPITALISATION</b></p> <p>Executive</p> <p>Non-Executive</p> <p>Delivery</p> <p>Warding</p>	 <p><b>OTHER TYPES OF LEAVE</b></p> <p>Compassionate/Calamity</p> <p>Marriage, Paternity &amp; Maternity</p> <p>Examination &amp; Study</p> <p>Pilgrimage</p> <p>Unpaid</p> <p>Leave of absence to represent State/Country</p>	

## Social: Labour Practices and Decent Work

### Flexible Working

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

- A severe health condition certified by a medical practitioner
- An extenuating crisis that impacts the employee's 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
- Other reasons approved by the Management

A flexible working arrangement was approved for selected employees to work from home on a full-time basis in 2017 due to justified personal needs.

### Educational Assistance

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

- Be a full-time and certified staff member
- Have been in continuous service for at least one year
- Pursue a course directly related to their position or that will improve their job performance and contribution to CMS
- 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. It is subject to the approval of our Management. Three employees successfully applied for educational assistance worth a total of RM37,912 during the year in review.

## EMPLOYEE HEALTH

### Health Screening

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

Employees aged 40 and below are subject to health screening twice a year while employees above 40 years old are screened annually. In 2017, a total of 416 employees underwent Health Screening.

### Compassionate Fund

A compassionate fund was established to help employees in ways that are not covered by their employment benefits and entitlement. A loss of home due to fire, floods, landslides or other acts of God are examples of situations covered. The fund also covers the death of employees or medical assistance for employees and their family members. Each year, all proceeds from in-house training are channelled to the Compassionate Fund. A total of RM123,898.45 was disbursed in 2017 and to date the Compassionate Fund has never had to turn a valid claim away due to lack of funds.

### Retirement Benefits

Employees on mandatory retirement may receive a retirement ex-gratia based on their last drawn basic salary. This benefit is received by employees with a minimum of 10 years of continuous employment and a clean disciplinary record for the last two years. Retirement benefit of up to two and half month's salary is given. A retirement gift voucher, plaque and certificate of appreciation are presented to the retiring employee. A total of 46 employees were recipients of the retirement benefit in 2017.

## OCCUPATIONAL HEALTH AND SAFETY

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

As far as is practical, we shall:

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



**Group Safety Taskforce**

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

The key roles of the Taskforce include:

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

In 2017, the Taskforce organised four meetings in which they organised and subsequently implemented the following initiatives:

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



**Occupational Safety and Health (OSH) Structure and Roles & Responsibilities**

The management team of OSH in the Group is driven by 35 OSH personnel that comprise of General Manager – Operations, Group Human Resources, Assistant Manager, 13 Executives and 20 Non-Executives. These personnel are deployed in every Division and subsidiary reporting functionally to the respective CEOs and administratively to the Head Office (General Manager and Assistant Manager of Group Human Resources).

An OSH Committee is established in every Division and subsidiary to enforce OSH Implementation and compliance to related statutory requirements. The percentage of the workforce represented by these committees is roughly 95%. The remaining 5% represent the subsidiaries of trading, investments and development office.

## Social: Labour Practices and Decent Work

### High Risk Occupational Activities



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

Approximately 1,000 workers in the Cement, as well as Construction & Road Maintenance Divisions are exposed to higher Occupational Safety & Health risks particularly 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)

We also implement the following assistance to assist our workforce, their family members and surrounding communities with regard to serious diseases.

We choose to educate them 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 prevention measures include the execution of Hazard Risk Assessments at the workplace and the medical surveillance for the workforce in accordance with statutory requirement.

In the event of an incident, 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 requirement of NADOOPOD Regulations 2004 in the OSHA 1994. The five forms in application are JKKP6 – JKKP10. However, the OSH committee has produced other forms for internal usage only. Accident investigations will be conducted by the OSH committee. There was a total of 30 contractors with no record of OSH Cases in 2017.

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

### Safety and Health Programmes

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

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

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

### CMS Safety Month



2017 marked the fifth anniversary of CMS' Group-wide Safety Month Campaign. The campaign, which kicks off every October of the year since its inception in 2013 aims to create awareness among its employees and stakeholders on Occupational Safety & Health, as well as environmental and sustainability values.

Safety is an attitude, a frame of mind, an awareness of our environment, our actions and activities all day; put simply, safety is a way of life at CMS and is central to all of our activities. This year's campaign was themed 'A Better you, Today!' and carried the slogan 'Your Life Matters!'

CMS has incorporated Occupational Safety and Health (OSH) performance criteria into its staff KPIs from 2009 and the Company has since endeavoured to ensure excellence in OSH management, Group-wide.

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

### Safety Events held during Safety Month 2017

The various health and safety events held during the 5<sup>th</sup> CMS Safety Month Campaign in 2017 included:

Weeks	Dates	Activities	
<b>Week 1</b>	2 Oct	Launch of the 2017 Safety Month Campaign and the ceremonial handover of safety banners by the Group Managing Director to CEOs/Head of Divisions	
	3 Oct	Training by external speakers from DOSH and PERKESO. Two external doctors spoke on mental health and heart diseases respectively	
	5 Oct	Visit to the Sarawak Museum Campus project	
	6 Oct	Various activities initiated at the subsidiary level	
<b>Week 2</b>	9 Oct	Various activities initiated at the subsidiary level	
	9 Oct	Training/talks by external speakers from DOSH, PERKESO, Ethan Tan of 3M and KPJ Sibu Specialist Hospital (Occupational Health)  Health screening KPJ Sibu Specialist Hospital	
	10 Oct	Training/talks by external speakers - Dr. Wong Jyi Lin, a lung specialist, Dr. Anna Wong of Eye At Work, and Ethan Tan of 3M  Health screening by Borneo Medical Centre Hospital	
	10 Oct	Training/talks by external speakers by DOSH, PERKESO, Ethan Tan of 3M and Ms Patricia of Bintulu Hospital (Nutrition/healthy lifestyles)  Health Screening by Bintulu Medical Centre and Bintulu Hospital	
	11 Oct	Various activities initiated at the subsidiary level	
	11 Oct	Training by external speakers from DOSH, PERKESO, Ethan Tan of 3M and Dr. Seena M. Kalluvalappil of Columbia Asia Miri Hospital (Healthy lifestyles and the importance of health screening)  Health Screening at a booth set up by Columbia Asia Hospital Miri	
	12 Oct	Site Walkabout by CMS employees at CMS Cement Industries	
	13 Oct	Various activities initiated at the subsidiary level	
	<b>Week 3</b>	16 Oct	Various activities initiated at the subsidiary level
		16 Oct	Training/talks by external speakers including PERKESO and Mr Jambai Endu from Jabatan Kesihatan Sri Aman (Healthy lifestyles and body weight management)  A clinic and health screening at a booth set up by Public Medicare Group
17 Oct		Training/talks by external speakers from Jabatan Kesihatan Negeri Sarawak (Nutrition & Stress Management) and Tags, a spine and joint specialist (Ergonomics)	
18 Oct		Emergency response refresher courses on fire/chemical incidents, fire drill/training and handling of fire extinguishers (organised simultaneously across all Divisions)	
18 Oct		Training/talks by internal and external speakers - Neuchlos Jub (First Aid Awareness), the Mental Health Association of Sarawak and Dr. Hafiz of Klinik Tang Satok (Diabetes)  Health screening by Klinik Tang Satok	
19 Oct		Visit to CMS Concrete Products	
20 Oct		Various activities initiated at the subsidiary level	
21 Oct		Blood donation drive (organised by the Group Safety Committee and Group Corporate Communications Department)	
<b>Week 4</b>		23 Oct	Various activities initiated at the subsidiary level
	24 Oct	Training/talks by external speakers from BOMBA Tabuan Jaya (Fire Safety), SEB (Electrical Safety) and Mr Kelvin Siaw of Advanced Pathology (Communicable Diseases)	
	25 Oct	Various activities initiated at the subsidiary level	
	26 Oct	Site walkabout by the respective Safety & Health Committees	
	27 Oct	Various activities initiated at the subsidiary level	
	4 Nov	Closing ceremony for the Safety Month incorporating a 3.7km Heart Run	

## Social: Labour Practices and Decent Work

### Training and Education

We provide each employee with training and career development opportunities. This approach produces a highly-skilled workforce for CMS to retain. Executives, managers and above must attend an average of 24 hours of training per year while non-executives must undertake an average of 18 hours of training per year. In 2017, a total of 2,571 employees attended training sessions, including teambuilding sessions.

#### CMS Training Budget and Hours

Training	Unit	2015	2016	2017
Average training budget per employee	RM	1,533	1,364.74	792.82
Average number of hours of training per year per employee	Hours	17	15	16

In 2017, our training budget was reduced considerably due to our switching focus towards in-house training sessions. A total of 19 in-house training sessions were held in 2017 in comparison to only 13 sessions held in 2016.

### In-House Training Capability (ITC)

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

The ITC programme is managed by Group Human Resources (Group HR) Department, which is responsible for selecting, coordinating and evaluating the training. The Group HR also identifies the best trainers and monitors employee development.

A total of 19 sessions were held in 2017 covering topics and subjects on functional areas and regulatory requirements including IT, Human Resources, Legal and Safety. Out of the 19 sessions, 6 were specially organised for non-Executives (both supervisory and non-supervisory levels).

There were 9 Internal Trainers, and 1 External Trainer and 422 participants.

### Other Training Programmes

The following table covers the various types of training programmes undertaken by our employees in 2017.

#### List of Technical and Soft Skill training undertaken during 2017:

##### Technical Skills

1. Forklift Operator Training
2. Safe Handling of Forklift Truck
3. Shovel Loader Operators Training
4. Basic Occupational First Aids and Cardiopulmonary Resuscitation (CPR)

##### Technical Skills

5. Authorised Entrant and Standby Person for Confined Space Refresher Course 2017
6. Seminar on Concrete Mix Design (Intermediate)
7. Authorised Entrant and Standby Person for Confined Space Refresher
8. Ergonomics and Manual Handling in the Workplace
9. Working at Height by National Institute of Occupational Safety Health (NIOSH)
10. Life Cycle Perspective and Its Application on Environment Management System (EMS)
11. 3-Day Technical Workshop
12. CREAM Training
13. Road Maintenance Management System Training

##### Soft Skills

1. People Management Skills
2. Communication Skills
3. Report Writing Skills
4. HR for non-HR Personnel
5. Motivational Workshop
6. MS Office Excel Intermediate and Advance Level
7. MS Office Words Intermediate Level
8. Effective Safety Committee Training
9. Cloud Computing and Email Security
10. 5S Best Practices
11. Empowering Your Occupational Safety and Health Committee
12. Safety Management at Workplace
13. 5S Awareness Training
14. ISO Awareness Training
15. ISO 9001 & ISO 14001: 2015 Awareness for Top Management
16. Kursus Amalan Persekitaran Berkualiti (5S)
17. Audit Dalaman Amalan Persekitaran Berkualiti (5S)
18. Integrated Management System (IMS) Internal Auditing (Process Risk and Performance Based Approach)
19. ISO 9001:2015, ISO 14001:2015 & OHSAS 18001:2007
20. Strategic Procurement, Incoterm 2010, Construction Industry Payment & Adjudication Act 2012 (CIPAA) and 4 Types of Personality
21. Project Management Professional Practice 1
22. Law for Non-Lawyers - Administration of Estate and Negligence
23. Group Internal Audit Workshop on Business Ethics



CMS' sound succession planning strategies are credited with preparing able successors to the Group Managing Director, Dato' Richard Curtis who retired at the end of 2017.

**SUCCESSION PLANNING**

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

Management conducts succession planning annually and focuses on:

- Creating a talent pool for critical positions
- Devising a customised development and mentoring programme for potential successors
- Monitoring the performance of potential successors
- Annual mentoring through a one-to-one interview with the Group Managing Director on the availability of potential successors
- Setting a timeframe for potential successors to fill critical positions
- Alternative options to support the succession plans

**CMS Announces its New Era of Leadership**

CMS' sound succession planning strategies are credited with preparing able successors to the Group Managing Director, Dato' Richard Curtis who retired at the end of 2017. Dato Isaac Lugun and Mr Goh Chii Bing have been promoted from within CMS to serve as Group Chief Executive Officer - Corporate and Group Chief Executive Officer - Operations respectively, as part of the Board's dual leadership strategy.

Dato Isaac brings with him a wealth of experience in the corporate and strategic investment areas, while Mr Goh, brings his accumulated expertise in core business operations. Dato Isaac will manage the group's corporate strategic investments that include associate companies in smelting, financial services and telecommunications infrastructure, while Mr Goh will oversee the Group's Core Business divisions, including cement, construction materials & trading, property development, construction & road maintenance. As both these distinct areas of our business needed very focused attention to realise their considerable potential, the Board decided after due consideration that two separate but complementary CEOs would best serve our specific needs.

These two talented 'CMS-grown' leaders bring with them an intimate understanding of CMS' businesses built up over the last 20 years or so and a shared belief in the Group's direction. Both gentlemen will work together with our current Group Chief Financial Officer, Tuan Syed Hizam Alsagoff, to deliver on our targets. These three gentlemen's familiarity with the workings of CMS instills in the Board a confidence that our succession planning is sound, solid and geared for even greater success.

**CMS' Tier 2 and Tier 3 Succession Planning**

Over the course of 2017, in line with our Succession Planning initiatives, Tier 2 Succession Planning candidates had 16 individual sessions with Group Managing Director, Dato' Richard Curtis; while all six Tier 3 Succession Planning Candidates plus another three new candidates, had individual sessions with the Senior General Manager of the Group Human Resources Department.

## Social: Labour Practices and Decent Work

This year, six candidates were chosen for a pilot Development Programme. Arising from the outcome of the CMS Employee Satisfaction Survey and series of Koffee Talks, the key focus of the syllabus was to guide managers to develop employee engagement and people management skills amongst other attributes. The assignment, which was set for a duration of six months, was focused on developing skills in dealing with difficult employees or grooming potential employees in their respective companies.









### Management Trainee Development Programme (MTDP)

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

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

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

The selection criteria for the MTDP is as follows:

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

Since the inception of the MTDP, employees have been subsequently recruited from every yearly batch. From Batch 1, we recruited 12 employees; from Batch 2, we recruited 10 employees; and from Batch 3, we recruited 17 employees.

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

1	Acting Plant Manager for CMS Cement Sdn Bhd, Kuching
2	Senior Production and Maintenance Engineer for CMS Quarries Sdn Bhd, Kuching
3	Mechanical Engineer for CMS Cement Industries Sdn Bhd, Kuching
4	Senior Audit Executive for Cahya Mata Sarawak Management Services Sdn Bhd, Kuching
5	Risk Executive for Cahya Mata Sarawak Management Services Sdn Bhd, Kuching
6	Senior HR Executive for Cahya Mata Sarawak Management Services Sdn Bhd, Kuching
7	Production Engineer for CMS Premix Sdn Bhd, Sibul

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



**Employee Volunteerism**

In 2017, **CMS employees dedicated a total of 48,420 man-hours** for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and many more.

**CMS 'Doing Good'**

In 2017, **our employees raised a total of RM103,560** which 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.

**Environmental & Health**

**250 employees from the Construction Materials & Trading Division** planted a total of **800 trees** along the roadside leading up to the entrance of the Sibanyis quarry.

**EMPLOYEE VOLUNTEERISM**

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

As part of our annual KPI, employees at the executive level and above are required to undertake at least 24 hours of CSR activities in a year; whereas non-executives must undertake at least 8 hours of CSR activities.

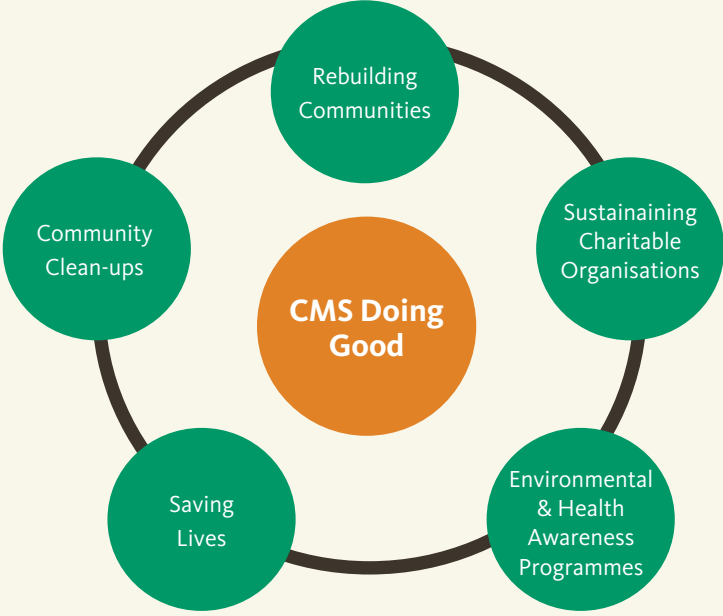
In 2017, CMS employees dedicated a total of 48,420 man-hours (2016: 45,434 man-hours; 2015: 43,526 man-hours) for CSR activities including fund-raising charity sales, rebuilding communities, jog-a-thons, community work and many more.

**CMS 'DOING GOOD'**

Our 'Doing Good' activities continue to drive our community-based CSR efforts which have seen our employees step up to the plate time and again to help those in need. In 2017, our employees raised a total of RM103,560. The funds were distributed among various locally-

based charitable organisations, mosques, churches, a home for the elderly and children's homes to assist them in their day-to-day expenses.

Our various 'Doing Good' programmes are discussed under the following sections.



**Breakdown of 'Doing Good' Initiatives by Type**

	2015 %	2016 %	2017 %
Rebuilding Communities	37	35	38.3
Sustaining Charitable Organisations	23	26	32.3
Environmental & Health Awareness Programmes	27	24	18
Saving Lives	9	10	8.4
Community Clean-ups (Gotong-Royong)	5	4	3

	2015	2016	2017
	CSR man-hours committed by CMS employees		
Rebuilding Communities	16,088	16,134	18,524
Sustaining Charitable Organisations	9,868	11,992	15,655
Environmental & Health Awareness Programmes	11,776	11,090	8,715
Saving Lives	3,690	4,644	4,080
Community Clean-ups ( <i>gotong-royong</i> )	2,104	1,674	1,446



**REBUILDING COMMUNITIES**

During the year 2017, CMS employees continued to carry out ‘Doing Good’ activities such as rebuilding works and community clean-ups at schools, villages, mosques, churches and many others. Our ‘Doing Good’ programmes are not only carried out in Kuching but throughout Sarawak especially in the rural areas. Several schools have benefitted from improved road access and better amenities.

CMS Cement Industries Sdn Bhd carried out community engagement initiatives with villages in and around Mambong arranging programmes and activities that benefit the communities as a whole such as sponsorship of prizes for students who performed well academically, book donations and motivational talks to the schools and sponsorship of chairs for the various community halls.

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

Issues on flooding at the Mambong area were raised a few times. Investigation revealed that the flooding in the area was due to a combination of factors including low lying land, lack of proper drainage for the flow of water to the river, development of other projects,

blockage of drainage channels, and siltation in the river. CMS had already widened the road and improved drainage during the construction of the Mambong cement mill so these issues will require the collective inputs of government agencies such as the Public Works Department (Jabatan Kerja Raya or JKR), the Department of Irrigation and Drainage (DID) and the Padawan Municipal Council (Majlis Perbandaraan Padawan or MPP) which CMS will help to coordinate.

CMS Land Sdn Bhd, together with another local contractor for The Gateway Towers, is sponsoring workers’ quarters for the Sarawak Association for the Welfare of Intellectually Disabled Children. Construction commenced on 18 December 2017.

CMS Land has signed a 15-year rent-free tenancy with a division of the Sarawak Economic Development Corporation for the development of Borneo 744, Malaysia’s first Blue Ocean Entrepreneurs Township. Borneo 744 started operations in March 2017.

Projek Bandar Samariang Sdn Bhd held the 20<sup>th</sup> anniversary celebration of the founding of Samariang township where book donations were presented to primary and secondary schools. The anniversary celebrations included a free medical check-up booth, a blood donation drive, children’s colouring contest, and free music concert. The event finale saw the grand prize of a motorcycle being given away.

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

### New Walkway for SK Kampung Nyalau

24 CMS employees came together on 19 January 2017 to help build a new covered walkway for SK Kampung Nyalau in Bintulu. Our volunteers together with the Parents-Teachers Association and villagers laid concrete for the walkway and planted flowers and trees around the school compound.

CMS sponsored materials to build the 66-meter covered walkway which will provide shade for the students and teachers when walking from the school entrance to the classrooms.

### Solid Foundation for Carmelite Monastery



Over 100 CMS employees volunteered to rebuild the Carmelite Monastery in Kuching on 5 February 2017. The building was infested with termites which caused it to rot. CMS also donated 5,000 tonnes of quarry waste worth RM55,000 used to fill the monastery's foundation and compound area.

### Longhouse Gets New Facility



CMS employee volunteers based in Bintulu and Miri helped with the preliminary works for the construction of an outdoor toilet for the longhouse folks of Rumah Jangi, Ulu Sebauh in Bintulu. On 26 February 2017, our volunteers cleared the site of debris before mixing cement and laying the bricks to build the toilet wall. The much-needed facility will be used by the longhouse folks and visitors during communal and festive activities.

### Employees Hike Uphill to Help Church



CMS employees volunteered to carry wooden planks, bags of sand and gravel from the foothill of Mount Singai, Bau all the way up to the Catholic Memorial Pilgrimage Centre, which is approximately 228 meters above sea level. The materials were used to build a new stairway with platforms leading up to the Centre, as well as to construct a new building on 18 March 2017.

### Gotong-Royong at Masjid Kampung Selangkin



Masjid Kampung Selangkin, Simunjan now has a carpark with an open space to hold religious functions, thanks to our employee volunteers. The *gotong-royong* activities which were carried out on 6 May 2017 involved cutting down bushes and clearing the surrounding area of debris before gravel and premix were laid to the front yard of the mosque.

### Rumah Bihai Gets Tar-Sealed Road



31 CMS employees answered the call for help from Rumah Bihai, Mukah on 6 May 2017 to tar-seal the road entrance leading to their longhouse. The volunteers prepared the base before laying premix to resurface the area while the rest of the volunteers, together with the longhouse folks, cleaned the surrounding areas of the longhouse.

**'Doing Good' on Wesak Day for Rumah Kredit**



38 CMS employees took the opportunity of the Wesak public holiday on 10 May 2017 to travel 40km to help the community at Rumah Kredit, Rapa Tiput at Ulu Layar, Betong. They levelled the parking lot and laid stones in front of the longhouse and removed the solar panel to pave the way for a new tar-sealed road which will be constructed by the Government. The parking lot was completed in time for the community to celebrate the Gawai Harvest Festival.

**Tar-Sealed Parking Lot for Church**

Our caring CMS employees were ready to help when The Epiphany Chapel in Siburan sought help to tar-seal their church's parking area. 47 CMS employees arrived on 20 May 2017 with their shovels and machinery to clean the site before laying stones and levelling the ground with premix in front of the church.

**Tabika KEMAS Gets A Face-Lift**

41 CMS employees came forward on 15 July 2017 and helped Tabika KEMAS, a pre-school, at Kampung Sungai Duuh, Serian. They cut the grass, cleaned the compound, painted the building in light shades of blue and laid gravel at the parking area.

**Children's Home Gets A Clean-Up**

On 16 September 2017, a total of 38 employees from CMS got together to clean the vicinity of Rumah Kanak-Kanak Toh Puan Hajah Norkiah, a welfare institution for children, located in Kuching. The group cleaned the compound, swept and dusted the dining hall, school hall, library, IT room, resource room, music room and school compound. CMS also donated household items to the institution.

**Rebuilding Works at SK Dato Mohamad Musa**

48 CMS employees resurfaced the school carpark of SK Dato Mohamad Musa in Kota Samarahan on 11 November 2017. Activities included cleaning and painting of the road kerb, lining the road, cleaning the school compound and laying premix to the parking area.

**SUSTAINING CHARITABLE ORGANISATIONS**

**A Race to Rebuild St. Teresa's School**



38 CMS employees took part in the 'Save St. Teresa Run', organised on 8 January 2017 to raise funds for the rebuilding of St. Teresa's School hall that was engulfed by a fire on 29 October 2016 that destroyed the 2-storey wooden structure of the 131-year old school.

**Helping One of Our Own**



On 26 January 2017, CMS' Cement Division helped one of its own – the family of the late Mohamad Jamil Bin Kepot who passed away on 12 August 2016 from Hypoxic-Ischemic Encephalopathy post CPR after suffering from diabetes. From CMS' Group Term Life Insurance, a cheque of RM56,064 was presented to Mohamad Jamil's spouse, Puan Jenap Bt Mahari to help ease the family's financial burden.

The COLOUR POWDER is back!



Covered in multi-coloured powder, 38 CMS employees ran the 5km Colour Rush 5.0 together with more than 3,400 other participants, on 18 February 2017. The run aims to raise funds and awareness in support of families and children battling childhood cancer in Sarawak. CMS also sponsored RM5,000.

Making A Difference



Through our 'Make a Difference' initiative, a group of CMS employees donated 10 cans of S26 Milk Gold to the HOPE Place Kuching on 23 March 2017, in aid of four-year old Edison George who suffers from brain damage and became epileptic last year, and who requires two cans of milk a week. With the contribution of 14.7kg of the special blend of milk, little Edison will have at least fourteen weeks of milk supply.

'Doing Good in the World'



On 26 February 2017, 41 CMS employees took part in a run organised by the Rotary Club of Kuching Central to raise funds for the Club's community projects and youth development programmes. CMS also contributed RM5,000 to the run.

Fun Time with Milo



52 CMS employees joined 6,000 other participants on 2 April 2017 in the annual 3km Milo Breakfast Run.

Run for Autism Awareness



90 CMS employees took part in the Kuching Run for Autism 2017 organised by The Kuching Autistic Association (KAA) on 2 April 2017. KAA aims to create awareness and reach out to the public especially parents to accept autistic children in our society while raising funds for their educational and training programme. CMS contributed RM5,000 to KAA.

**'Doing Good' for PERKATA**



Seven CMS subsidiary companies set up 10 stalls to sell a variety of food at the Sarawak Association for the Welfare of Intellectually Disabled Children (PERKATA) Open Day Sale on 30 April 2017. They raised RM15,054.90 which will be used to fund the special school's activities.

**'Doing Good' for the Malaysian Red Crescent Sarawak**

PPES Works (Sarawak) Sdn Bhd and CMS Roads Sdn Bhd donated clothes to the Malaysian Red Crescent Sarawak (Stampin Chapter) on 17 May 2017. The money raised from the donation will be used to assist less privileged families.

**Intergalactic Race for Mankind**



15 CMS 'Superhero' employees participated in the 5km Superhero Race held at the Jubilee Ground, Kuching. The event raised RM15,000 for the Society for Critically Sick Children whereby CMS sponsored RM3,000.

**Fundraising for Sarawak Cheshire Home**



On 2 July 2017, many CMS employees from Group Management Information Systems, CMS Cement Sdn Bhd and CMS Cement Industries Sdn Bhd set up stalls at the Sarawak Cheshire Home Open Day Sales and raised RM3,482 for the Sarawak Cheshire Home.

**Beating the Clock**



17 employees joined the annual Spring Live Active Run held on 9 July 2017 which had seven categories to choose from – 21km Half-Marathon & Veteran, 10km Run & Veteran, 5km Corporate Race, 5km Fun Run and a 1km Kids Dash - a run perfect for runners of all levels and ages to participate.

**Go Bald<sup>9</sup> for Children's Cancer**



The Sarawak Children's Cancer Society (SCCS) held its Go Bald<sup>9</sup> event in support for children with cancer on 9 July 2017 and 11 CMS employees and Tunku Putra School students bravely shaved their heads. CMS raised a total of RM26,499 for the cause.

**Kuching Run for Peace**

32 CMS employees showed their support for the ‘Run for Peace’ organised by Soka Gakkai Malaysia. The run, held on 23 July 2017, aims to inspire the people to be aware of the importance of taking action for peace and to create a culture of peace in the community.

**Projek Bandar Samariang Donates to Fire Victims**

Three families from Bandar Samariang received donations totalling RM12,000 from Projek Bandar Samariang Sdn Bhd on 12 August 2017. The donations were handed over by Senior Sales & Marketing Manager, Gary Kho to Jemat bin Mos, Encik Kusaini bin Deni and Rami Kapol whose terrace houses were razed by fire on that fateful morning on 26 July 2017.

**CMS Tribal Run 3.0 Raises RM133,000 for 10 Local Charities**



CMS held its annual Tribal Run for the third time on 27 August 2017 which gathered an impressive 3,100 participants (2016: 3,000 participants). 100% of the entry fees totalling RM133,000 (2016: RM120,000) were donated to 10 local charitable organisations namely Dyslexia Association of Sarawak, Kuching Autistic Association, Home of Peace, Purple Lily Foundation, Sarawak Cheshire Home, Sarawak Society for Parents of Handicapped Children (PIBAKAT), Sarawak Society for The Deaf, Salvation Army, Society for Critically Sick Children (SOS Kids) and Society for The Urban Poor. Each organisation received RM13,300 (2016: RM12,000).

**Bursa Bull Charge Run 2017**



The annual Bursa Bull Charge 2017 held in Kuala Lumpur gathered 1,818 participants from 150 organisations on 14 September 2017. The 4<sup>th</sup> edition run raised RM2.20 million which was channelled to 30 beneficiaries representing a range various segments including the disabled, youth, underprivileged and single mothers. Group Managing Director, Dato’ Richard Curtis ran the 1.5km CEO Run in 11.37 mins.

This year’s theme was in line with Bursa Malaysia’s aspiration to be a sustainability champion by being a carbon neutral event, providing free bus rides and donating surplus food and water to a food bank.

**Cement Division Gives Donates Back to the Community**



Between September and November, CMS’ Cement Division played an active role in contributing back to the community. As a yearly affair, 200 units of plastic chairs were handed over to the Chairman of Our Lady of Lourdes Church, Kampung Sikog, James Rajak Anak Agok on 14 September 2017. The Division continued its ‘Doing Good’ quest by sponsoring four sets of High Bay Lightings for Kampung Sitang’s Community Centre and on the following day, handed over electrical items to Pastor Jenyi Simet as prizes for the Tadik Terang Sports Day on 31 October 2017. A final good deed for the year was done on 22 November 2017 with a donation of RM1,500 to the principal of SK St. Augustine, Stanley Sagir, for the school’s high academic achievers.

Run for Your Heart

On 24 September 2017, CMS employees joined the 3,000-strong crowd to run at the Heart Run. The money raised will be used to manage the Sarawak Heart Foundation's Heart to Heart Programme, a financial assistance programme provided to children suffering from critical heart diseases which enables them to undergo medical treatment at cardiac hospitals in Kuala Lumpur. The foundation collaborates with the Sarawak Heart Centre to provide the best cardiac care especially to the needy who cannot afford the high medical bills. CMS contributed RM5,000 to the Sarawak Heart Foundation for the Heart Run which collectively raised RM370,000 in total.

The Electrifying Night Run



67 CMS employees participated in the Electrifying Night Run organised by the IEM Engineer's Run on 30 September 2017. CMS sponsored RM10,000 for the run.

The Animazing Race

CMS employees participated in the Sarawak Society for The Prevention of Cruelty to Animals (SSPCA)'s Animazing Race. This year, the run held on 8 October 2017 had an added boost by opening a category catering to virtual runners or runners who could not participate on the event day.

CMS Spreads Love

On 16 December 2017, CMS employees contributed gifts to the 'Love-in-a-Box' programme with the aim of spreading love and joy through gifts for the needy and less privileged children. Through the programme, a total of 111 gifts were distributed to the special children from the Kuching Autistic Association and the Association of the Welfare of Intellectually Disabled Children (Perkata) who received school bags, colouring books, toys and stationeries.

ENVIRONMENTAL & HEALTH AWARENESS PROGRAMMES

Cahaya Cyclists support Fun Ride Kayuhan Amal Kastam 1Malaysia 2017



14 Cahya Cyclists took part in the charity fun ride 'Kayuhan Amal Kastam 1Malaysia' at Wisma Kastam, Kuching on 21 January 2017. They rode 25km from Jalan Astana, crossing the Sungai Sarawak, Kampung Surabaya before ending at the Start/Finish point. A RM1 per entry fee was donated to the National Cancer Council Malaysia.

Property Employees Support Mother Earth



On 17 June 2017, a total of 49 employees from CMS Property Development Sdn Bhd came together to make a difference and support Mother Earth by planting 100 Euginea trees, 50 Agave plants and 50 Hibiscus flowering plants. They also helped to clear construction waste in and around the Rivervale Residences premises.

### An Environmentally Friendly Ride around Kuching



Our cyclists rode a distance of 30km around Kuching on 21 October 2017. The Enviro Ride, jointly organised by Sarawak Energy Berhad (SEB) and the Department of Environment Sarawak, was held at SEB's premises, at The Isthmus. Themed 'Alam Sekitar Tanggungjawab Bersama', the event promotes cycling as an alternative mode of transportation and aims at foster a commitment towards the conservation of the environment.

### Tree Planting by Construction Materials & Trading Division



CMS' Construction Materials & Trading Division organised a tree planting event at Sibanyis Quarry, Kuching over two weekends on 30 September and 14 October 2017. This CSR event forms one of the Divisions' business processes and is a sustainability key performance indicator. The Division strives to uplift the quality of the living environment through active planting and proper maintenance of trees. 250 employees headed by Mr Chong Swee Sin came together to plant a total of 800 trees along the roadside leading up to the entrance of the quarry site.

### CMS Plants 500 Mangrove Saplings



75 CMS employees volunteered to plant 500 mangrove saplings (*Bakau Kurap* species or *Rhizophora Mucronata sp.*) at the RAMSAR site, Kuching Wetlands National Park. This is the second time CMS has participated in the mangrove planting programme which was organised in collaboration with the Forest Department Sarawak, the government agency that promotes the rehabilitation of the ecosystem in Kuching Wetlands.

On 20 November 2017, the volunteers braved the rain and mud and by working together collaboratively and systematically, managed to plant all 500 saplings in just one hour. Part of the group were assigned to do nursery work where they managed to prepare 500 saplings from the mangrove propagules as part of the propagation process. This is to meet the condition set by the Forest Department whereby the number of saplings planted must be replaced with the same number of saplings prepared in their efforts to guarantee sustainability.

Aside from manpower, CMS also contributed supplies worth RM2,300 comprising rubber boots, gloves, a ladder, hoes and garbage bins for the programme's future use.

The RAMSAR site is situated 15km from Kuching and approximately 5km from Damai Beach. The Kuching Wetlands National Park covers an area of 6,610 hectares in between the Sibu Laut and Salak rivers. The park comprises mainly of a saline mangrove system that includes an extensive network of marine waterways and tidal creeks interconnecting the two major rivers that form the boundaries of the park.

Initiated in 1971 at Ramsar, Iran, the Ramsar Convention had been adopted by many countries including Malaysia in 1995. The Kuching Wetlands National Park fulfilled four out of nine criteria suitable as a RAMSAR site. The four criteria include: the site is a particularly good representative example of a natural coastal mangrove system, the site supports the *Proboscis Monkey* (*Nasalis larvatus*), the site is of special value as a nursery area for the *Estuarine Crocodile* (*Crocodylus porosus*) and the site is an important spawning and nursery ground for fish and prawn species.

## Social: Society

### SAVING LIVES

#### A Life Saving Commitment



CMS organised two blood donation drives on 4 March 2017 and 23 September 2017 with 58 and 61 successful donors, respectively.

Blood donation drives are organised regularly at CMS Cement Industries Sdn Bhd's Pending and Mambong plants. This is to encourage our employees to donate blood more conveniently, as many of our regular donors, especially those who work shifts find it difficult to get to the local government or private hospitals to donate.

### COMMUNITY CLEAN-UPS

#### CMS Cement Industries Cleans Pasir Pandak Beach

On 24 September 2017, a total of 40 volunteers from CMS Cement Industries Sdn Bhd organised a clean-up at the Pasir Pandak Beach, Santubong. Making the clean-up a family affair, family members joined our volunteers to clear rubbish along the beach. Proceeds from the activity totalling RM10.80 (21.5kg) went to CMS Cement Industries' Welfare Fund.

### SUSTAINABLE PROJECTS

#### This Year, Resolve to be Better by Reducing, Reusing & Recycling



The recycling campaign organised by Group Internal Audit Department started early this year which gave everyone an opportunity to spring clean their offices and homes, to usher in the New Year. On 13 January 2017, CMS received an overwhelming response from the employees who arrived all excited to offload, with stacks and parcels of recyclable items, comprising of newspapers, aluminium cans, cardboards, mixed papers, and plastic bottles. A total collection of 6,336kg (worth RM1,759.30) went to charity.

#### Recycle Today for a Better Tomorrow

In an effort to reduce waste and pollution, CMS' Construction Materials & Trading Division has inculcated recycling as a culture. On 17 April 2017, they recycled 3,875kg of waste such as newspapers, plastic bottles, papers, cardboard boxes and aluminium cans and raised RM1,315.55 for their Welfare Fund.

#### Recycle for Charity



On 14 July 2017, CMS organised its second recycling day and raised RM1,000 for charity. Proceeds of this recycling campaign went to the Sarawak Society for Parents of Children with Special Needs (PIBAKAT).

#### Corporate Philanthropy

At CMS, we aim to do our best for society via our 'Doing Good' platform by lending financial support to initiatives that have a positive impact on local communities. A full list of these initiatives would be too voluminous to report. However, we prioritise community development, sporting activities, health, education and culture.

In 2017, we spent close to RM1,040,592 on philanthropic causes and donations. All donations and sponsorships were made to charitable and sports events within Sarawak, targeted at activities which were significant either to the receiving charity or to strengthen CMS' image in the community.

**CMS Donates RM140,000 to Mosques in Sarawak**



In line with CMS' ongoing commitment to community development and investment, CMS donated RM140,000 to the Muslim communities of Sarawak during the holy month of Ramadhan as part of its 'Adopt-a-Mosque' programme. 70 mosques and suraus located in Kuching, Kota Samarahan, Betong, Sarikei, Bintangor, Sibu, Miri and Bintulu each received RM2,000 towards funding their Ramadhan activities and upkeep of the mosques and suraus. This programme plays a part in enabling these suraus to play more effective roles in their respective communities. In addition, a donation of RM18,000 was made to Surau Darus Sakinah.

**CMS Sponsors 3<sup>rd</sup> Borneo Junior Open**



CMS has been a proud sponsor of the Sarawak Squash Racquet Association development programme which has had grants totaling RM253,328 over the past seven years. CMS sponsored RM10,000 for the 3<sup>rd</sup> CMS Borneo Junior Open Squash Championship at the Sarawak Squash Centre in Petra Jaya, Kuching from 7 to 11 July 2017. The programme provides an avenue for young players to engage in healthy competitive play and help raise the standard of the game besides gaining invaluable experience.

**COPE Private Equity Donates over RM100,000 to Local Charities**



COPE Private Equity Sdn Bhd (formerly known as CMS Opus Private Equity Sdn Bhd) on their own initiative reached out to the community by giving a total sum of RM128,000 to five local charities in Sarawak. A cheque presentation ceremony was held at Wisma Mahmud on 31 July 2017. The selected local charities have done a very good job in carrying out the objectives of their organisations from building micro-hydro dams, providing education for disabled kids to giving care and support for kidney and cancer patients. These organisations are in dire need of our support in getting funds to run their daily operations, as well as manpower.

**CMS Sponsors 2,000 Subscriptions of The Star ePaper for Schools**



On 16 August 2017, CMS sponsored 2,000 subscriptions through the Star Newspaper-in-Education for 341 subscriptions given out during the Projek Bandar Samariang Sdn Bhd's 20<sup>th</sup> Anniversary. CMS aims to bring opportunities to students who are mainly in secondary schools to have access to The Star ePaper and utilise it as a medium to learn English in a more fun way. CMS cares about education and the importance of the younger generation mastering the English language.

**CMS Donates School Bags to Underprivileged Students**



On 11 September 2017, a total of 200 school bags were donated to two primary schools - SK Sebuyau Ensengai, Simunjan and SK Parun Suan, Serian. These schools comprise of underprivileged students who come from poor families in the nearby villages. The school bags brought much joy to the students as a majority of them could not afford to buy new ones.

**Proud Sponsor of Sarawak Regatta 2017**



CMS sponsored RM30,000 for the Sarawak Regatta 2017 on 22 September 2017. The event, which is regarded as one of the most anticipated annual events in Kuching was held for 10 days beginning 10 November 2017.

**Toastmasters Youth Communication Camp 2017**



Organised by the Kuching Toastmasters Club and Toastmasters International, 160 students from 23 schools accompanied by 10 teachers and 78 facilitators participated in the three-day Toastmasters Youth Communication Camp held between 22 and 24 September 2017. CMS has donated RM79,500 to the Camp since 2012.

**CMS Contributed RM20,000 to the Lions Club**

On 25 October 2017, CMS contributed RM20,000 to the Lions Club in support of their efforts to help 10 causes namely, Diabetes, Environment, Hunger Relief, Paediatric Cancer, Vision, Autism, Disability, Palliative Care, Fire and Floods, and the Lions Nursing Home.

**Charity Tribute in Memory of 'Tok Nan', a Fund-Raising Event by Persatuan Tenpin Boling Para Negeri Sarawak**

On 11 March 2017, there was a great turnout at the Tenpin Para Bowling Friendly Competition as members and individuals from SABATI, government agencies, and private companies along with the OKU/PARA athletes bowled for charity. The event was a tribute to the late Pehin Sri Haji Adenan bin Satem, the fifth Chief Minister of Sarawak. Two CMS bowlers won 4<sup>th</sup> place in the Overall Team Category and 10<sup>th</sup> place in the Overall Individual Category.

CMS also contributed RM3,000 to fund the OKU/PARA athletes' training and development programme for the year.

### Projek Bandar Samariang Donates to Fire Victims

On Saturday, 12 August 2017, a total of three families from Bandar Samariang received donations totalling RM12,000 from Projek Bandar Samariang Sdn Bhd (PBS). The Bandar Samariang township was launched in 1997 and it has been developing rapidly ever since. A family which had resided at the township for the past 14 years had lost everything to a fire. Donations from PBS certainly went a long way in easing their burden.



### Other Donations

Other substantial donations during the course of the year were made to:

1. 13<sup>th</sup> World Islamic Economic Forum 2017 (RM336,404.25)
2. Kolej Laila Taib (RM100,000)
3. 4<sup>th</sup> Sarawak Business & Investment Summit 2017 (RM26,500)
4. Baleh Kapit Raft Safari (RM20,000)
5. Rainforest Music Festival (RM20,000)
6. What About Kuching (RM15,000)
7. PurpleLily (RM10,000)

### PUBLIC POLICY AND LOBBYING

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

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

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

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

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

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

CMS is 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 the Sarawak Medical Services. This project has benefited the low-income people especially in the rural community. The club also supports poor single mothers and their families.

## Social: Product Responsibility



### Product Responsibility

Here at CMS,  
**the quality of our products  
and services is of the  
utmost  
importance**

to us as it translates into the safety  
and well-being of our customers.

### Customer Satisfaction

At the Cement Division for 2017, the  
Customer Engagement and Customer  
**Satisfaction survey results  
were rated on  
average 95%  
and 85%**  
respectively.

### Ethical Business Conduct

We have implemented the

## Whistle- blowing Policy

to encourage our employees and  
volunteers to come forward with  
credible information on illegal practices  
or violations.

# The quality of our products and services is of the utmost importance to us.

#### SOCIAL: PRODUCT RESPONSIBILITY

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



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

All packaging materials i.e. 50kg and jumbo bags are sourced from reputable suppliers and produced in accordance to our specifications.

Incoming packaging materials are sampled and tested by the QC section. The materials to produce the bags should be able to protect the cement within, from external humidity and moisture which could lead to lumpiness of the cement. It should also be strong enough to reduce breakage.

**OUR COMMITMENT TO QUALITY**

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

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

During the year in review, CMS Property Development Sdn Bhd began its application for Qlassic certification. In addition, Samalaju Properties Sdn Bhd’s project team and site personnel are working closely with the contractor’s Quality Assurance and Quality Control teams to ensure the end product satisfies the architectural specifications and industry standards.

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

**Quality Certifications of Companies within the Group**

<p><b>CMS Cement Industries Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• ISO 9001 since 2009</li> <li>• ISO/IEC 17025 since 2011</li> <li>• ISO 14001 - since 2012</li> <li>• 5S Certification - since Nov 2009</li> <li>• ISO 50001 - since May 2016</li> <li>• OHSAS 18001 - since Nov 2013</li> </ul>	<p><b>CMS Premix Sdn Bhd &amp; CMS Premix (Miri) Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• ISO 18001:2007</li> <li>• ISO 9001:2008</li> </ul>
<p><b>CMS Cement Sdn Bhd (Kuching grinding plant)</b></p> <ul style="list-style-type: none"> <li>• ISO 9001 - since 1998</li> <li>• ISO/IEC 17025 - since 1996</li> <li>• ISO 14001 since 2001</li> <li>• 5S Certification - since 2004</li> <li>• OHSAS 18001 - since Nov 2002</li> </ul>	<p><b>CMS Wires Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• ISO 9001:2008</li> </ul>
<p><b>CMS Cement Sdn Bhd (Bintulu grinding plant)</b></p> <ul style="list-style-type: none"> <li>• ISO 9001 - since 2003</li> <li>• ISO/IEC 17025 - since 2010</li> <li>• ISO 14001 - since 2008</li> <li>• 5S Certification - since 2007</li> <li>• OHSAS 18001 - since Aug 2011</li> </ul>	<p><b>CMS Quarries Sdn Bhd &amp; CMS Premix Sdn Bhd (Kuching only)</b></p> <ul style="list-style-type: none"> <li>• IMS Certification (ISO 9001:2015, ISO 14001:2015 and ISO 18001)</li> </ul>
<p><b>CMS Concrete Products Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• ISO 9001 - since Nov 2000</li> <li>• 5S Certification - since 2008</li> <li>• OHSAS 18001 - since Sept 2014</li> </ul>	<p><b>CMS Premix Sdn Bhd (Sibu only) &amp; CMS Premix (Miri) Sdn Bhd (Bintulu only)</b></p> <ul style="list-style-type: none"> <li>• ISO 9001:2015</li> </ul>
<p><b>CMS Quarries Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• IMS Certification (ISO 9001, ISO 14001 and ISO 18001)</li> </ul>	<p><b>CMS Wires Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• ISO 9001:2008</li> </ul>
	<p><b>CMS Roads Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• IMS Certification (ISO 9001, ISO 14001 and ISO 18001)</li> </ul>
	<p><b>PPES Works (Sarawak) Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• IMS Certification (ISO 9001, ISO 14001 and ISO 18001)</li> </ul>
	<p><b>CMS Pavement Tech Sdn Bhd</b></p> <ul style="list-style-type: none"> <li>• ISO 9001 - since 2000</li> </ul>

## Social: Product Responsibility

### Certificates of Registration with Relevant Authorities

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

- The Construction Industry Development Board with Grade G7
- The Ministry of Works (Malaysia) Contractor and Entrepreneur Development Division
- The Sarawak State Financial Secretary's Contractor and Consultant Registration Unit (UPKJ) with Class A

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

On 22 September 2016, CMS Wires Sdn Bhd obtained Construction Industry Development Board (CIDB) Certification for its welded steel fabric for the reinforcement of concrete and is now in the process of renewing its certification.

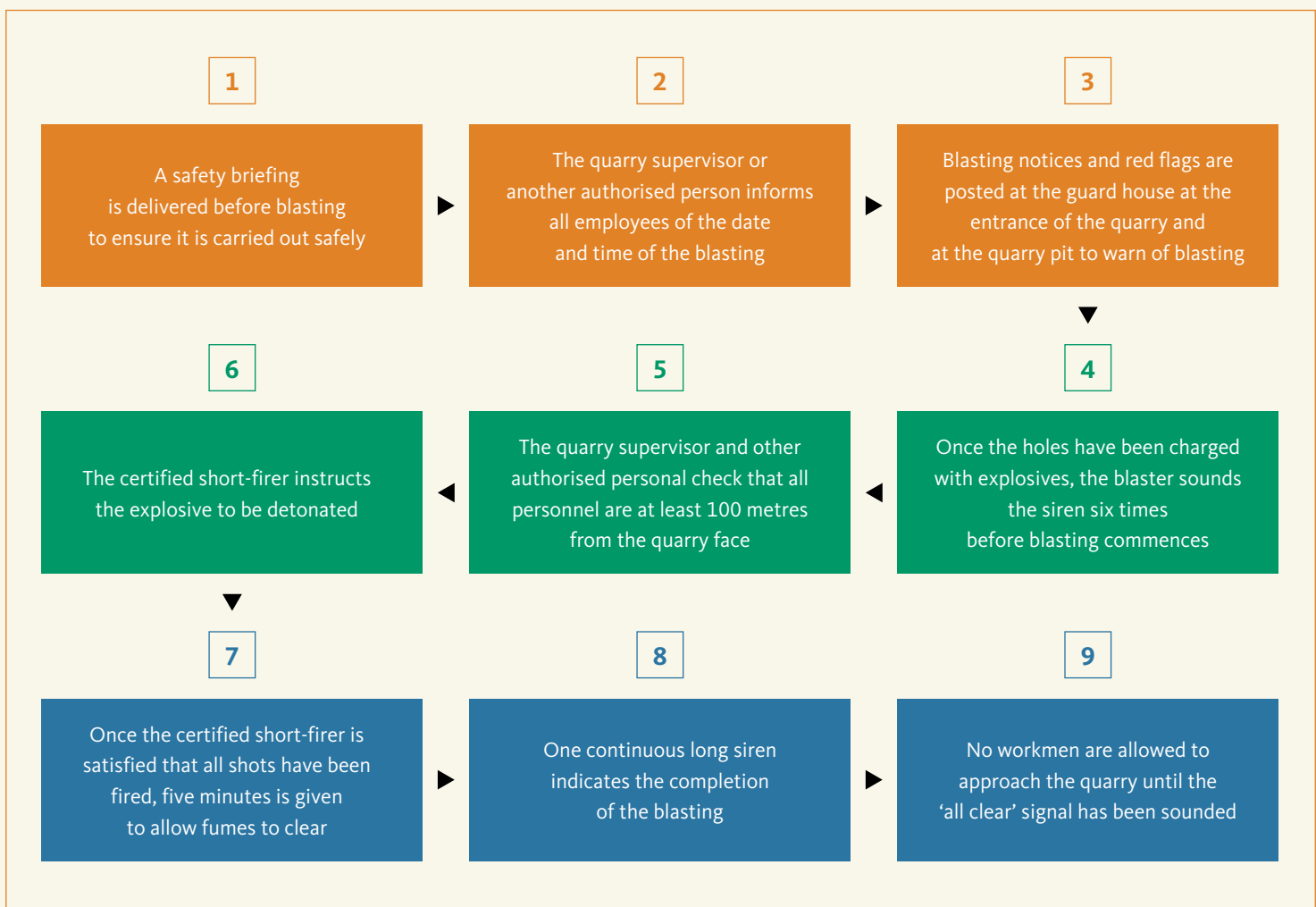
For the Cement Division, we have obtained the required licenses to manufacture and sell from the relevant authorities such as Standard Malaysia for our cement and clinker operations, and from the Malaysian Investment Development Authority (MIDA) and the CIDB for our cement manufacturing operations.

### SAFE BLASTING

Our stringent safety standards are emphasised throughout our operations, no less in CMS Quarries Sdn Bhd where we make sure that all blasting methods are performed in compliance with the correct procedures. In 2018, we will use a remote camera mounted on a drone to monitor the blasting condition.

There was an incident related to blasting in 2017 at Sebuyau Quarry. No injuries were reported and only property damage was involved.

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



### CUSTOMER PRIVACY

When it comes to privacy, we observe strict regulations and procedures to guarantee our customer's personal data is duly protected. To this end, the 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
- Required or authorised by law or by court order

### CUSTOMER SATISFACTION

Customer satisfaction continues to play an integral role in our operations as it helps us to gauge the performance of our subsidiary companies while providing us with insight to consumer trends. Each of our subsidiaries carries out their own customer survey from which all responses received, both positive and negative, are fully review and analysed.

At Cement Division for 2017, the Customer Engagement and Customer Satisfaction survey results were rated on average 95% and 85% respectively. This indicates that the Cement Division is able to maintain the intended levels of rapport and engagement with customers and dealers and is meeting their expectations.

For CMS Quarries Sdn Bhd, 85% of customers surveyed rated that products and services rendered was good. At CMS Premix Sdn Bhd, 98.05% of customers surveyed rated that products and services rendered was good. While at CMS Wires Sdn Bhd, 85% of customers surveyed rated that products and services rendered was good.

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

### ETHICAL BUSINESS CONDUCT

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

### Corruption

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

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

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

There were no identified incidents or reports in response to corruption in 2016.

### Anti-Fraud Management

Here at CMS, we maintain zero-tolerance for fraud and the practice of any other form of deception for the benefit of one person that causes loss to another. In compliance with our anti-fraud policy, each employee is required to sign a form that states that they possess an understanding on what is constituted as fraud and that they agree to report any occurrences and suspected incidences of fraud.

### Fraud Response Committee

We have also founded a Fraud Response Committee which comprises appointed representatives from various Head Office Departments. Their responsibilities include:

- Investigating the circumstances of the suspected fraud and producing a written report
- Securing records and assets including restrictions, as well as barring access to offices and systems
- Determining whether the case should be reported to the police
- Deciding if the suspected employee should be suspended from work

### Whistle-blowing

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

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

## Ensuring a Sustainable Future



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

In addition to the initiatives mentioned above, the Group's Cement Division is in discussion with Trienekens (Sarawak) Sdn Bhd, the operator of Sarawak's integrated waste management system, about a smart partnership on scheduled wastes management and with Pyrolysis companies to buy our old belt conveyors with steel cords and to burn carbon black resins as alternative fuel. Enquires are being made with an old kiln basic bricks buyer for their use as alternative raw material. We are conferring with DOE for CMS Cement Industries Sdn Bhd to be a licensed premise for an industrial wastes co-processing plant. We continue to identify waste products that we can reuse or recycle.

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

On the Economic front, we will continue to ensure good progress is made by all our core Business Divisions. This will come via a steadfast focus on identifying and taking advantage of opportunities whilst

optimising cost structures. We will also continue to uphold a spirit of excellence and drive innovation throughout our operations to enhance business efficiency and bolster our competitive edge. We are confident that our core businesses will continue to create a sustainable growth pathway for us in the long run.

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

We will also continue to roll out continuous employee training to improve operational efficiencies and productivity, as well as leverage on Group-wide teambuilding initiatives to build camaraderie and a renewed commitment towards our sustainability agenda. And lastly, we will continue to implement meaningful Corporate Social Responsibility or CSR activities. Our employee volunteers who are involved in the various community projects feel a strong sense of obligation to fulfil their responsibilities to our community.

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

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