

CORPORATE SUSTAINABILITY STATEMENT

Introduction

Corporate sustainability is an integral part of our organisation. The Group aims to maintain positive relations with all stakeholders through long term sustainable returns. The existing and continuing development of the Group is guided by the philosophy of development which "meets the needs of the present, without compromising its ability to provide for the needs of future generation". CEPCO's sustainable development aims at improving the economy, while preserving the environment and the social wellbeing of the people.

In order to achieve these objectives, the Group needs to comply with regulatory laws throughout its business activities. This Sustainability Statement outlines our Group's efforts in upholding regulatory compliance, adopting best practices and human resource development. These values are intrinsic in helping us to avoid or mitigate risks that may have material and financial impacts on our business.

Sustainable Vision

Our constant vision is to be the preferred world class commercial manufacturer and supplier of prestressed spun concrete piles and poles in Malaysia.

Sustainability Mission

We are committed to be a successful and responsible corporate citizen in delivering quality products and services, and generating attractive environment, economic and social returns to all our stakeholders.

Sustainability Maturity

Our core area of sustainability is on Compliance and Risk Management with emphasis on value protection in relation to operation and reputation risks and regulatory compliance. However, this does not limit our views on the justified level of sustainability as it is the core of our organisation's way of carrying out our operations and the driver of our business decisions.

Risk Management

Risk management is firmly embedded in the Group's Management System as the Board firmly believes it is critical to the Group's sustainability. Key management employees and department heads are delegated with the responsibilities to manage sustainability risks. However, our main justification of sustainability risks does not lie solely on top-down approach, but also on all employees from various operations and functions. Thus, our risk management is a two-way flow approach. In addition, our outsourced independent Internal Auditor plays a part as second line of defence on the risk management issues.

Further information on the Group's risk management are disclosed in the Statement on Risk Management and Internal Control on pages 36 to 38 of our 2019 Annual Report.

Governance

Our Board of Directors is the highest governing body of CEPCO and is responsible for determining the strategic direction of the Group. The Board has Directors with unique skills and knowledge on our type of business and also other skills and qualifications such as legal, engineering, banking, finance and accounting.

Currently, the Board consists of five (5) members, comprising of one (1) Independent Non-Executive Chairman, a Group Managing Director/Non-Independent Executive Director, and three (3) Independent Non-Executive Directors.

The Board has taken steps to integrate sustainability issues as the core of its strategic formulation. The Board is supported by general managers, who enable it to assess and ensure that governance sustainability is well structured and functioning effectively through the various levels of management. Further information on the Group's Corporate Governance practices are detailed in the Statement on Corporate Governance on pages 22 to 30 of our 2019 Annual Report.

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Materiality Process

CEPCO has adopted the Materiality Assessment Process, which is guided by Bursa Malaysia's Sustainability Reporting Guide and Toolkits.

Stakeholder Engagement

The Company carries out the following engagements with the respective stakeholders where communication methods are regularly assessed through information requests to ensure they are transparent and effective.

Stakeholders group	Type of engagement	Key topic
Customers	<ul style="list-style-type: none"> • Site visit • One-to-one meeting • Annual review 	<ul style="list-style-type: none"> • Improve customer service and satisfaction • Feedbacks on products and services for quality improvement
Employees	<ul style="list-style-type: none"> • Operations and environment management • Occupational safety and health awareness • Internal and external training • Annual appraisal and feedback 	<ul style="list-style-type: none"> • Improve employees' engagement and performance • Enhance employees' career advancement • Company's strategies and performance
Government agencies	<ul style="list-style-type: none"> • One-to-one meeting as and when required 	<ul style="list-style-type: none"> • Compliance to local laws and regulations
Vendors	<ul style="list-style-type: none"> • Site visit • One-to-one meeting • Annual review 	<ul style="list-style-type: none"> • Assessment of goods and services provided by vendors
Shareholders	<ul style="list-style-type: none"> • One-to-one meeting as and when required • Annual General Meeting 	<ul style="list-style-type: none"> • Feedbacks on the Group's performance

Based on the Stakeholders engagements, CEPCO gains better understanding on which sustainability factor matters to each stakeholder, its significance and impact.

Materiality Assessment

CEPCO has a view on sustainability matters prior to Stakeholders Engagements and has identified a list of sustainability issues relating to Environmental, Economical and Social that matters to the Group's business. The Company has considered, amongst others, the followings:

- 1) the nature of CEPCO's business;
- 2) statutory laws and regulations;
- 3) both local and global industrial trends.

Stakeholders Engagements enable CEPCO to appreciate each stakeholder's sustainability concern. Materiality Assessment allows CEPCO to prioritise these concerns. This will be aided by analysis of internal documents and our Risk Register. We also take consideration on the indicators stated in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative G4-Sustainability Reporting Guidelines to better understand the scope and potential topics that may involve.

Based on this exercise, CEPCO comes out with material theme topics on Environmental, Economical and Social Analysis that matters to the Group.

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Environmental

Everyone is responsible for healthy and quality ecosystem without pollution and there is no exception for CEPCO. We are serious in making sure our business will have a positive impact to the environmental, economical and social wellbeing.

CEPCO adheres to Standard Operating Procedures which result to low environmental impacts and in compliance with the legal requirements to manufacture the best quality products that are accredited by SIRIM QAS International MS ISO 9001: 2015 and IKRAM QA Services MS 1314.

Our spun piles can be installed by hydraulic jacking method, which is environmental friendly with low noise and vibration and less air pollution. Throughout the year, monitoring services such as noise controlling, health risks and Chemical Hazardous Risk Assessment have been conducted with satisfactory results as CEPCO has complied with prevailing rules and regulations.

We are continuously working on finding ways to reduce our carbon footprint. As part of our green initiative, CEPCO is encouraging all factories to ensure sustainable consumption and efficiency of water usage for production processes. A system to collect rain water for general outdoor cleaning has been practised in our factories.

In our offices, the employees have developed a culture of efficient consumption of electricity and recyclable materials. Paper usage has been reduced by recycling paper from renewable sources and adopting a paperless system for selected processes. This is to ensure we can minimise our energy consumption and waste products.

Our Safety, Health and Environmental Department is responsible to create awareness and promote good working practices for employees to ensure CEPCO complies with environmental legislation regarding safety in the workplaces. All our employees are educated to express their discomforts in their working environment where its effectiveness and quality are consistently monitored.

In our supply chain, we assess and monitor our top supplier by Vendor Self-Regulation Assessment to identify their environmental impacts on resources used, waste management and biodiversity among others.

With more stringent laws, regulations, standards, and requirements of local government as well as the international bodies enacted to protect the environment, we at CEPCO have been continuously keeping ourselves updated on the changes in order to comply with any regulatory requirements and standards in force.

Economic

With the accreditation of ISO 9001 : 2015, this sets out the criteria for a quality management system based on a number of quality management principles including a strong customer focus, motivation and implication of top management, the approach process and continuous improvement. This is to ensure our customers get consistent quality products and services.

CEPCO's products can be customised to suit any construction projects' requirements. Our spinning process compacts the concrete resulting in a denser mixture, making it strong, durable and with high resistance to corrosion. This provides a higher capacity for an economical solution to our customers. With higher quality end products, they would stay competitive in the market.

The current export rate of our products is 36.20% of the total revenue. This has positively contributed to foreign exchange inflows to the country. The Group intends to enhance its products offering to more overseas markets, which is expected to generate better sales and profitability.

Our spending on local supplies is significant to develop the local economic. Currently 93.44% of our total purchases are sourced locally.

Our voluntary contributions have also enhanced the socio-economic benefits and created a positive social-economic impact in our country. Information on our voluntary contributions are included in the Corporate Social Responsibility activities on page 17 of our 2019 Annual Report.

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Social

The Group is committed to meritocracy system and we treat each employee regardless of race, age, gender, ethnicity, nationality, physical abilities and religion with respect. All employees are fairly paid according to their skills, performance and local market conditions. We have zero tolerance for harassment of any kind in the workplace.

Employees are vital component to CEPCO as their performance and commitments are not only the key elements of survival but also for achieving the Group's objectives of sustainability and returns in the long run. We aim to be the employer of choice in the industry we operate in. We believe that dedicated and competent workforce is paramount to the success of the Group's business. CEPCO subscribes to the idea of knowledgeable and constantly learning workforce. Therefore, we will continue to invest in human resource developments by providing periodic trainings and opportunities for professional development.

Our Annual Training Plan for FYE 2019 covered the following areas:

1. Integrated Management System and Internal Auditing
2. Organisation's Discipline Procedures and Domestic Inquiry
3. Advanced Quality Assurance and Quality Control Inspector
4. Practical Marketing Strategies and Planning Skills
5. Sage 300 ERP
6. Environmental, Health and Safety Laws Interpretation and Applications
7. Local Currency Settlement Framework
8. Business Transformation Initiatives
9. Embark on Industry 4.0 Journey
10. Using Artificial Intelligence to Analyse Financial and Business Trends
11. Foreign Exchange Administration Rules on Export of Goods
12. Integrated Reporting
13. Asset Integrity Management for Manufacturers

We are committed to provide a safer and healthier environment for our employees and minimise any preventable accidents and health hazards that may occur at our business premises. Our Safety, Health and Environmental Department from time to time improve on employee safety, reduce workplace risks and create safer working environment to all employees. They are continuously trained and updated with safety procedures, while business operations are subjected to regular safety and health reviews to further embed a safety culture within the Group.

CEPCO is committed to maintain a proper framework to ensure that the business is run in an efficient and transparent manner in the interest of all its stakeholders. We ensure that the business is conducted in a fair, transparent, sustainable and professional manner, without affecting consumer's choice, pricing and market efficiency.

Our business imperative is to carry out our activities responsibly and with integrity. Our employees are expected to behave in an honest and ethical manner in accordance with our policies, business rules and guidelines. CEPCO promotes transparency and guards against various forms of misconducts including corruption, bribery and fraud.

CEPCO focuses on the wellbeing of society, including personal's health and safety. We also assess and monitor our top suppliers by Vendor Self-Regulation Assessment to identify their existing or potential negative social impacts as well as human right policies and practices.

We hold ourselves accountable to our stakeholders and are dedicated to delivering value to them while conducting our operations in a conscientious manner. Despite the economic challenges, we continue to implement our Corporate Social Responsibilities for the community by focussing on lending a helping hand and reaching out to others through various forms of social aids which are included in the Corporate Social Responsibilities section on page 17 of our 2019 Annual Report.