



# BUILDING A **SUSTAINABLE FUTURE**

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SUSTAINABILITY REPORT 2015

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CAHYA MATA SARAWAK

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## OUR VISION

TO BE THE  
**PRIDE**  
OF SARAWAK  
& BEYOND

## OUR STAKEHOLDERS

Our Shareholders, Staff,  
Customers & Community

## OUR MISSION

### P R I D E

Producing Quality, On Spec & On Time

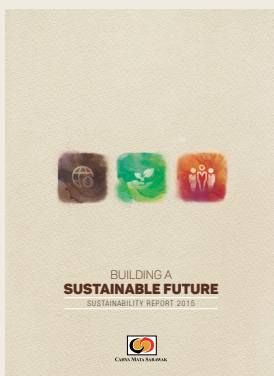
Respect & Integrity

Improving, Innovating & Investing in People

Delivering Sustainable Growth

Environmentally Conscious, Safe &  
Conducive Workplace

# COVER RATIONALE



The theme of Cahya Mata Sarawak Berhad's inaugural standalone Sustainability Report, 'Building a Sustainable Future', reflects our commitment to undertake our business in a responsible and sustainable manner. We understand the importance of adopting these traits as they will help propel us forward on our journey of transformational growth.

This theme also sums up our aspiration to deliver solid and sustainable value to our four stakeholders, namely our shareholders, customers, staff and the community. We aim to achieve this by upholding good Economic, Environmental and Social performance.

# ABOUT THIS REPORT



This is Cahya Mata Sarawak Berhad's first Sustainability Report, and discloses our sustainability journey in a transparent and objective manner. Based on the framework of the Global Reporting Initiative or GRI Guidelines, this Report serves as a tool to demonstrate to our stakeholders and other interested parties how we undertook our operations in a responsible and sustainable manner throughout 2015.

Together with our Annual Report 2015, 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 aspects of our operations. The chart illustrated on the right contains detailed information on the scope and criteria used when preparing this Report.

## REPORTING PERIOD

1 January to 31 December 2015  
(Financial Year or FY 2015) unless otherwise specified

## REPORTING CYCLE

Annually

## COVERAGE

- Cahya Mata Sarawak's Departments and Divisions:
  - Head Office Departments
  - Cement Division
  - Construction Materials & Trading Division
  - Construction & Road Maintenance Division
  - Property Development Division
  - Samalaju Development Division

\* Note that our Information & Communication Technology (ICT) Division is not covered in this Sustainability Report as it was under formation at the time of writing.

## 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 Organization for Standardization (ISO) 26000:2010 Guidance on Social Responsibility

# OUR BUSINESS

**WITH SOME 41 YEARS TO ITS NAME, CAHYA MATA SARAWAK BERHAD (CMS) CONTINUES TO REINFORCE ITS POSITION AS SARAWAK'S LEADING INFRASTRUCTURE FACILITATOR AND A PRIME MOVER IN SARAWAK'S GROWTH STORY. YEAR AFTER YEAR, CMS HAS STEADFASTLY GROWN ITS REVENUE AND PROFITS – ITS SOLID PROGRESS A REFLECTION OF SARAWAK'S OWN DYNAMIC PROGRESS.**

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

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

CMS is listed on the Main Market of Bursa Malaysia, the Malaysian stock exchange.



Cement & Clinker



Construction



Construction Materials Trading & Agencies



Education



Ferrosilicon Alloys Smelting



Financial Services



Industrialised Building System (IBS) components



Precast Concrete Products



Premix



Project Management



Road Maintenance



Steel Fabrication & Engineering



Steel Pipe Manufacturing & Laying



Stone Aggregates



Telecommunications Infrastructure



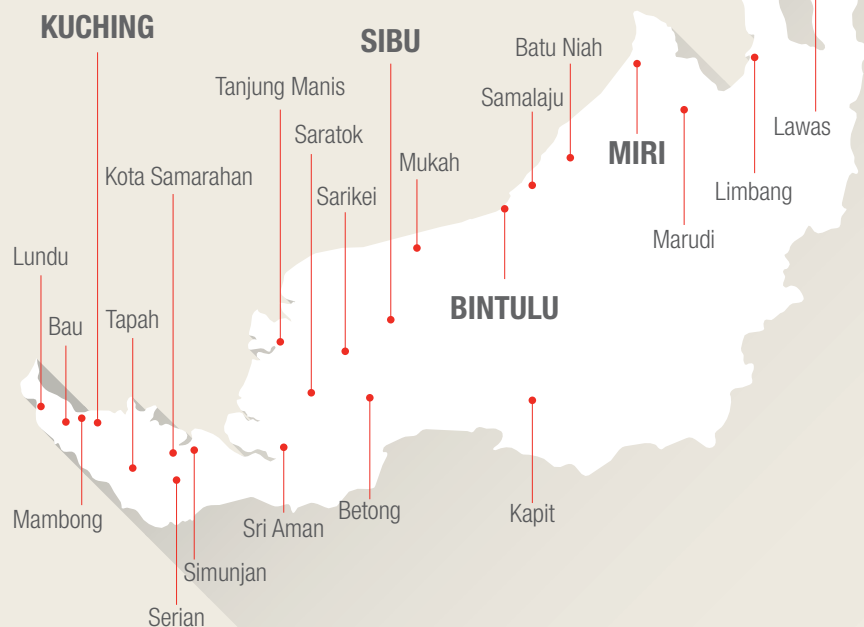
Township & Property Development



Wire Mesh



Worker's Accommodation



# 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 General (Retired) Dato' Seri DiRaja  
Tan Sri Mohd Zahidi bin Hj Zainuddin  
Y Bhg Datu Hubert Thian Chong Hui  
Y Bhg Datuk Kevin How Kow  
Y Bhg Datuk Seri Yam Kong Choy  
Mr Chin Mui Khiong

## GROUP COMPANY SECRETARY

Denise Koo Swee Pheng

## REGISTERED OFFICE

Level 6, Wisma Mahmud  
Jalan Sungai Sarawak  
93100 Kuching  
Sarawak  
T +60 82 238 888  
F +60 82 333 828

## WEBSITE

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

## 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

## AUDITORS

Ernst & Young

## PRINCIPAL BANKERS

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

## STOCK EXCHANGE LISTING

Main Market, Bursa Malaysia Securities Berhad

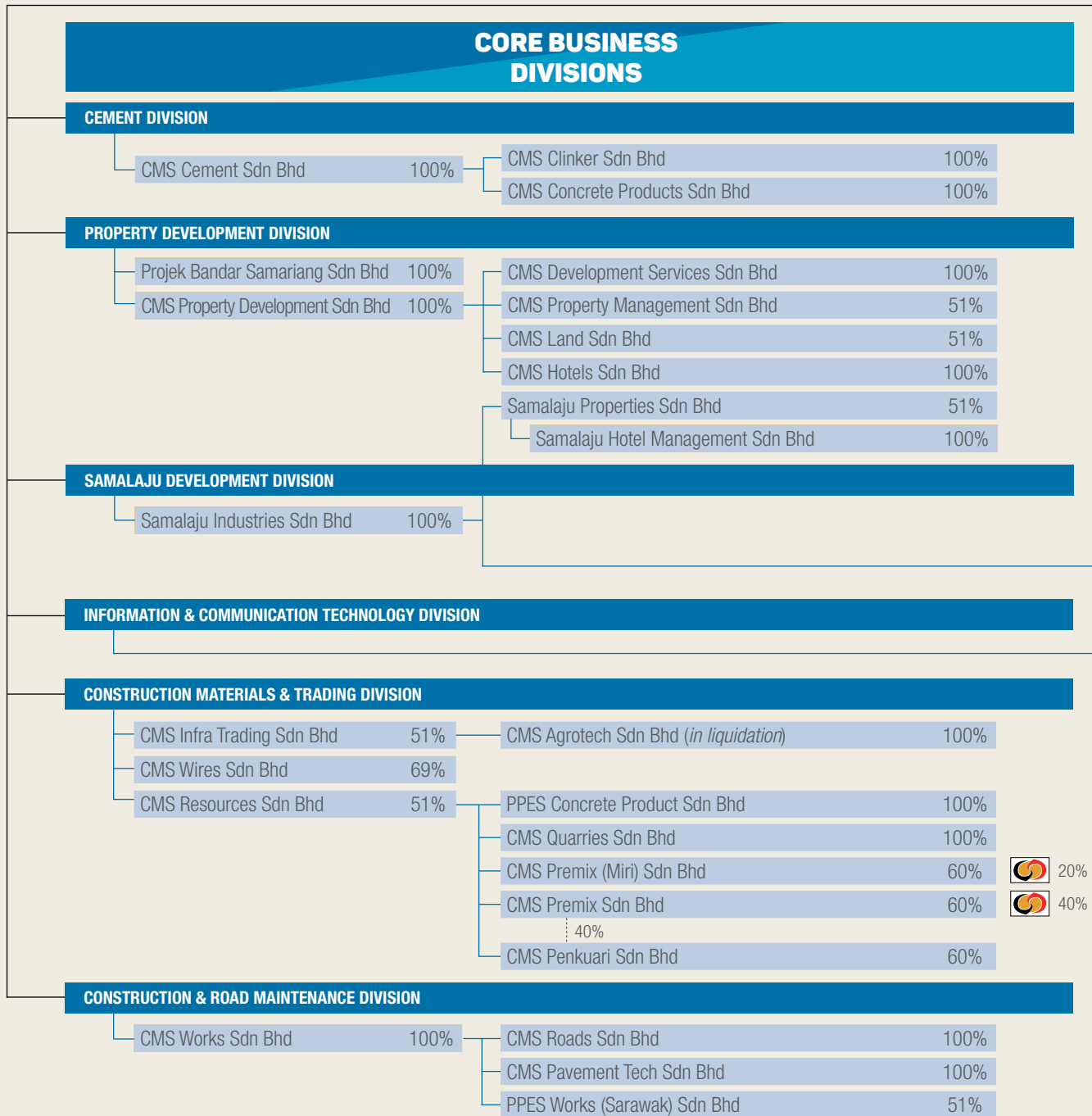
Sector : Industrial Products  
Stock Code : CMSB  
Stock Number : 2852

# CORPORATE STRUCTURE

AS AT 14 MARCH 2016



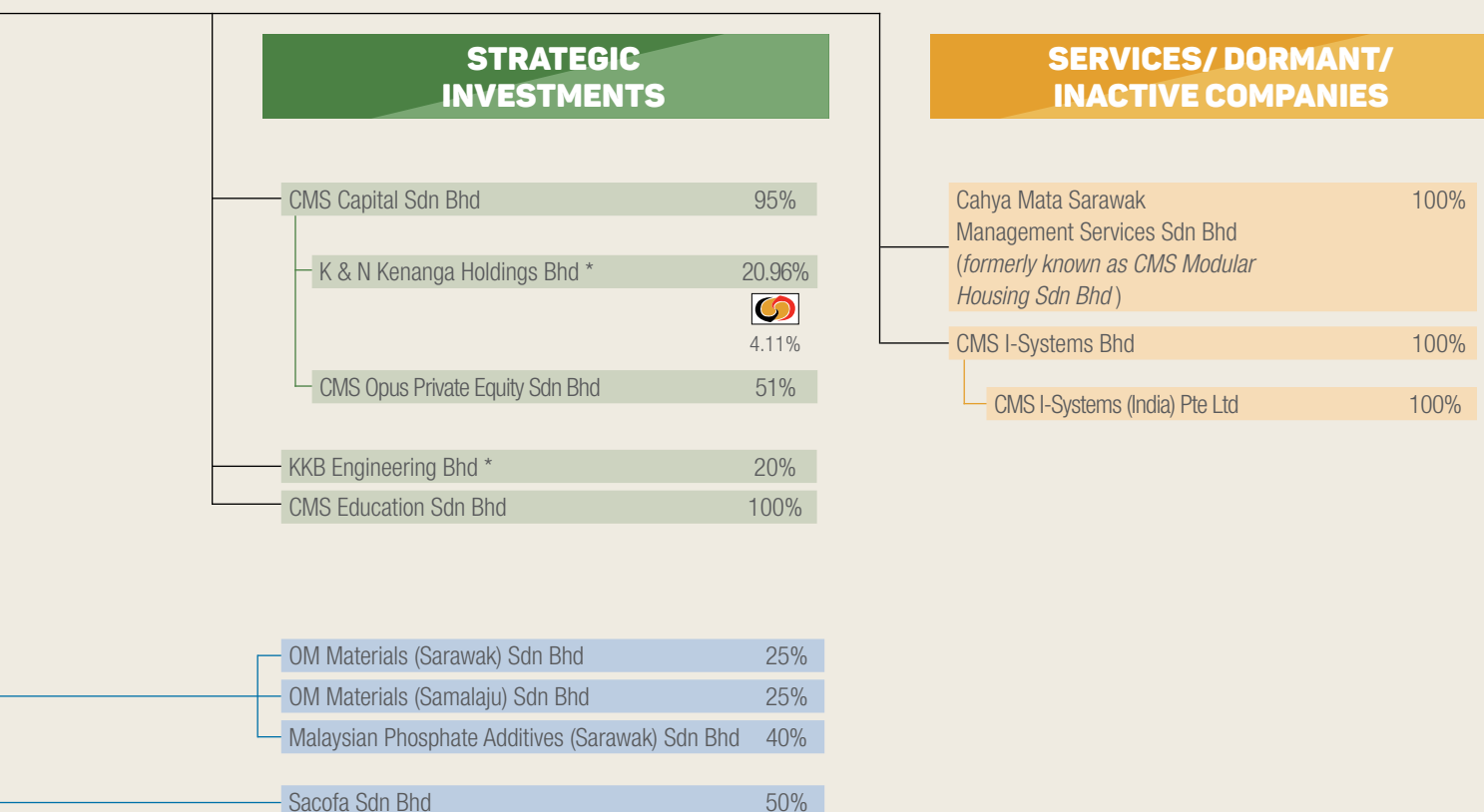
CAHYA MATA SARAWAK\*



\* Listed on Main Market of Bursa Malaysia

## CORPORATE STRUCTURE

AS AT 14 MARCH 2016



# SENIOR MANAGEMENT TEAM



**Y D H DATO' RICHARD  
CURTIS**

Group Managing Director



**Y BHG DATUK SYED AHMAD  
ALWEE ALSREE**

Group Executive Director



**SYED HIZAM ALSAGOFF**

Group Chief Financial Officer



4

**Y BHG DATO  
ISAAC LUGUN**

Head, Samalaju Development  
Division

5

**MOHD ZAID ZAINI**

Chief Information Officer/  
Head, ICT Division

6

**DAVID LING KOAH WI**

Group General Counsel

7

**DANNY SIM WEI MIN**

Senior General Manager,  
Group Procurement

SENIOR MANAGEMENT TEAM



8

**TAN MEI FUNG**

General Manager,  
Group Finance

9

**ABDUL NASSER  
MOHD SANUSI**

Senior General Manager,  
Special Projects

10

**WENDY YONG  
SAN SAN**

Senior General Manager,  
Group Human Resources

11

**FRANCIS LOU**

Group Internal Auditor



12

**LIM JIT YAW**

Head, Construction &  
Road Maintenance Division

13

**GOH CHII BING**

Head, Cement Division

14

**VINCENT KUEH  
HOI CHUANG**

Head, Property Development  
Division

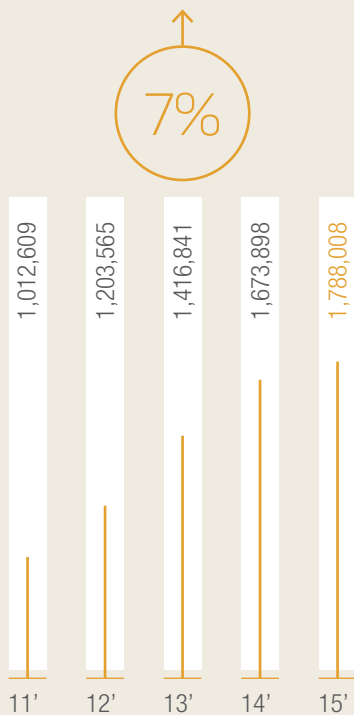
15

**CHONG SWEE SIN**

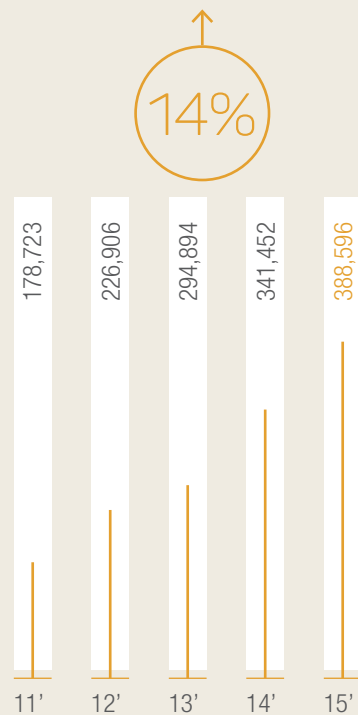
Head, Construction Materials &  
Trading Division

# PERFORMANCE AT A GLANCE

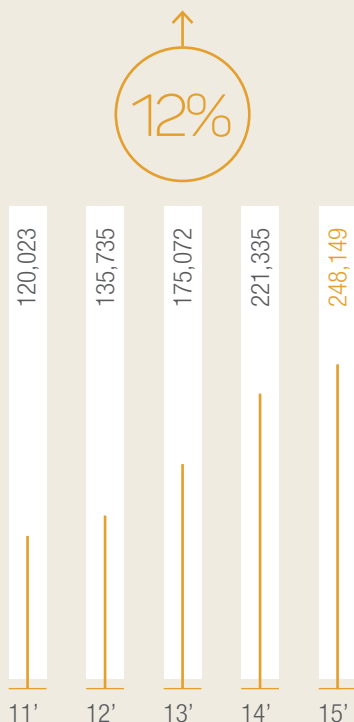
## REVENUE (RM'000)



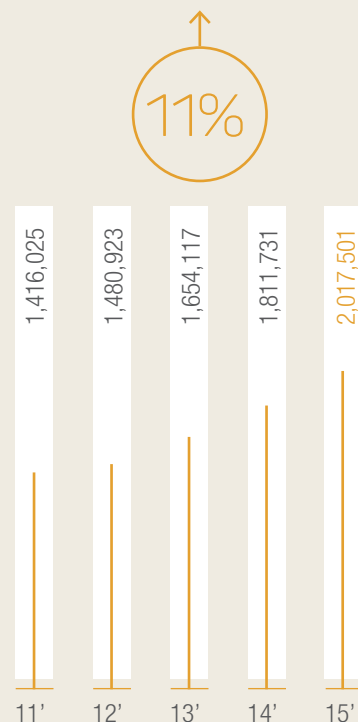
## PROFIT BEFORE TAXATION (RM'000)



## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM'000)



## TOTAL SHAREHOLDERS' FUNDS (RM'000)



# FINANCIAL HIGHLIGHTS

|   | 2011      | 2012      | 2013      | 2014      | 2015             |
|---|-----------|-----------|-----------|-----------|------------------|
| Revenue (RM'000)                                      | 1,012,609 | 1,203,565 | 1,416,841 | 1,673,898 | <b>1,788,008</b> |
| Profit before taxation (RM'000)                       | 178,723   | 226,906   | 294,894   | 341,452   | <b>388,596</b>   |
| Profit attributable to owners of the Company (RM'000) | 120,023   | 135,735   | 175,072   | 221,335   | <b>248,149</b>   |
| Weighted average number of shares ('000)              | 329,469   | 327,928   | 999,276 * | 1,033,352 | <b>1,064,741</b> |
| Basic earnings per share (sen)                        | 36.43     | 41.39     | 17.52 *   | 21.42     | <b>23.31</b>     |
| Gross dividends per share (sen)                       | 15        | 17        | 17        | 8.5       | <b>4.5</b>       |
| Total shareholders' funds (RM'000)                    | 1,416,025 | 1,480,923 | 1,654,117 | 1,811,731 | <b>2,017,501</b> |
| Total assets (RM'000)                                 | 2,100,572 | 2,140,240 | 2,423,892 | 2,800,131 | <b>3,231,079</b> |
| Net tangible assets per share (RM)                    | 4.10      | 4.37      | 4.70      | 1.68      | <b>1.82</b>      |
| Net assets per share (RM)                             | 4.30      | 4.56      | 4.88      | 1.74      | <b>1.88</b>      |
| Return on average shareholders' equity (%)            | 8.80      | 9.37      | 11.17     | 12.77     | <b>12.96</b>     |
| Return on total assets (after tax) (%)                | 5.71      | 6.34      | 7.22      | 7.90      | <b>7.68</b>      |
| Total borrowings (RM'000)                             | 215,747   | 89,825    | 100,102   | 104,796   | <b>163,678</b>   |
| Gearings (times)                                      | 0.15      | 0.06      | 0.06      | 0.06      | <b>0.08</b>      |
| Current assets (RM'000)                               | 1,182,117 | 1,141,742 | 1,349,054 | 1,602,401 | <b>1,307,756</b> |
| Current liabilities (RM'000)                          | 390,025   | 371,725   | 451,313   | 639,462   | <b>611,112</b>   |
| Current ratio (times)                                 | 3.03      | 3.07      | 2.99      | 2.51      | <b>2.14</b>      |

\* Adjusted for the share split and bonus issue.

## 2015 SHARE PRICE PERFORMANCE (RM)

|         | 2011 | 2012 | 2013 | 2014                         |                             | 2015        |
|---------|------|------|------|------------------------------|-----------------------------|-------------|
|         |      |      |      | Before Split and Bonus Issue | After Split and Bonus Issue |             |
| Low     | 1.70 | 2.06 | 2.99 | 6.55                         | 3.30                        | <b>3.80</b> |
| High    | 2.90 | 3.50 | 6.99 | 11.46                        | 4.72                        | <b>6.00</b> |
| Closing | 2.09 | 3.33 | 6.89 | 10.50                        | 3.96                        | <b>5.13</b> |

# MESSAGE FROM OUR GROUP MANAGING DIRECTOR



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

Group Managing Director

DEAR STAKEHOLDERS,

I AM PLEASED TO PRESENT THE INAUGURAL STANDALONE SUSTAINABILITY REPORT OF CAHYA MATA SARAWAK BERHAD (CMS OR THE GROUP), WHICH UNDERSCORES OUR COMMITMENT TO UNDERTAKING BUSINESS IN A RESPONSIBLE AND SUSTAINABLE MANNER. FOCUSING ON OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL PERFORMANCE IN 2015, THIS REPORT REPRESENTS OUR PRELIMINARY EFFORTS TO ALIGN WITH BURSA MALAYSIA'S SUSTAINABILITY REPORTING REQUIREMENTS FOR 2016. IT ALSO SERVES 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.

While our sustainability story may be new to some of you, we would like to reassure you that CMS has always endeavoured to operate its businesses in a responsible and sustainable manner. Here at CMS, we are committed to prioritising responsible management and sustainable development on the Economic, Environmental and Social (EES) fronts to secure the future of the Group and create long-term shared value for our stakeholders. Value is created by making the most of top-line growth opportunities, bottom-line improvements and risk mitigation activities. As we continue to embed sustainability within every level of our organisation, we continue to uphold a spirit of excellence and drive innovation throughout our operations to enhance business efficiency and bolster our competitive edge.

We have begun to integrate the sustainability agenda into our overall strategy and operations in a more prominent manner as we recognise it is key to the success of our business. To this end, 2015 saw us introducing Sustainability Key Performance Indicators (SKPIs) within our various Business Divisions to help them focus on managing their long-term environmental and workplace performance. As our respective businesses make good strides forward, we will focus our efforts on setting more aggressive sustainability goals each year to improve our overall EES performance.

For our maiden Sustainability Report, we have adopted the Global Reporting Initiative (GRI) G4 Guidelines as our principal framework. The GRI is today the most widely used standard for sustainability reporting due to its holistic coverage.

Overall, I am pleased with what we achieved on the sustainability front in 2015.

## SOLID PROGRESS WITHIN THE CMS FAMILY

At CMS, we strive to combine the best of two environments: the warmth and companionship of a family environment, with the professionalism of a well-run meritocratic-listed company. This enables our staff to work in an environment in which they can thrive; one where they feel empowered and supported by their leaders. Our objective is to hire the best people, retain them, nurture them within a creative environment, as well as work together with them to find new and innovative ways to deliver ever-increasing value to our four stakeholders, namely our shareholders, customers, staff and the community.

In 2015, we set KPIs for all senior and middle managers to engage with their teams. I am pleased to see that this resulted in more open communication and active engagement which has now become an integral part of our culture. The most recent employee satisfaction survey in 2014 showed a staggering 93.7% of our employees are happy in their jobs. Our efforts to create a conducive workplace environment where our staff can be the best they can be and where they can find a harmonious balance between work and life, is certainly paying off.

The year in review also saw us making significant progress in developing a safety culture. This has been the direct result of every individual's commitment to create an incident-free workplace within the Group. The earnest commitment of our people helped make 2015 one of our safest years and enabled us to achieve a zero occupational disease rate. The CMS safety culture was reinforced even as more staff became aware that accidents not only impacted the KPIs and bonuses of the respective business units materially, but also that they impacted the KPIs and bonuses of every employee across CMS, although to a lesser extent.

### **STRONG STRIDES FORWARD ON THE ENVIRONMENTAL FRONT**

At CMS, we work to apply best practices, innovative operating strategies and technologies to minimise our environmental footprint. Our strategy includes refining our environmental practices by developing more robust and integrated environmental strategies that surpass basic compliance standards.

In June 2015, we began implementing the ISO 50001 standard at our clinker plant with the main objective of improving our energy management abilities. The energy management framework of the ISO 50001:2011 enables us to set objectives and measures results and we are making good headway here. In 2016, we will begin implementing ISO 50001 at our grinding plant in Kuching while the grinding plant in Bintulu will follow suit in 2017.

### **SUPPORTING LOCAL COMMUNITIES**

In 2015, we continued our practice of 'Doing Good' and of supporting the communities in the state of Sarawak (the State) through donations, sponsorships, contributions in-kind and staff volunteerism. For the first time, CMS organised a public event, namely the CMS Tribal Run. While this was the sixth consecutive year that CMS had organised this run for our employees, this was the first time we opened it to the public and donated 100% of the entry fees (amounting to over RM103,000.00) to local charitable organisations.

We recognise our duty as the sole cement supplier in Sarawak to ensure a continuous supply of quality cement all year round. As such, in 2015, we imported approximately 200,000 MT of cement as Sarawak would otherwise have faced shortages. This additional cement met the shortfall in production, pending the commissioning of our new plant.

### **PURSUING LONG-TERM, SUSTAINABLE GROWTH**

Sustainability is evolving to be a way of life at CMS and it is our aim that it becomes more embedded in our working culture. While we have endeavoured to deliver true and sustainable value as well as establish enduring ties with our stakeholders, we remain committed to advancing our sustainability activities to greater heights. As we explore new areas of opportunity, we remain committed to conducting our business in a responsible manner by upholding good EES performance. As we steadfastly implement our existing programmes and roll out new ones, we are confident that we will achieve meaningful long-term, sustainable growth.

### **ACKNOWLEDGEMENTS**

As we pursue CMS' journey of sustainable growth for the long run, I wish to convey our heartfelt appreciation to our valued customers, suppliers, business partners, the Federal and State Governments and agencies, as well as our joint venture partners and associate companies, for their unwavering trust and confidence in us. My utmost gratitude goes to our Board of Directors (Board) for their guidance and wise counsel. To the CMS family of employees, I wish to express my deep appreciation for your dedication, hard work and commitment to excellence. These worthy traits have certainly helped propel us forward on our journey of transformational and sustainable growth and I am confident they will continue to stand us in good stead in the next phase of our journey.

To the communities that we operate in, we wish to express that the experience of having you as one of our four stakeholder groups has been both a stimulating and rewarding one. We hope that together we will succeed in the pursuit of our common goal, which is to see the development and the progression of our State.

As we venture forth on our sustainability journey and set our sights on truly being the 'PRIDE of Sarawak and Beyond', we look to all our four groups of stakeholders to continue lending us their steadfast support.

Thank you.



**DATO' RICHARD CURTIS**  
GROUP MANAGING DIRECTOR

4 April 2016



At CMS, we strive to combine  
the best of two environments:

**THE WARMTH**

**AND**

**COMPANIONSHIP**

of a family environment, with the  
professionalism of a well-run  
meritocratic-listed company.



THE MOST RECENT  
STAFF SATISFACTION  
SURVEY SHOWED  
A STAGGERING

**93.7%**

OF OUR STAFF ARE  
HAPPY IN THEIR JOBS.

# OUR FOUR STAKEHOLDER GROUP MODEL

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

Internally within CMS, our staff clearly understands 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 staff this is further manifested internally via our commitment to upholding their well-being and through implementing meaningful Corporate Responsibility or CR activities at several levels. Employee volunteers are involved in community projects as they feel a strong sense of obligation to fulfil their responsibilities to stakeholders. At the Divisional level, there is a strong emphasis on maintaining sustainable, ethical and honourable operational performance to uphold our obligations to the *rakyat* (community).

## STAKEHOLDER ENGAGEMENT

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.

The following section highlights the diverse stakeholder engagement practices that the Group undertook in 2015 and the frequency of these activities.

## STAKEHOLDER ENGAGEMENT AT CMS



## OUR FOUR STAKEHOLDER GROUP MODEL

### Stakeholder Engagement at CMS

| Stakeholder                 | Method(s) of Engagement   | Frequency  |
|-----------------------------|---|--|
| Shareholders                | <ul style="list-style-type: none"> <li>• AGM presentation</li> <li>• Company magazine on website (OurCMS)</li> <li>• Quarterly results' briefings</li> <li>• Media statements</li> <li>• Investor meetings</li> <li>• Meetings or telephone calls with (potential) investors</li> <li>• Comprehensive Investor Relations portal on company website</li> </ul> | <ul style="list-style-type: none"> <li>• Annually</li> <li>• Two – three times per year</li> <li>• Quarterly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> <li>• 24/7</li> </ul>         |
| Employees                   | <ul style="list-style-type: none"> <li>• Koffee Talks</li> <li>• Town Hall sessions</li> <li>• Management/Senior Management retreats</li> <li>• Employee satisfaction surveys</li> <li>• Departmental meetings</li> <li>• OurCMS Magazine</li> <li>• CMS Intranet</li> <li>• E-blast</li> </ul>   | <ul style="list-style-type: none"> <li>• Biennially</li> <li>• Annually</li> <li>• Annually</li> <li>• Biennially</li> <li>• Regularly</li> <li>• Triannually</li> <li>• Daily</li> <li>• Regularly</li> </ul> |
| Customers/Suppliers         | <ul style="list-style-type: none"> <li>• Customer surveys</li> <li>• Customer training (within certain Divisions)</li> </ul>  | <ul style="list-style-type: none"> <li>• Regularly</li> <li>• Ad hoc</li> </ul>  |
| Media                       | <ul style="list-style-type: none"> <li>• Press releases</li> <li>• Meet the media sessions</li> <li>• Media get-togethers</li> </ul>  | <ul style="list-style-type: none"> <li>• Ad hoc</li> <li>• Regularly</li> <li>• Ad hoc</li> </ul>  |
| Department of Environment   | <ul style="list-style-type: none"> <li>• Meetings</li> <li>• Progress updates</li> <li>• Compliance reports</li> </ul>  | <ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> <li>• Regularly</li> </ul>  |
| Various Government Agencies | <ul style="list-style-type: none"> <li>• Meetings</li> <li>• Progress updates</li> </ul>  | <ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> </ul>   |
| Community                   | <ul style="list-style-type: none"> <li>• Employee volunteerism</li> <li>• Corporate philanthropy</li> </ul>   | <ul style="list-style-type: none"> <li>• Regularly</li> <li>• Regularly</li> </ul>   |

# MATERIALITY MAPPING

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

## THE METHODOLOGY

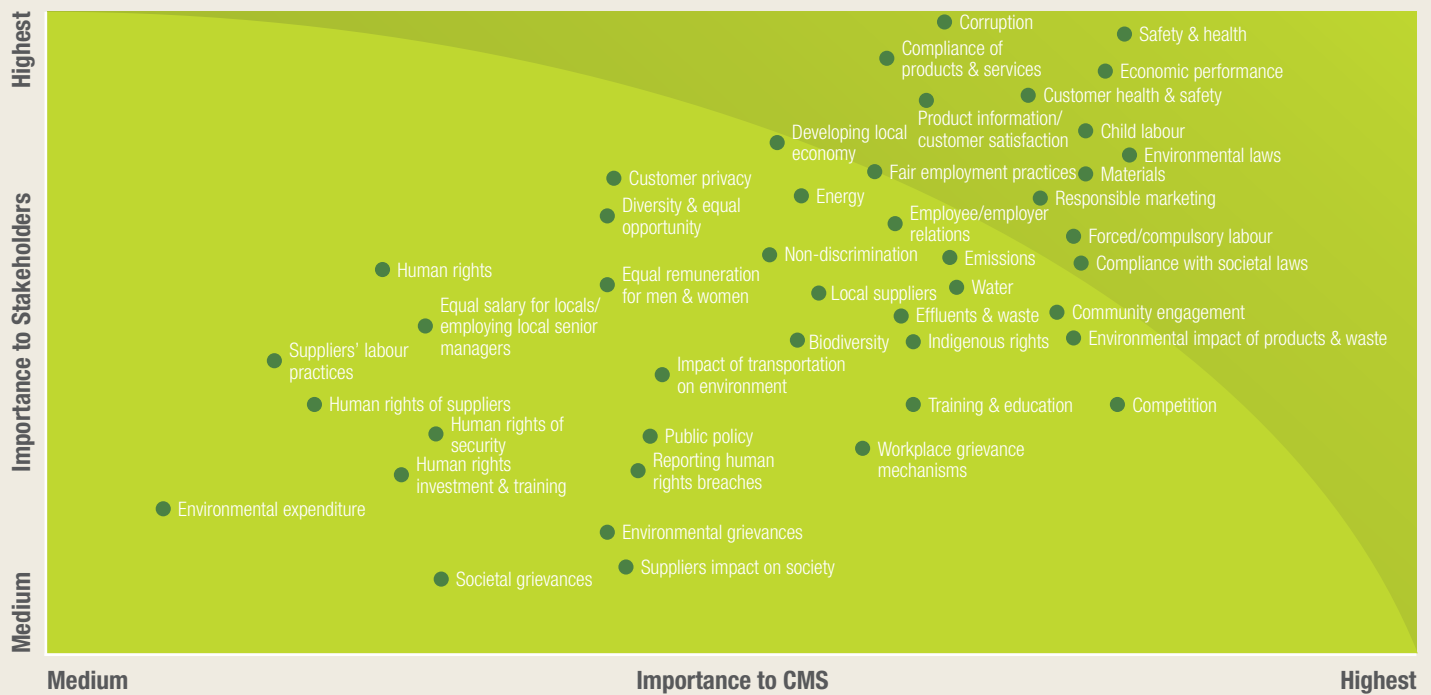
We commissioned an external consultant to conduct a materiality survey at the end of 2015. Members of our Senior Management team completed the survey with their responses representing the views of CMS. In terms of our stakeholder groups, feedback from the representatives of the following groups was sought:

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

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

## RESULTS

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



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

# ECONOMIC



THE ECONOMIC DIMENSION OF SUSTAINABILITY REFERS TO THE CAPACITY OF THE CMS 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 staff, to ensure a continued focus on improving our product quality and to 'Do Good' while expanding our Corporate Responsibility activities. These and other economic activities are essential to our make-up as a responsible corporate entity, as such we are absolutely committed to and focussed on delivering long-term sustainable economic growth.

## OUR SUSTAINABLE BUSINESS MODEL

Today, CMS is being driven forward by a combination of factors that are ensuring the Group's long-term sustainable growth. Our business model is based on the Group's focus on proven core businesses within Sarawak that revolve around, firstly, infrastructure and related services businesses, and secondly, energy-intensive industry investments.

Sarawak, under the Eleventh Malaysia Plan (11MP) is projecting economic growth of between 6%-7% per annum from 2016 to 2020. In line with this, Sarawak's nominal GDP is expected to increase from RM122.5 billion in 2015 to RM171.3 billion in 2020. During the same period, nominal GDP per capita is also expected to increase from RM46,489.00 to RM61,406.00. Via the Sarawak Corridor of Renewable Energy (SCORE), Sarawak anticipates it will achieve the following growth milestones by 2030 – a five-fold rise in the State's GDP and the creation of 1.6 million additional jobs. With RM334.0 billion expected to be injected into Sarawak's economy by 2030 (approximately 20% from the government and 80% from the private sector), things bode well for the State.

Today, CMS' core Business Divisions, namely our Cement, Construction Material & Trading, and Construction & Road Maintenance Divisions continue to generate the bulk of the Group's revenue and earnings. Their roles revolve around the infrastructure facilitator space within Sarawak and they are expected to continue to grow in tandem with the State's own economic growth.

As we ramp up the pace of development in relation to our Kuching land banks and the Samalaju permanent township, our role in township and property development too is set to strengthen. These developments are led by our Property Development Division and Samalaju Development Division respectively.

The long-term sustainable growth potential for both our property development arms is underpinned by their large land banks. Via SCORE and the State's rising economy, there is expected to be an increase in both economic expansion and urbanisation rates. These are expected to serve as catalysts for the Group's land bank developments with demand for townships and housing projected to rise steadily. This coupled with both our property development divisions' own continuous efforts to bolster their respective portfolios positions them as 'hidden gems waiting to be unlocked'.

CMS' strategic investments too can be viewed as the catalysts that would accelerate our next phase of transformational growth. Our 25% stake in the joint venture ferrosilicon and manganese alloys smelter project with Australian-listed OM Holdings Ltd, our 40% stake in an integrated phosphate products complex with Malaysian Phosphate Ventures Sdn Bhd and Arif Enigma Sdn Bhd, plus our 50% stake in Sacofa Sdn Bhd, a Sarawak-based telecommunications infrastructure and services company, are all poised to drive up shareholder value in the long-term. These investments are all projected to start contributing towards CMS' financial results from the period 2016 to 2020. We believe that this phase will take CMS to 'the next level'.



OUR ASPIRATION IS  
TO BECOME A

**TOP 30**

COMPANY IN MALAYSIA  
WITH RM10.0 BILLION IN  
MARKET CAPITALISATION.

Meanwhile, CMS' transformational growth will come from the Group's current core businesses which have been fully outfitted to participate in the infrastructure project and related services requirements that are ensuing as the State develops. Our transformational growth will also come from the Group's energy-intensive investments in SCORE and our investment in the telecommunications infrastructure segment. All of our growth components are supplemented by CMS' strong balance sheet, competent workforce and experienced management. We remain confident that as we stick to our planned strategies while adapting to market conditions, we will continue to deliver significant sustainable and transformational profits growth.

Our aspiration in all this is to become a Top 30 Company in Malaysia with RM10.0 billion in market capitalisation.

## Our 9-Point Scorecard

To further assist us in achieving economic and transformational growth, we are also guided by our 9-Point Scorecard. This is a set of principles that drives us to stimulate sustainable financial growth thereby ensuring a continuous robust performance.

Our 9-Point Scorecard principles require us to sustain solid and sustainable profits; uphold prudent financial policies to ensure a strong balance sheet; as well as ensure an experienced and professional management team in steering CMS forward.

ECONOMIC

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



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.

SUSTAINABLE PROCUREMENT

At CMS, our procurement procedures are transparent, at arm’s length and conducted with a high level of professional conduct. Transactions must be conducted with standard commercial terms that are not more favourable to related parties than those generally available to the public.

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

Fair Competition

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

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

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

SUPPORTING SARAWAK’S SUSTAINABLE GROWTH

Our Cement Division’s cement operations are managed by CMS Cement Sdn Bhd which produces the CEM 1 standard of Portland cement and operates grinding plants in Kuching and Bintulu. As the sole manufacturer of cement in Sarawak, CMS Cement constantly focuses on improving its pan-State supply chain to ensure that it fulfils its long-term commitment to the growth of Sarawak.

CMS Cement is tasked with overseeing the operations of bulk terminals in Sibu and Miri that are outfitted with packing and bulk distribution capabilities. All of the Group’s cement is transported from our plants in Kuching and Bintulu to these terminals via purpose-built all-weather barges equipped with fully enclosed pneumatic self-loading and unloading systems. These efforts ensure all Sarawak’s main centres of economic activity, namely Kuching, Sibu, Bintulu, Miri, and emerging markets such as Samalaju and their hinterlands, have a consistent and sufficient supply of bag and bulk cement to meet their needs.

To meet the anticipated increase in cement demand in the State, the Cement Division has also developed a 1.00 million MT per annum grinding plant adjacent to the Mambong clinker plant. The new RM190.0 million plant began commercial cement production in December 2015 and will be fully operational by the first half of 2016. With this third plant, CMS Cement’s total production capacity will increase by almost 60% with an annual combined rated production capacity of 2.75 million MT per annum. This will enable the Group to meet growing cement demand in Sarawak, have significant reserve production capacity, as well as potentially extend its supply into nearby countries. CMS Cement’s staff and operations are avowedly customer-centric in terms of assuring both quality and supply reliability.

Our Cement Division has invested:

- More than RM56.0 million over the last six years on improving our pan-State distribution capabilities, which include our two bulk terminals; and
- RM80.0 million on upgrading our clinker plant’s production capacity and improving operational efficiencies and production quality.

# ENVIRONMENT



A COMPANY'S ENVIRONMENTAL PERFORMANCE RELATES TO THE IMPACT OF ITS OPERATIONS ON LIVING AND NON-LIVING NATURAL SYSTEMS SUCH AS LAND, AIR AND WATER. HERE AT CMS, WE UNDERSTAND THE IMPORTANCE OF MITIGATING ANY IMPACT OF OUR BUSINESS ACTIVITIES ON THE ENVIRONMENT AND HAVE INTRODUCED KPIS AND POLICIES THAT ARE HELPING TO CONSERVE AND MAINTAIN THE ECOSYSTEMS FOR FUTURE GENERATIONS TO ENJOY.

## ENERGY MANAGEMENT

Energy management is the judicious and effective use of energy to maximise profits (minimise costs) and enhance competitive position. At CMS, we believe that the management of energy is fundamental as it saves us money, improves the Group's reputation and mitigates climate change. It is our long-term aim to achieve optimum energy utilisation across all our Business Divisions.

### Sustainability at Our Workplace Campaign

In 2016, CMS launched its 'Sustainability at Our Workplace' campaign with the tagline "Greening CMS for our Future". Our aim is to reduce our carbon footprint and utility bills and our staff are guided by the various guidelines illustrated below.

These guidelines are printed on our annual CMS standee/calendar that is placed on every employee's desks. They are also printed on buntings and posters across all our CMS offices. They serve as a constant reminder to our staff to adopt sustainable work practices. This is also helping to establish a culture across CMS that proactively supports sustainable business practises.

## SUSTAINABILITY AT OUR WORKPLACE



### Implementing ISO 50001 at our Cement Division

In 2015, we began implementing ISO 50001:2011 at our clinker plant and expect to be fully certified by June 2016.

The process of implementing ISO 50001 will commence at CMS Cement's Kuching plant in 2016 and the Bintulu plant in 2017.

Specifically, ISO 50001 provides a framework to:

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



THE TOTAL SAVINGS ACHIEVED FROM ADOPTING SODIUM LAMPS OVER A PERIOD OF FIVE YEARS IS

**RM17,444.70**

### Introducing Energy Efficient Technologies

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

CMS Clinker Sdn Bhd has purchased vertical roller mills and is now utilising coal which is sourced locally from Mukah, Sarawak rather than from Indonesia. This coal has a low calorific value, high total moisture and high volatile matter. These elements are enhancing operational efficiencies, producing cost savings and helping reduce energy consumption.

CMS Clinker has also upgraded its kiln and now uses a high-momentum burner that controls the swirl and jet air volume for a more effective flame shape. This enhancement has improved the heat recuperation and heat consumption is now below 800 kcal/kg clinker compared to 865 kcal/kg previously.

### Energy Efficient Lighting

There is a significant drive across several CMS Business Divisions to adopt energy efficient lighting wherever possible. LED bulbs are a sensible option as they are energy efficient, have a long life and are free of toxic chemicals.

Our Property Development Division is using LED lighting in the common areas of many of its new properties such as the niche Rivervale Residences project and the Isthmus river pontoon. The Division also uses LED bulbs in its general landscaping lighting and sodium lamps (which reduce energy) at its construction sites. The total savings achieved from adopting sodium lamps over a period of five years is RM17,444.70.

At its offices, CMS Wires Sdn Bhd is replacing existing lighting with LED bulbs when the old bulbs fail. The Group is also piloting the use of solar street lighting in properties developed in the Samalaju Township.

## ENVIRONMENT

### CMS' Electricity Consumption

To align with the GRI Guidelines for Sustainability Reporting, the Group is presenting its total energy consumption for the last three years. This data is presented as follows:

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

| Division                         | 2013               | 2014               | 2015               |
|----------------------------------|--------------------|--------------------|--------------------|
| Cement                           | 116,434,084        | 124,417,379        | 129,166,315        |
| Construction Materials & Trading | 4,323,177          | 4,076,371          | 3,912,248          |
| Construction & Road Maintenance  | 581,529            | 607,536            | 660,837            |
| Property Development             | 91,624             | 151,509            | 171,074            |
| Samalaju Development             | 7,767,327          | 3,136,491          | 5,394,312          |
| <b>Total</b>                     | <b>129,197,741</b> | <b>132,389,286</b> | <b>139,304,786</b> |

## WATER MANAGEMENT

Water is a limited and precious resource and must be managed both for immediate needs and for long-term economic and environmental sustainability. At CMS, we aim to control water use by planning, developing, distributing and managing water resources optimally.

### Using Recycled Water to Cool Machinery

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

### Rainwater Harvesting Programme

Rainwater harvesting is the process of collecting rainwater with the intention of reusing it on-site. In 2010, we began our Rainwater Harvesting Programme at our Clinker plant. However, the project is currently on hold but we aim to relaunch the programme in 2016 and also extend it to other Divisions.

### CMS' Water Consumption

To align with the GRI Guidelines for Sustainability Reporting, the Group is presenting its total water consumption for the last three years. Our water consumption by Business Division is presented below.

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

| Division                          | 2013           | 2014           | 2015           |
|-----------------------------------|----------------|----------------|----------------|
| Cement                            | 120,806        | 155,079        | 192,220        |
| Constructions Materials & Trading | 42,617         | 34,877         | 30,730         |
| Construction & Road Maintenance   | 4,128          | 3,854          | 4,615          |
| Property Development              | 809            | 352            | 510            |
| Samalaju Development              | 289,810        | 53,982         | 133,084        |
| <b>Total</b>                      | <b>458,170</b> | <b>248,144</b> | <b>361,159</b> |

## MATERIALS MANAGEMENT

Materials Management involves the replacement of raw materials with recycled materials where appropriate. At CMS, we are conscious that our planet has finite natural resources. As such, we do our best to research and innovate so as to reduce the use of natural resources in our operations where suitable.

### Reusing Waste in the Production of Clinker

We are committed to using waste products in our clinker production. We use sludge, old kiln bricks and ash as replacement materials for limestone which is a natural resource. Ca(OH)<sup>2</sup> sludge is also used as a replacement material. Whilst the replacement percentage is negligible, we are looking to collaborate with other industrial players to obtain larger volumes of sludge.

CMS Clinker is also studying the possibility of using Phosphogypsum waste as a replacement for limestone. We have obtained waste samples from Perak and China for research, however, more studies have to be conducted to ascertain the feasibility of this waste material.

One of CMS Clinker's long-term goals is to increase substitution of limestone with at least 18% of granulated blast-furnace slag, fly ash, silica fume and burnt shale or a combination of these materials. This will also benefit CMS Cement as their cement can then carry an Eco-label and be more suitable for exports.

### Tyre-derived Fuel

Tyre-derived-fuel (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. Burning tyres is also a better option than discarding used tyres in landfill. This is especially important in Malaysia, as tyres may harbour disease vectors such as mosquitoes that can transmit several tropical diseases.

Effective March 2015, in place of coal, CMS Clinker began processing TDF by burning small quantities of shredded tyres purchased from a local-based supplier to manufacture clinker. Following these trials, no significant negative effects were discovered at the clinker plant. We are now seeking the relevant approvals from governmental authorities for commercial production of TDF.

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

Our Construction & Road Maintenance Division is studying the possibility of using manganese slag premix aggregates for road-based maintenance and construction work. This slag is sourced from the Samalaju Industrial Park.

### COLD IN-PLACE RECYCLING (CIPR)

CMS Pavement Tech Sdn Bhd is a specialist provider of pavement works covering construction, rehabilitation and maintenance. Its core business is the rehabilitation of existing pavements by cement/bitumen stabilisation using the Cold In-Place Recycling (CIPR) technique. The conventional pavement reconstruction methods involve adding another layer on top of the existing pavement. This method tends to be costly, inefficient, slow and environmentally-unfriendly due to the extensive usage of construction materials, the dusty conditions at worksites and the longer construction time required.

CMS Pavement Tech specialises in using cement stabilisation technology to reconstruct and rehabilitate pavements using the Wirtgen WR2500S machine. The existing pavements are recycled, stabilised with cement and enhanced with a higher strength, new bounded base. CMS Pavement Tech 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 as well as improved pavement performance and design life.



## WASTE MANAGEMENT

Waste management involves the practice of collecting and disposing of waste (and effluents) produced in our plants. Improper waste management can potentially have negative effects on the community's health, and similarly it can also negatively impact the health of the environment. Positive waste management systems, however, can prevent the negative impact that waste has on the environment. Recycling or reusing materials that have already been used is another environmentally friendly way of utilising waste.

### Solid Waste

Solid waste refers to any garbage, refuse or sludge from a wastewater treatment plant, water supply treatment plant, or air pollution control facility and other discarded materials stemming from industrial and commercial operations and from community activities.

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

General waste is usually separated and sold to a third party vendor for recycling. Wood waste is donated to a nearby bricks manufacturing company. Some of the waste components including spent oil are incinerated during clinker production.

CMS Wires sells its waste iron oxide and scrap metal to a local steel manufacturer. In 2015, CMS Wires sold 42.96 MT of scrap.

### Scheduled Waste

Scheduled waste is any discarded solid, liquid or contained gas or material that can no longer be used. It is hazardous and is difficult to dispose of safely without special technologies and facilities.

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

| Type 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>Container contaminated with laboratory chemicals</li> <li>Drums contaminated with oil, lubricant and grease</li> </ul> | SW409      |
| Obsolete laboratory chemicals   | SW430      |
| Waste of lead batteries in whole or crushed form  | SW102      |
| Waste of electrical and electronic  | SW110      |

The procedure of handling the scheduled waste is summarised below:

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

PPES Works (Sarawak) Sdn Bhd 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

As a corporate body involved primarily in the manufacturing of business-to-business (B-2-B) products, we are focused on good environmental practice and conduct regular environment monitoring to keep our practices within the regulatory standards and to prevent industrial pollution.

### Air Emissions Management

The results of CMS' Total Suspended Particulates are presented on the following page. We have included three quarries; five monitoring stations at the Proposed Sarawak Museum Campus; and CMS Clinker's waste gas stack, cooler stack and coal stack. All readings are within the Malaysian Recommended Environmental Air Quality Guidelines of 260 µg/m<sup>3</sup>.

## ENVIRONMENT

### Air Quality Results (µg/m³)

| Location   | Total Suspended Particulate (µg/m³) | Readings Taken |
|--|-------------------------------------|----------------|
| Quarry at Mile 7                                       | 207.15                              | Q4 2015        |
| Quarry at Mile 9 ½                                     | 102.85                              | Q4 2015        |
| Gunung Sebanjis  | 43.95                               | Q4 2015        |
| <b>PPES Works (The Proposed Sarawak Museum Campus)</b> |                                     |                |
| A1   | 67.51                               | Q4 2015        |
| A2   | 63.29                               | Q4 2015        |
| A3   | 59.07                               | Q4 2015        |
| A4   | 46.41                               | Q4 2015        |
| A5   | 59.07                               | Q4 2015        |
| <b>CMS Clinker</b>                                     |                                     |                |
| Waste Gas Stack  | 43.67                               | Annually       |
| Cooler Stack   | 37                                  | Annually       |
| Coal Mill Stack  | 21.33                               | Annually       |

### Noise Monitoring

Noise exceeding 85 decibel (dB) can cause annoyance to people. In the year under review, PPES Works (Sarawak) conducted noise level measurement at five sites near the Proposed Sarawak Museum Campus. A summary of the results taken around the vicinity of the project site in the fourth quarter of 2015 is presented below.

#### Noise Monitoring at the Proposed Sarawak Museum Campus

| Location                 | Point | Minimum Level (dB) | Maximum Level (dB) | Average Level (dB) |
|--------------------------|-------|--------------------|--------------------|--------------------|
| Within the project site  | N1    | 48.2               | 52.2               | 50.2               |
| Near the commercial area | N2    | 46.3               | 54.3               | 50.3               |
| General Clinic           | N3    | 48.4               | 56.4               | 52.4               |
| Merdeka Palace Hotel     | N4    | 52.3               | 58.3               | 55.3               |
| RTM office               | N5    | 47.6               | 61.4               | 54.5               |

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

#### CMS Quarries Noise Monitoring

| Location           | 1H 2015          |                    | 2H 2015          |                    |
|--------------------|------------------|--------------------|------------------|--------------------|
|                    | Day-time (d(B)A) | Night-time (d(B)A) | Day-time (d(B)A) | Night-time (d(B)A) |
| Quarry at Mile 7   | 56.3             | 52.7 *             | 57.5             | 52.6               |
| Quarry at Mile 9 ½ | 54               | 47.6               | 65.3             | 46.9               |
| Gunung Sibanyis    | 59.2             | 41.6 7             | -                | -                  |

### Dust Emissions

High levels of dust can be produced when cement is manufactured and handled. CMS Cement continuously focuses on controlling and reducing the levels of dust.

#### Upgrading of coal mill system

In 2013, we upgraded the coal mill system at CMS Cement. The previous coal mill was a ball mill type that was able to grind a maximum of 15 MT per hour. The new coal mill has a capacity of 22 MT per hour. The coal mill upgrades provided two benefits: lower specific power consumption and lower dust emissions.

#### Baghouse Dust Collector

In 2015, CMS Premix Sdn Bhd changed its pollution control system from a Venturi Scrubber to a Baghouse Dust Collector. The main advantages of the Baghouse Dust Collector are:

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

### Vibrations Monitoring

Ground vibrations induced by blasting in quarries are one of the fundamental problems in the quarrying industry. Uncontrolled vibrations may cause severe damage to nearby utilities and pipelines.

CMS Quarries monitors seismic vibrations when blasting in three directions at right angles to each other – radial, transverse and vertical. In 2015, our consultants took seismic and air vibrations measurements on 56 occasions. The minimum, average and maximum readings are presented below.

#### CMS Quarries (Stabar Quarry) Vibrations Monitoring

| Channel/Measurement        | Average |
|----------------------------|---------|
| Radial Velocity (mm/s)     | 5.02    |
| Transverse Velocity (mm/s) | 5.38    |
| Vertical Velocity (mm/s)   | 3.94    |
| Air (dBL)                  | 109.23  |

The permissible vibration guideline states that seismic vibrations must not exceed 5 mm/s and air vibrations should not exceed 128 dBL. However, these are a guideline and CMS Quarries' true measure of vibrations is gauged by the number of complaints received. No complaints have been received for the past three years.

### BIODIVERSITY

Biodiversity may refer to the enriching of the natural world or to restoring or protecting habitats. During PPES Works (Sarawak)'s construction of the Golden Bridge across the Sarawak River which is on-going, site clearing was restricted to the bridge zone. Several measures were introduced to control water pollution, soil erosion and sedimentation. Bins were provided along the bridge and at its landing points. Buffer strips of undisturbed vegetation were also kept along the northern bank of the river.

### Tree Planting

In 2016, our Property Development Division has targeted to plant approximately 200 trees across its various developments.



### Samalaju Eco Park Township

Our Samalaju Development Division is involved in the development of the new, approximately 2,000-acre Samalaju Eco Park Township at the area adjoining the Samalaju Industrial Park (SIP). The Division aims to create an attractive township to enhance the SIP's appeal to investors, potential employees and support industries. The first phase of the township was launched in 2015.

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

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

### Tree Planting Plan at Samalaju Eco Park Township

| 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             |
| 160 Units Apartments      | 6.01           | 2.45            | 41%             | 123          | 50                      | 2016             |
| 96 Units Apartments       | 2.76           | 0.99            | 36%             | 50           | 50                      | 2016 & 2017      |
| 96 Units Apartments       | 2.97           | 1.33            | 45%             | 67           | 50                      | 2017             |
| Service Centre – 34 Units | 5              | 0.45            | 9%              | 9            | 20                      | 2017             |

### Green Buildings at The Isthmus

Our Property Development Division is developing a 246-acre development called The Isthmus in Kuching. This development continues in earnest even as the project accelerates forward towards fulfilling its vision of becoming the strategic up-and-coming Central Business District (CBD) extension of Kuching. In 2015, the development received a boost when it received a Commendation Award for its masterplan at the Sarawak Housing and Real Estate Developers Association (SHEDA) Excellence Awards 2015.

Our Property Development Division is adopting the Green Building Index (GBI) accreditation standard for new projects where possible at The Isthmus. The Menara Sarawak Energy building, head office for Sarawak Energy Berhad (SEB), was completed in 2013. It is the first green building in East Malaysia and the first to be awarded the Final GBI Silver Rating. Currently, CMS Property Development Sdn Bhd is developing 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. As at end 2015, the projects were 75% and 66% completed respectively.

ENVIRONMENT

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

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

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

CMS Eco Wall Panels

CMS Concrete Products Sdn Bhd currently produces reinforced concrete square piles, pre-stressed beams, pre-cast box culverts, concrete hollow blocks, cement-sand bricks, ready-mixed concrete and pre-cast IBS components such as CMS Half Slabs for floors and the CMS Eco Wall Panels.

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 significantly reduced and it utilises quarry products such as quarry dust that are in less demand. The ECO Wall Panel is 30% lighter in weight due to its advanced hollow core design and approximately equivalent to 90 pieces of brick and its compressive strength of 25 Newtons per square millimetre makes it suitable as a load bearing wall.

ENVIRONMENTAL COMPLIANCE

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

ISO 14001 Certification Dates

| CMS Cement<br>(Kuching Plant)     | CMS Cement<br>(Bintulu Plant)     | CMS Clinker                       | CMS Quarries                      | PPES Works<br>(Sarawak)           | CMS Roads                         |
|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| ISO 14001 certified<br>since 2001 | ISO 14001 certified<br>since 2008 | ISO 14001 certified<br>since 2012 | ISO 14001 certified<br>since 2005 | ISO 14001 certified<br>since 2004 | ISO 14001 certified<br>since 2005 |

# SOCIAL: LABOUR PRACTICES AND DECENT WORK



AT CMS, WE STRIVE TO COMBINE THE BEST OF TWO ENVIRONMENTS: THE WARMTH AND COMPANIONSHIP OF A FAMILY ENVIRONMENT WITH THE PROFESSIONALISM OF A WELL-RUN MERITOCRATIC LISTED COMPANY.

Our employment practices are underpinned by the principles of fair treatment for our employees and a balance between performance, pay and participation. This is evident by our Group's relatively low turnover rate (as per the table below) for the last three years.

## Employee Turnover Rates

| Turnover                              | 2013       | 2014       | 2015       |
|---------------------------------------|------------|------------|------------|
| Total Turnover (%)                    | 6.80%      | 6.20%      | 5.50%      |
| Turnover by Gender (No. of Employees) |            |            |            |
| Female                                | 22         | 26         | 27         |
| Male                                  | 122        | 114        | 103        |
| <b>Total</b>                          | <b>144</b> | <b>140</b> | <b>130</b> |

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 strive to be an employer of choice in Sarawak by creating an environment that motivates our staff. We help them realise their full potential even as they embrace and live out our values.

### Local Hiring

We believe in prioritising the hiring of Sarawakians to boost local economic growth and create jobs. If we are unable to recruit locally, other Malaysians are considered before we look further afield. For example, 100% of our Construction Materials & Trading Division and Samalaju Development Division's Senior Management are hired from the local community.

We strive to create opportunities for Sarawakians to develop their skills and enjoy a rewarding career.

### Notice Period for Operational Change

We pay particular attention to providing appropriate notice periods in the event of a significant operational change. This also depends on the type of operational change being made. Where the operational change involves transfer or secondment to another location, the employee is given reasonable notice before he or she is required to move.

### Grievances

Grievances are defined as a complaint by an employee that is 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

Employees are forbidden from making sexual gestures or requesting sexual favours which contain implied or overt promises of either preferential or detrimental treatment. Employees must not subject any other staff to any written or spoken language, or visual material of a sexual nature or with sexual connotations.

We have formalised guidelines to handle sexual harassment complaints.

## DIVERSITY AND EQUAL OPPORTUNITY

At CMS, we are proud of our Sarawakian heritage and culture. Sarawak is home to more than 40 sub-ethnic groups, each with its own distinct language, culture and lifestyle. Due to our multi-cultural and close-knit upbringing, most Sarawakians graciously accept religious, cultural and other differences. In today's modern world, we believe Sarawak is the epitome of a tolerant and moderate society. Therefore, when it comes to embracing a diversified workforce, this 'comes quite naturally' to us at CMS. We are able to inculcate a work culture that values the unique perspectives and contributions of every employee, and in doing so ensure that we attract and retain a talented and diverse workforce that contributes to the Group's success.



SARAWAK IS HOME TO

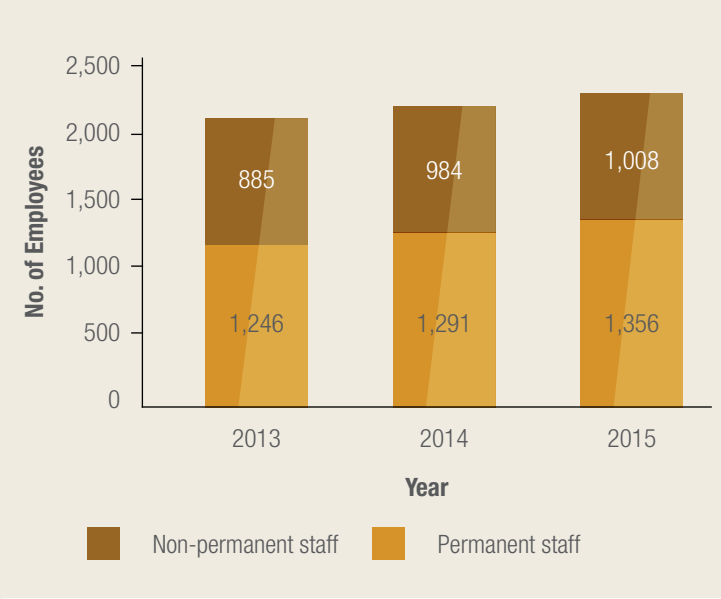
**MORE THAN 40**

SUB-ETHNIC GROUPS,  
EACH WITH ITS OWN DISTINCT  
LANGUAGE, CULTURE AND LIFESTYLE.

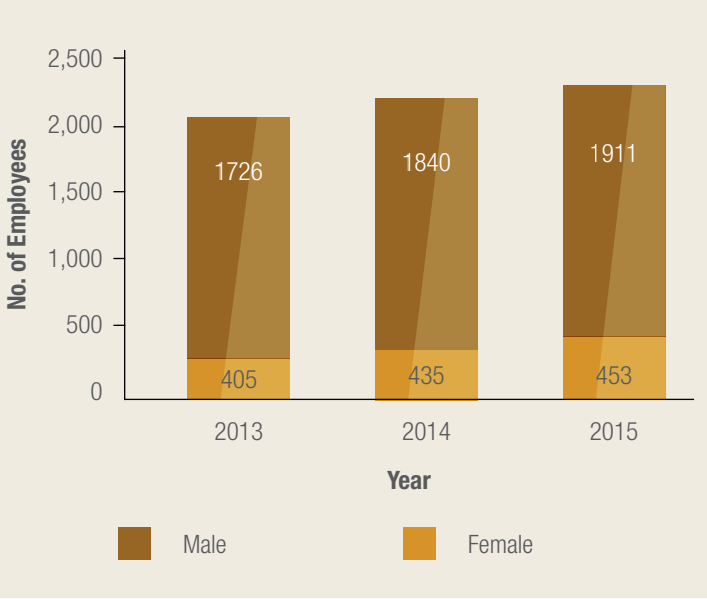
# SOCIAL: LABOUR PRACTICES AND DECENT WORK

The following charts highlight the diversified workforce at CMS.

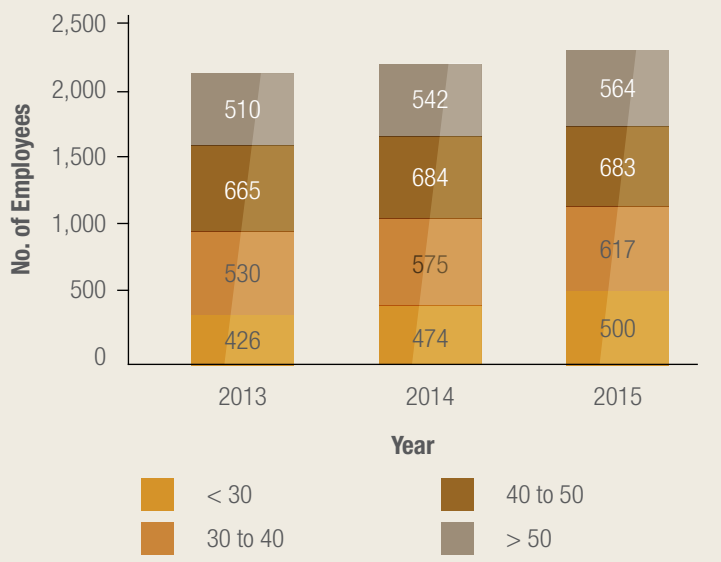
Workforce by Employment Type



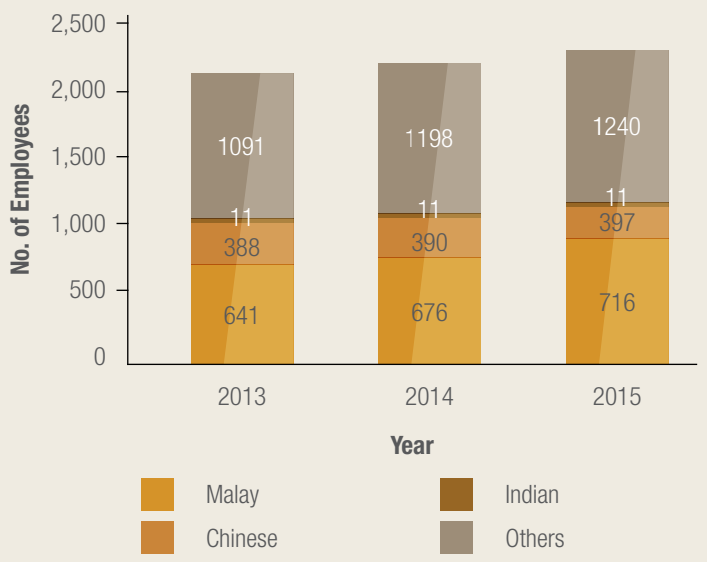
Workforce by Gender



Workforce by Age Group



Workforce by Ethnicity



## EMPLOYEE ENGAGEMENT

We continue to actively engage with our employees to promote a conducive and positive work environment. We are committed to a fuller life for all employees particularly through our various work-life balance programmes.

### Work-Life Balance

We organise annual work-life balance initiatives that are tailored to the needs of our employees. A host of work-life balance benefits have also been introduced that improve our employees' well-being and lifestyles. 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; and
- 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.

### **Koffee Talk Initiative**

The Koffee Talk initiative, which began since 2007, is a platform for CMS' non-executive employees who make up the largest category of workers within the Group. Through this platform, employees can channel their work-related issues and general concerns directly to Senior Management and Group HR.

The programme is held biennially and allows non-executive employees to communicate outside the confines of an office setting as well as raise questions and engage in a more informal atmosphere in the absence of their managers. The main issues raised during the Koffee Talk are summarised and highlighted during the year end Town Hall sessions. Senior Management explains how each issue is being addressed, which helps retain employees' faith in the process,

The Koffee Talk sessions promote better communication between Senior Management and non-executive employees within the Group.

### **Board of Directors and Senior Management Strategic Retreats**

The Board of Directors Strategic Retreat is held offsite annually. The Board receives presentations from each Head of Division and key Head Office Departments covering their current operations, future plans and challenges. These are then discussed and recommendations are made. Our Group Executive Director and Group Managing Director also make presentations that focus on big picture issues and CMS' overall strategic directions, challenges and opportunities.

We also conduct annual Senior Management Strategic Retreats. These are similar in format but involve a larger group of senior managers. The retreat fosters closer working relations within the Senior Management team with a view to improving synergy, increasing collaboration and instilling a sense of common purpose.

### **Management Retreat**

CMS holds an annual management retreat for managers and senior executives. This retreat is a forum to receive updates from top management on the performance and direction of the Group. Surveys and training specific to managers' needs are conducted to help managers identify current issues relating to work performance and areas of concerns.

### **Town Hall Sessions**

The CMS Town Hall sessions are engagement initiatives between the Senior Management and all employees of the Group. First introduced in 2007, the Town Hall sessions are held annually in Kuching, Sibul, Bintulu and Miri. At these sessions, our Group Executive Director and Group Managing Director provide an update on the annual performance of the Group and its future direction. The Town Hall sessions also provide an avenue for top management to engage with all employees on important issues that affect the organisation and the workforce.

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



### **Annual Dinner**

We organise an annual dinner for all employees at the end of each year. The annual dinner is held in appreciation of their contribution, efforts and service to the Group. Group annual dinners and respective Divisional annual dinners are held on alternate years.

### **Employment Engagement Initiative**



In 2015, Group HR introduced a new KPI item – the Employee Engagement Initiative (EEI). Under the EEI, manager-level employees and above are required to initiate and organise at least two group activities with their immediate subordinates. These activities may range from breakfasts/luncheons to coaching and teambuilding gatherings. The EEI aims to enhance social relations amongst team members and provide an avenue for discussion about the future direction of the respective Business Units/Divisions amidst a casual atmosphere.

**SOCIAL: LABOUR PRACTICES  
AND DECENT WORK**

**Baleh-Kapit Raft Safari**

Every two years, CMS participates in the Baleh-Kapit Raft Safari, a two-day rafting competition held along the Rejang River. The CMS team is led by Group Managing Director, Dato’ Richard Curtis, along with several management trainee graduates and executives. 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 employees, who are mostly from the millennial generation. Amidst an atmosphere of fun and the challenging environment of the competition, the opportunity also allows Dato’ Richard Curtis to share his thoughts on the Group and its future direction with the next generation of potential leaders.

**CMS Friendly Games 2015**

For the year in review, a host of sporting events such as badminton, football, futsal and bowling games were organised with the aim of fostering a team spirit and camaraderie between employees, clients, stakeholders and the community. Approximately 200 employees participated in the 2015 CMS Friendly Games.

CMS continues to hold its grand Group-wide sporting event, ‘the CMS Games’ every alternate year. Involving employees from all across the Group, this event aims to foster stronger ties and Group-wide unity. Over 1,000 employees across the Group participated in the CMS 2013 Games. The next CMS Games are expected to be held in 2016.



**Employee Satisfaction Survey**

The Group takes cognizance of the importance of a good working relationship between our employees and Senior Management and amongst each other in order to perform at their best. It is Management’s prime duty to discourage conflicts in the team and instead encourage healthy employee relationships in the respective Head Office Departments and Business Divisions.

Following the feedback we received from the Employee Satisfaction Survey conducted in 2014, we organised:

- i. Get-together sessions over breakfast, luncheon, dinner and outdoor activities with supervisors and their subordinates;
- ii. Teambuilding sessions encompassing
  - 21 sessions with the Cement Division,
  - 6 sessions with the Construction Materials & Trading Division,
  - 31 sessions with the Construction & Road Maintenance Division;
- iii. Personal coaching mentoring; and
- iv. One-to-one appraisals and performance reviews.

**Long Service Awards**

Introduced in 2007, our Long Service awards event has served as a platform that enables us to show our appreciation and accord special recognition to our employees for their loyalty to the Group. Each employee is 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 2015, a total of 174 employees received the ‘Long Service Award’.

**OurCMS Magazine**

OurCMS is an internal magazine which aims to keep our CMS employees connected. It covers events, corporate news and feature stories in CMS and is published on a triannual basis. We view this as an important platform for connecting our entire network of staff who are posted across Sarawak. OurCMS is also available on our corporate website for public viewing.

**Other Forms of Engagement**

Other forms of employee engagement occur regularly throughout the year. In 2015, engagement activities included regular Head Office Departments and Business Divisions operational meetings, memoranda, notices, intranet updates, circulars, workers’ gatherings, office luncheons, dinners and company outings.



## PERFORMANCE MANAGEMENT

Our performance management system provides a framework for employees to be accorded work targets that are linked to the Group's overall goals and direction. These goals are aligned with business objectives that will have a direct impact on the Group's performance. Rewards that take the form of performance contract payments or bonuses are linked to performance against these goals. The quantum is calculated based on a combination of individual achievements and overall Company and Group performance.

At CMS, our KPI system comprises five main components:

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

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 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 annual 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 2016. These targets could relate to materials management, energy management, water management, waste management, air emissions control and biodiversity. All SKPIs for 2016 were agreed at the beginning of the year between the Heads of Divisions and Group Managing Director as part of the annual KPI setting process.

# SOCIAL: LABOUR PRACTICES AND DECENT WORK

## COMPETITIVE BENEFITS

All remuneration and benefits are at least in line with the enforceable statutory minimum. CMS believes in fair pay and benefits for all workers. Our pay rates and benefits are reviewed regularly to ensure that they are in line with the job market. Income inequality is a serious problem in our industry and we examine these issues closely.

### Summary of Benefits

|  |   |  |   |   |
|--|---|--|---|---|
|  <p>Training</p> <ul style="list-style-type: none"> <li>- Executive</li> <li>- Non-Executive</li> </ul>             |  <p>Salary and Allowances</p> <ul style="list-style-type: none"> <li>- Acting</li> <li>- Responsibility</li> <li>- Relief</li> <li>- Site / Hardship</li> <li>- Others</li> </ul>  |  <p>Overtime</p> <ul style="list-style-type: none"> <li>- Executive</li> <li>- Non-Executive</li> </ul>   |  <p>Salary Deductions</p> <ul style="list-style-type: none"> <li>- EPF</li> <li>- SOCSO</li> </ul>   |  <p>Annual Leave</p> <ul style="list-style-type: none"> <li>- Executive</li> <li>- Non-Executive</li> </ul>                            |
|  <p>Medical Leave</p> <ul style="list-style-type: none"> <li>- Sick Leave</li> <li>- Prolonged Illness</li> </ul> |  <p>Other Types of Leave</p> <ul style="list-style-type: none"> <li>- Compassionate / Calamity</li> <li>- Marriage, Paternity &amp; Maternity</li> <li>- Examination &amp; Study</li> <li>- Pilgrimage</li> <li>- Leave of Absence to Represent State / Country</li> <li>- Unpaid</li> </ul> |  <p>Medical Care-Outpatient Treatment</p> <ul style="list-style-type: none"> <li>- Married / Single Employees with Dependent Children</li> <li>- Married / Single Employees without Dependent Children</li> </ul> |  <p>Medical Care-Hospitalisation</p> <ul style="list-style-type: none"> <li>- Executive</li> <li>- Non-Executive</li> <li>- Delivery</li> <li>- Warding</li> </ul> |  <p>Travel</p> <ul style="list-style-type: none"> <li>- Accommodation</li> <li>- Subsistence allowance</li> <li>- Mileage</li> </ul> |

### Flexible Working

Flexible working (flexi-time) is considered in instances where full-time employees cannot commit to normal working hours. These employees require a change in their assigned work roles or work environment due to:

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

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

Employees may apply for a reimbursement of fees after completing the course. This is subject to the approval of our Management.

### Health Screening

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

Employees aged 40 and below are subject to health screening twice a year while employees above 40 years old are subjective to it annually.

### Improved Benefits

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

### Revisions to our Employee Benefits Package in 2015

**MEAL ALLOWANCE  
UPGRADED FROM RM5  
TO RM7**

**INTRODUCED A WORK-LIFE  
BALANCE PAYMENT OF  
RM300 PER ANNUM**

**SUBSISTENCE ALLOWANCE  
ACCORDED ON LUMP  
SUM BASIS**

### Compassionate Fund

A Compassionate Fund was established to help employees in ways that are not covered by their employment benefits and/or 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 in cases where those persons' resources are limited and their medical or hospitalisation benefits entitlements are insufficient. Each year, all proceeds from in-house training are channelled to the Compassionate Fund. A total of RM117,547.15 was disbursed in 2015 and to-date the Compassionate Fund has never had to turn a valid claim away due to lack of funds.

### Employees' Share Option Scheme (ESOS)

The CMS ESOS scheme was first introduced in 2010 as part of the Group's strategy to incentivise staff. The five-year ESOS scheme commenced on 23 June 2010 and expired on 22 June 2015. The ESOS scheme allows staff to participate in the Group's growing profitability through the upward trending share price and through gains from the dividends declared by the Group. This encourages staff to think about their Company not just as employees but also as shareholders. This scheme:

- Attracts and retains talents;
- Motivates staffs to consistently perform and contribute to CMS' profitability; and
- Encourages increased productivity and performance.

### Retirement Benefit

Employees on mandatory retirement may receive a retirement ex-gratia based on their last drawn basic salary. This benefit is received by employees with a minimum of ten years of continuous employment and a clean disciplinary record for the last two years. 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.

### Cushioning the Impact of GST

Effective 1 April 2015, Malaysia began the implementation of the Goods and Service Tax (GST) regime. This was a major change which had an impact on all businesses and individuals.

Following the implementation of GST, the Company introduced a one-off special payment to help employees with the impact of GST and this was paid to employees in two equal instalments, in August and November of 2015. Employees whose basic salaries were RM3,000.00 and below received a total payment of RM600.00 while employees with a basic salary between RM3,001.00 and RM4,000.00 received RM500.00. A total of RM1.16 million was spent on this initiative.

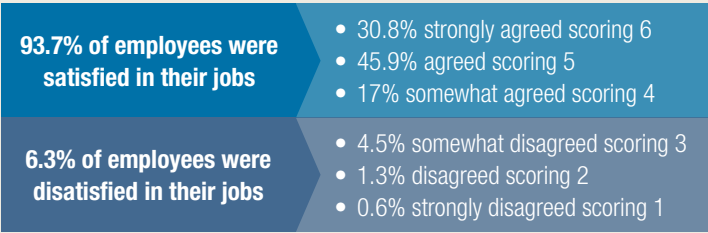
### EMPLOYEE SATISFACTION SURVEY

Employee satisfaction surveys are conducted once in two years. These surveys examine employee-supervisor relationships and gauge 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 survey was distributed on 7 July 2014 to 888 CMS employees, approximately 40% of the total CMS staff. The survey was anonymous and was conducted Group-wide. The results of the survey are presented in the following table.

SOCIAL: LABOUR PRACTICES  
AND DECENT WORK

Results of the Employee Satisfaction Survey 2014



OCCUPATIONAL HEALTH AND SAFETY

The Group recognises the importance of ensuring the safety, health and well-being of employees and others associated with its businesses. We are committed to continuously safeguarding, managing and preventing job-related injuries and illnesses. As far as is practical, we shall:

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

Group Safety Taskforce

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

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

Safety and Health Programmes

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

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 Division.

CMS Safety Month



The month of October represents the CMS Safety Month and this initiative has been running for three consecutive years. The objective of this event is to raise awareness on safety and to prevent accidents. The theme for 2015 – ‘Safety Begins with Teamwork’ – focused on behavioural safety, which applies behavioural research on human performance to safety issues in the workplace.

The safety events held in October 2015 included the following, among others:

Safety Events Held In October 2015

| Event   | Date            |
|---|-----------------|
| Health talk by KPJ Hospital (KPJ)   | 7 October 2015  |
| Health talk by Tags Spine & Joint (non-surgical and a non-drug approach to healthcare)  | 7 October 2015  |
| Site visit to CMS Cement where KPJ manned a health screening booth  | 8 October 2015  |
| Safety and health training covering office safety, working at height, chemical management, workplace stress and psychosocial risks                          | 13 October 2015 |
| Site visit to CMS Cement where KPJ manned a health screening booth  | 15 October 2015 |
| Site visit to CMS Construction Materials Quarry Pit where KPJ manned a health screening booth   | 22 October 2015 |
| Safety and health training covering proper use of Personal Protective Equipment (PPE), confined space, a tool box meeting, housekeeping and manual handling | 27 October 2015 |
| Emergency Response Plan (ERP) training  | 28 October 2015 |
| Site visit to CMS Concrete Beam Factory where KPJ manned a health screening booth   | 29 October 2015 |

CMS' Safety Month was launched by the respective Heads of Divisions in October 2015. It began with the handover of banners and buntings to Business Division managers and safety representatives.

Other health and safety programmes held in 2015 included:

- Daily site walkabouts to ensure that workers comply with OSHA 1994 and FMA 1967 regulations. The inspection covered all building operations and engineering works;
- Daily mosquito prevention by clearing the water ponding and treating with larvicide;
- Weekly joint inspections by the site safety supervisor, safety and health officer and site supervisor;
- Weekly toolbox meetings; and
- Temporary dry riser testing by BOMBA Tabuan Jaya on 15 September 2015.

## 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 2015, a total of 2,442 employees attended training sessions, including teambuilding sessions.

### CMS Training Budget and Hours

| Training  | Unit  | 2015 |
|---|-------|------|
| Average training budget per employee                      | RM    | 1533 |
| Average number of hours of training per year per employee | Hours | 17   |

### In-House Training Capability (ITC)

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

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

### Other Training Programmes

The following tables cover the various types of training programmes undertaken by our staff in 2015.

## TECHNICAL TRAINING

- Civil engineering
- Mechanical engineering
- Electrical engineering
- Project management
- Chemical engineering
- Road construction/engineering
- Property development (modular construction for residential and commercial buildings)
- Keeping abreast with industries' latest technologies, machinery and products
- Technical visits overseas
- Green building
- Specific skills training

## SOFT SKILLS TRAINING

- Leadership
- Human resources management
- Communication
- Train the trainer
- Secretarial and administration
- People management
- Senior Management development plans such as attending the Harvard programme or BFM
- Public speaking
- BURSA training
- Sales and marketing

### CMS Cement's Plant Assessment Visit

In early March, a team from CMS Cement Sdn Bhd together with representatives from CMS Head Office, visited a clinker plant in China. This plant assessment visit was led by the Head of the Cement Division.

The team was particularly impressed by the plant's green energy initiative. The plant invested heavily in constructing a waste heat recovery power generation plant to reuse waste heat energy from the clinker production process.

The team left China with a broader knowledge of production processes and possible green initiatives.

## SUCCESSION PLANNING

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

Management conducts succession planning annually and focuses on:

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

### 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.

# SOCIAL: SOCIETY



## CMS DOING GOOD

### Employee Volunteerism

CMS initiated a 'Doing Good' culture in the mid-1990s and its corporate responsibility (CR) role has continued to expand and evolve. Since 2007, CMS has focused primarily on direct employee participation in CR activities and we continue to inculcate a sense of concern and a caring attitude among our employees as a matter of policy. Direct employee participation takes the form of multiple year-round staff volunteerism. These projects are often led by CMS employees who have been working closely with the local community. Our 'Doing Good' projects include a combination of financial aid, contributions in-kind and staff volunteerism.

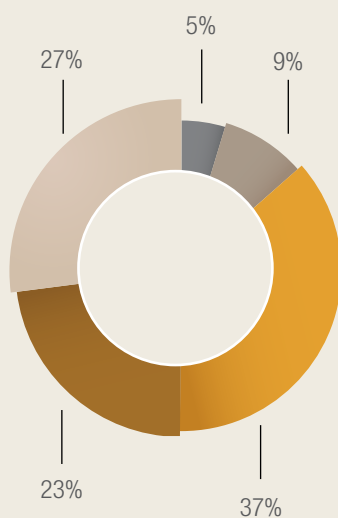
CMS employees volunteered a total of 43,526 man-hours of their own time to 'Doing Good' activities for the community in 2015. A total of RM148,608.00 was also raised by CMS employees for the community through the various fundraising activities and 'Doing Good' programmes.

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

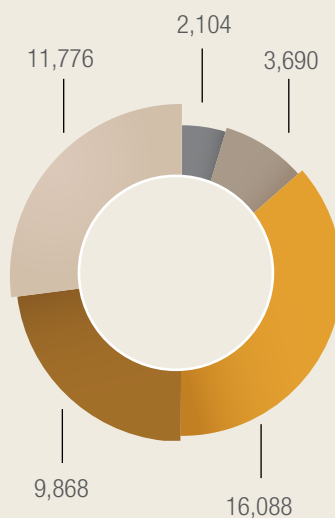


## CMS DOING GOOD

**Breakdown of Doing Good Initiatives in 2015 by Type**



**Man-hours Spent for Doing Good in 2015 by Category**



- Rebuilding Communities
- Sustaining Charitable Organisations
- Health Awareness Programmes
- Saving Lives
- Community Clean-ups

## Rebuilding Communities

### ***CMS Cement Bintulu's Gotong Royong (Communal Work)***

On 1 March 2015, CMS Cement Sdn Bhd (Bintulu) donated three tonnes of cement to the local community and volunteered to construct an exit pathway as well to lay and level the cement. They also cleared drains and cut the grass.

On 14 March 2015, CMS Cement Bintulu employees volunteered their time to help the teachers and students of Agama National School. The volunteers laid cement, demolished an existing fence and reconstructed the school's playground. They also built an area designated for dental hygiene for the students.



### ***Gotong-Royong in Mukah***

Forty-one employees from CMS Roads Sdn Bhd participated in a *gotong-royong* (communal work) programme in a village near Mukah on 15 March 2015. This joint collaboration aimed to foster better ties with the local community. Volunteers painted the walls, cleared the surrounding areas and cut down obstructing trees.

### ***Surau (Mini Mosque) Gets a Fresh Look***

On 16 May 2015, CMS Roads Sdn Bhd employees gathered to help repair and improve the community's Surau Al-Quddus at a village in Suai Niah. This included levelling the adjoining access road, earthworks, cement plastering, site clearing and cleaning the *surau* which gave the *surau* and the surrounding area a fresh look.

### ***Paving the Way to Goebilt National School***

On 23 and 24 May 2015, CMS Pavement Tech Sdn Bhd employees spent their weekend at Goebilt National School in Kuching. The volunteers laid a recycled asphalt pavement at the entrance of the school. This provided the school with a carpark and waiting area.



### ***Painting for a Good Cause***

On 25 July 2015, a total of 39 employees from CMS Works Sdn Bhd volunteered to repaint the carpark and concrete kerbs of St. Anthony's Roman Catholic Church in Sarikei. Our volunteers spent the whole day painting and presented the church with a new look.

### ***Building New Storage for Lubok Kepayang School***

CMS employees responded to the Principal of Lubok Kepayang School's request in July 2015 to help construct a 14' by 14' storage unit behind the school compound. The work took place on 3 October 2015 with the help of 37 employees.



### ***Volunteers Lend a Hand to St. Damien Church***

On 17 October 2015, 42 employees of CMS Quarries Sdn Bhd and CMS Works Sdn Bhd gave up their weekend to improve the appearance of St. Damien Church in Sarig village. The volunteers resurfaced the car park, which was in a poor state of repair. They laid stones in the compound and on the adjacent road. Volunteers also performed general work such as cleaning the compound, repainting the church and cutting the grass.

### ***PPES Works (Sarawak) Resurfaces Carpark at Sungai Pinang Ulu Village***

On 31 October 2015, a total of 46 employees from PPES Works (Sarawak) Sdn Bhd resurfaced the carpark at the community hall in Sungai Pinang Ulu village. They laid gravel then used premix to resurface and repair some of the damaged roads.



## SOCIAL: SOCIETY

### Sustaining Charitable Organisations

#### ***Brave to Be Bald***

The Go Bald initiative was held in Kuching on 3 May 2015. Sixteen employees shaved their heads while two of them also collected donations. A total of RM9,352.00 was collected and the proceeds went to the Sarawak Children's Cancer Society.



#### ***Raising Funds for Intellectually Disabled Children***

Four teams from CMS joined the annual Sarawak Association for the Welfare of Intellectually Disabled Children (PERKATA) Open Day Sale in Kuching on 3 May 2015. The volunteers raised funds amounting to RM6,393.00 in total for the welfare of intellectually disabled children in Sarawak.

#### ***PPES Works (Sarawak) Donates to Malaysian Red Crescent Sarawak (MRCS) Kuching***

On 15 May 2015, a total of 47 of PPES Works (Sarawak) Sdn Bhd employees got together to 'Do Good' for the community. The volunteers gave 360 man-hours of their time and used clothes to MRCS Kuching.

#### ***COPE Treats Orphans to Breaking of Fast Event***

CMS Opus Private Equity (COPE) treated 40 orphans from Anak Yatim & Tahfiz Paya Jaras to Majlis Berbuka Puasa (breaking of fast) event on 27 June 2015. As part of its 'Doing Good' initiative, COPE organised and sponsored RM3,000.00 for the event which was hosted together with the local communities. RM50 *duit raya* was also handed out to each of the orphans.

#### ***CMS Dished up an Impressive RM6,544.00***

CMS supported the Sarawak Cheshire Home Open Day and Charity Sales on 5 July 2015 in Kuching. Our CMS Teams manned a total of six stalls selling an array of food. They raised a total of RM6,554.00.

#### ***Rajah Charles Brooke Memorial Hospital Health Camp***

The Rajah Charles Brooke Memorial Hospital organised a health camp on 26 September 2015 which was held for the residents of various villages from the area.

30 CMS volunteers participated in several activities including manning the car park, distributing hampers and judging contests. The event aimed to raise awareness of healthy living and improve relationships with the community.

#### ***Raising Funds for the Kuching Life Care Society***

Various CMS employees participated in a charity sales event on 4 October 2015. The event was organised by the Kuching Life Care Society. They raised a total of RM1,609.80 to support the building of a palliative care centre to help terminally ill patients and their families.

#### ***Recycling for Charity***

On 31 July 2015, Group Internal Audit organised its first Group Recycling Campaign in the compound of its Head Office in Kuching. A total of 2,718.5kg of recyclables were collected and RM578.40 was raised for charity.

### Health Awareness Programmes

#### ***CMS Braves a Wet Colour Rush***

On 1 February 2015, 46 CMS employees supported the International Childhood Cancer Day. The proceeds from the 5 km race were donated to the Sarawak Children's Cancer Society.

#### ***CMS Super Heroes!***

Fifty-one CMS employees took part in the Super Heroes run, which was held for the second year. This event served as a platform to raise funds for the Society for Critically Sick Children (S.O.S Kids). The event was held in conjunction with Labour Day.



#### ***Get Active for a Healthy Life***

The Spring Live Active Run recorded a good participation rate from our employees with 89 employees taking part on 16 June 2015. The CMS team was led by our Group Managing Director. The annual run raised funds for three charitable organisations: The Kuching Autistic Association, Special Olympics Sarawak and Persatuan Dialisis Cahaya Kuching.



### **CMS Tribal Run**

CMS held the CMS Tribal Run 2015 on 6 September 2015. This first public run was held at MBKS, Kuching.

The CMS annual run was a significant milestone as it attracted an overwhelming 2,267 and 471 runners from inside and outside of Kuching respectively. The entry fees raised a total of RM103,104.00 and 100% was donated to eight local charitable organisations: Sarawak Association for the Welfare of Intellectually Disabled Children (PERKATA), Sarawak Society for Parents of Children with Special Needs (PIBAKAT), Kuching Autistic Association, Salvation Army, Hope Place Kuching, Sarawak Cheshire Home, Society for Critically Sick Children (SOS Kids) and Sarawak Hospice Society. Each organisation received RM12,888.00.

The CMS Tribal Run 2015, consisting of a 5 km fun run and a 10 km competitive race, started from the MBKS Building at 6.30 am and 7.00 am respectively.

The rain did not dampen the runners' spirits. Those wearing traditional tribal clothing competed to win the 'Best Outfits Awards'. There were also several lucky draws with many fantastic prizes won. CMS also sponsored 19 special needs children from Special Olympics Sarawak Kuching and their guardians so they could participate in the run.

### **Hari Sukan Negara (National Sports Day) 2015**

On 10 October 2015, CMS was represented by 22 cyclists and 187 runners in the National Sports Day celebration. The event was hosted by *The Sarawak Edition* and officiated by Minister of Social Development, Y Bhg Tan Sri William Mawan Ikam.

### **A Proud Sponsor of MRCS Jog-a-thon 2015**

In October 2015, CMS sponsored a prize of RM20,000.00 for the MRCS Jog-a-thon in Kuching.

Dato' Richard Curtis led 27 CMS employees in the 4 km MRCS Jog-a-thon on 29 November 2015.

### **Community Clean-ups**

#### **COPE Cleans Flood Aftermath**

The East Coast of Peninsular Malaysia was hit by severe flooding in late 2014. On 10 January 2015, COPE helped with the clean-up to ease the burden of flood victims. COPE also helped the parents of one of its colleagues whose home in Tanah Merah, Kelantan was hit by the tragedy.

### **Saving Lives**

#### **Every Drop Counts**

The Group collaborated with Sarawak General Hospital to organise the CMS Blood Donation Drive. The event was held within the compound of our Head Office in Kuching on 18 April 2015. A total of 87 donors took part in this good cause.



#### **You're Someone's Blood Type!**

On 26 May 2015, CMS Cement Sdn Bhd collaborated with Normah Medical Specialist Centre to organise a blood donation drive. Eighteen pints of blood were collected from the donors.

CMS Cement organises this yearly programme to help alleviate shortages at the hospital's blood bank.

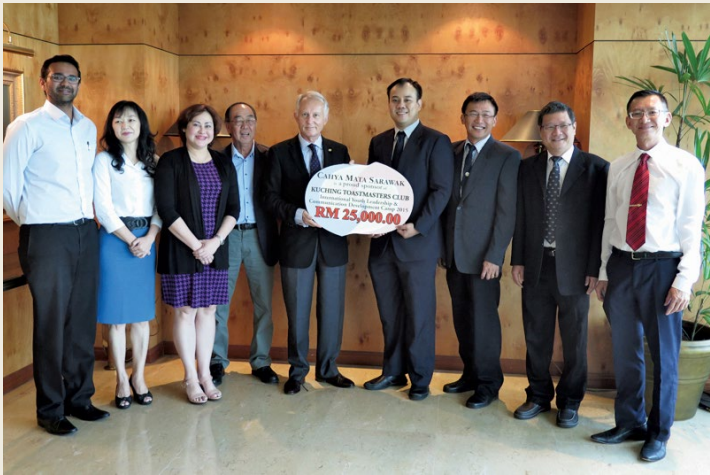
#### **In Time of Need**

On 15 July 2015, CMS donated RM5,702.80 from its Compassionate Fund to purchase a prosthetic limb for a spouse of a CMS Cement employee who underwent an amputation the year before.

SOCIAL: SOCIETY

CORPORATE PHILANTHROPY

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



PUBLIC POLICY AND LOBBYING

CMS Cement Sdn Bhd and CMS Clinker Sdn Bhd are active members of The Cement & Concrete Association of Malaysia (C&CA). 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). SQA serves as a platform for members to discuss industry related matters and sees activities such as dialogues with regulatory departments, discussions on market trends and training being organised 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.

# SOCIAL: PRODUCT RESPONSIBILITY



The quality of our products and services is of paramount importance to us and we protect the safety of all our customers and our community. We monitor customer satisfaction to ensure that we constantly remain ahead in this aspect.

### OUR COMMITMENT TO QUALITY

CMS is committed to continually improving its 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:

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

The complete list of the Group's Quality Certifications is illustrated on the table below.

| CMS' QUALITY CERTIFICATIONS   |   |
|---|---|
| <b>CMS CLINKER SDN BHD</b> <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 2004</li> </ul>                     | <b>CMS PREMIX SDN BHD &amp; CMS PREMIX (MIRI) SDN BHD</b> <ul style="list-style-type: none"> <li>• ISO 18001 since 2007</li> <li>• ISO 9001 since 2008</li> </ul> |
| <b>CMS CEMENT SDN BHD (KUCHING PLANT)</b> <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> </ul>      | <b>CMS WIRES SDN BHD</b> <ul style="list-style-type: none"> <li>• ISO 9001 since 2006</li> </ul>  |
| <b>CMS CEMENT SDN BHD (BINTULU PLANT)</b> <ul style="list-style-type: none"> <li>• ISO 9001 since July 2003</li> <li>• ISO/IEC 17025 since 2010</li> <li>• ISO 14001 since 2008</li> <li>• 5S Certification since 2007</li> </ul> | <b>CMS ROADS SDN BHD</b> <ul style="list-style-type: none"> <li>• IMS Certification (ISO 9001, ISO 14001 and ISO 18001)</li> </ul>                                |
| <b>CMS CONCRETE PRODUCTS SDN BHD</b> <ul style="list-style-type: none"> <li>• ISO 9001 since 2000</li> <li>• 5S Certification since Oct 2008</li> </ul>   | <b>PPES WORKS (SARAWAK) SDN BHD</b> <ul style="list-style-type: none"> <li>• IMS Certification (ISO 9001, ISO 14001 and ISO 18001)</li> </ul>                     |
| <b>CMS QUARRIES SDN BHD</b> <ul style="list-style-type: none"> <li>• IMS Certification (ISO 9001, ISO 14001 and ISO 18001)</li> </ul>   | <b>CMS PAVEMENT TECH SDN BHD</b> <ul style="list-style-type: none"> <li>• ISO 9001 since 2000</li> </ul>  |

SOCIAL: PRODUCT RESPONSIBILITY

Certificates of Registration with relevant Authorities

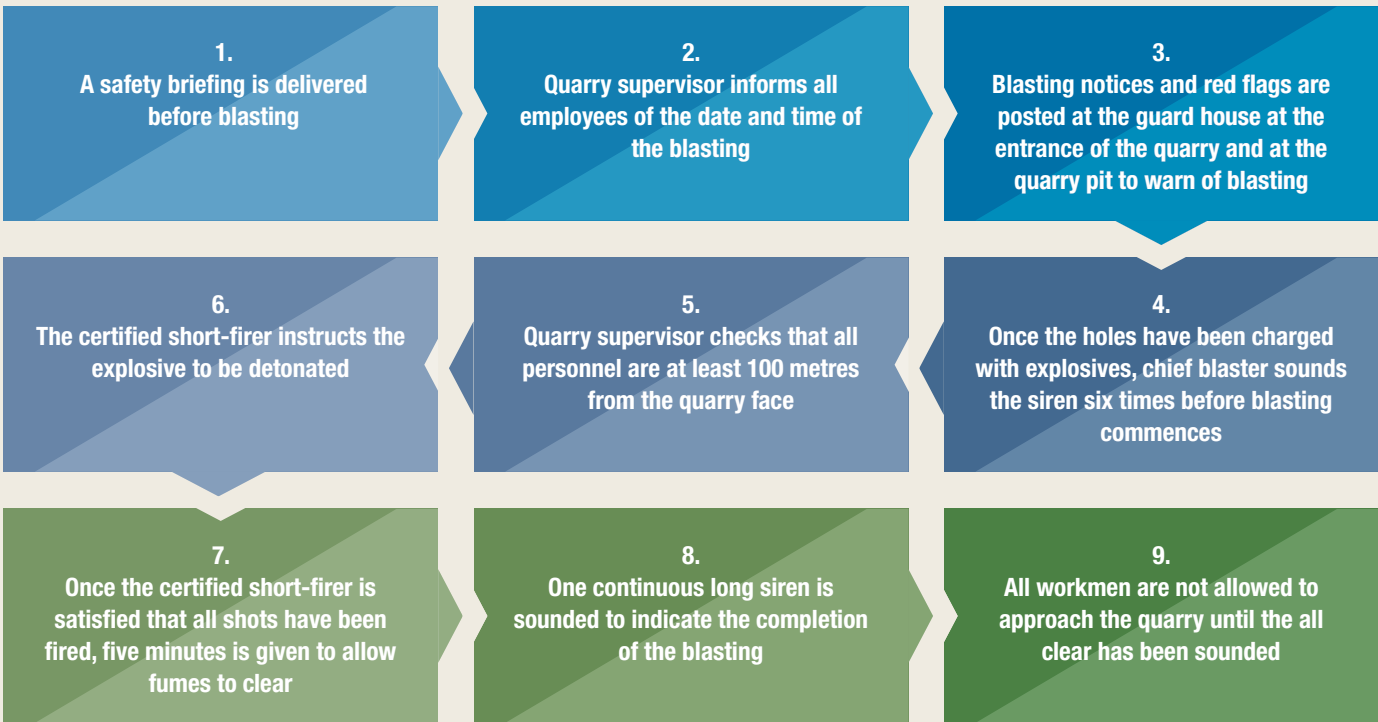
PPES Works (Sarawak) is registered with the various construction-related bodies:

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

These certifications allow PPES Works (Sarawak) to undertake works of any value which relate to the construction of buildings, civil engineering, mechanical and electrical construction-related activities.

Safe Blasting

At CMS Quarries Sdn Bhd, we ensure that our blasting methods are performed based on correct procedures with a strong emphasis on safety. At least six workers are involved in each blasting work; they include the Production & Maintenance engineer, Quarry Supervisor, Chief Blaster, Mining Supervisor and Drillers. Our blasting process is illustrated below.



CUSTOMER PRIVACY

At CMS, we respect customer privacy and we have strict regulations to ensure we protect personal data. 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; and
- Required or authorised by law or court order.

CUSTOMER SATISFACTION

Customer satisfaction is important to the Group and customers' responses are critical to gauging the performance of the Group's companies. Complaints and responses from our customer surveys are both reviewed and analysed.

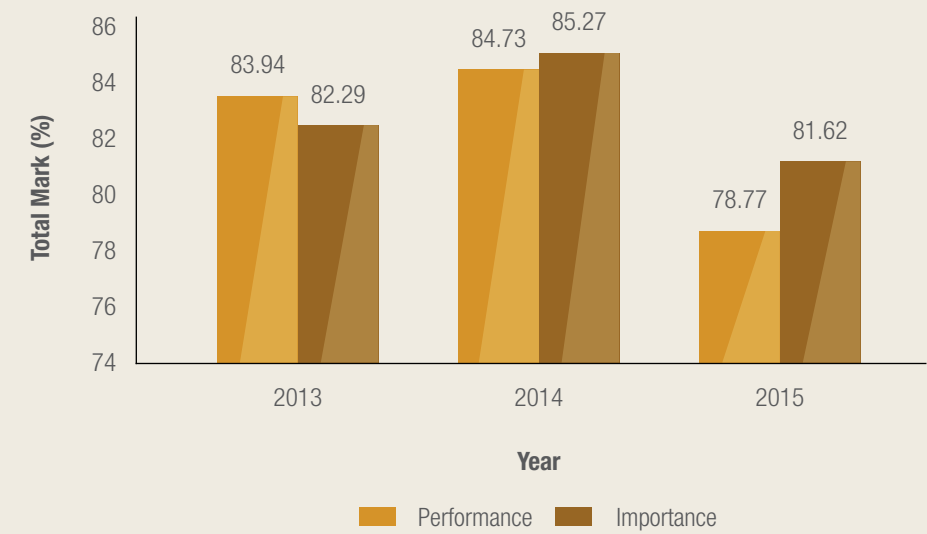
CMS Premix Sdn Bhd conducts customer surveys annually. In its last survey in 2015, it achieved a 100% rating of 'good or above' overall. This result has been consistent for the past three years.

CMS Quarries Sdn Bhd conducts a biannual customer satisfaction survey. Customers are asked to rate their satisfaction with regard to quality, stock availability, price, delivery, visits and courtesy. The company targets 80% on average satisfaction levels and is pleased to have surpassed its target for the last three years.

CMS Infra Trading Sdn Bhd achieved a rating of 100% in all aspects of its products and services. The vast majority of its customers consider that its products and services are excellent.

CMS Wires Sdn Bhd monitors the satisfaction of its customers annually. Customers are asked to complete a survey to gauge how satisfied they are with its products and services.

CMS Wires Customer Satisfaction Results



CMS Wires' customer satisfaction results decreased in 2015. This was due to a customer comparing our product specifications with differing product specifications from other manufacturers. We have communicated our view on the product differentiation issue to the respondent and hope to improve our score in 2016.

ETHICAL BUSINESS CONDUCT

The Group is committed to ensuring ethical business conduct across all our operations. We do not tolerate fraud, bribery or kickbacks and our Whistleblower Policy encourages staff and volunteers to come forward with credible information on illegal practices or violations.

Corruption

The Group has formalised policies and procedures to deal with corruption and improper conduct. Our Code of Ethics and Business Conduct 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 assessed risks and 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 2015.

Anti-Fraud Management

Fraud is an intentional perversion of the truth to induce another to part with something of value or surrender a legal right. It also covers deception by an individual to obtain advantage for direct personal or third-party benefit, avoiding an obligation or causing loss to another party.

Each employee is required to sign a form in which he/she acknowledges what constitutes fraud and agrees to report any occurrences of and suspected incidences of fraud.

Fraud Response Committee

The Fraud Response Committee comprises appointed representatives from various Head Office Departments. Their responsibilities include:

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

Whistle Blowing

The Group is committed to high standards of ethical, moral and legal business conduct. Any employee or external party can 'blow the whistle' on policy violations. They can make a formal confidential disclosure to a member of Designated Authority (DA).

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

# ENSURING A SUSTAINABLE FUTURE



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

As we explore new areas of opportunity, we remain committed to conducting our business in a responsible manner by upholding good Economic, Environmental and Societal performance. This is manifested internally amongst CMS' staff 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 lastly, we will continue to implement meaningful Corporate Responsibility or CR activities. Our employee volunteers who are involved in the various community projects feel a strong sense of obligation to fulfil their responsibilities to our community.

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







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