

COPROPRATE 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 being a successful and responsible corporate citizen in delivering quality products and services, and generating attractive environmental, economic and social returns to all our stakeholders.

Sustainability Maturity

Our core area of sustainability is 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. 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 the 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 the second line of defence on the risk management issues.

Further information on the Group’s risk management is disclosed in the Statement on Risk Management and Internal Control on pages 41 to 44 of our 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 to our type of business and also other skills and qualifications such as legal, engineering, banking, finance and accounting.

Currently, the Board consists of four (4) members, comprising of one (1) Independent Non-Executive Chairman, a Group Managing Director/Non-Independent Executive Director, and two (2) Independent Non-Executive Directors.

The Board has taken steps to integrate sustainability issues as core of its strategic formulation. The Board is supported by general managers, who enables it to assess and ensure that sustainability governance is structured and functioning 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 25 to 36 of our Annual Report.

Materiality Process

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

Coprorate Sustainability Statement (cont'd)

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.

Stakeholder's 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 • Feedback 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 employee engagement and performance • Enhance employee career advancement • Company 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"> • Feedback on the Group's performance

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

Materiality Assessment

CEPCO has a view on sustainability matters prior to Stakeholders Engagement and has identified a list of sustainability matters relating to Environmental, Economic and Social that matter 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 Engagement enables CEPCO to appreciate each stakeholder's sustainability concern. Materiality Assessment allows CEPCO to prioritise these concerns. This will be aided by the analysis of internal documents and our Risk Register. We also take into consideration the indicators stated in the Bursa Securities Sustainability Reporting Guide and the Global Reporting Initiative G4 Sustainability Reporting Guidelines to understand better the scope and potential topics that may involve.

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

Coprorate Sustainability Statement

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Environmental

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

CEPCO adheres to Standard Operating Procedures (SOP) which result in low environmental impacts and is 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 the hydraulic jacking method, which is environmentally friendly with low noise and vibration and less air pollution. Throughout the year, monitoring services such as noise monitoring, health risks and Chemical Hazardous Risk Assessment have been conducted with satisfactory results and CEPCO has complied with prevailing rules and regulation.

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

In our offices, the employees have developed a culture of efficient consumption of electricity and recycled materials. Paper usage had 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 for creating awareness and promote good working practices for employees to ensure CEPCO complies with environmental legislation regarding safety in the workplaces. Our employees are taught to express their discomfort in their working environment where its effectiveness and quality are consistently monitored.

Health and Safety has become the top priority sustainability matter with the pandemic outbreak over the current financial year. The authority had set stringent SOP related to health and safety protocol as preconditions for business resumption. CEPCO's Covid-19 SOP has been shared to all employees to adhere and comply with the necessary.

In September 2021, to enhance the environmental performance, the Company has been certified by ISO 14001: 2015 (Environment Management System). The said ISOs are intended to manage the Company's environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability.

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.

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 to comply with any regulatory requirements and standards in force.

Economic

The accreditation of ISO 9001: 2015 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, giving a strong, durable and 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.

Coprorate Sustainability Statement (cont'd)

Economic (cont'd)

The current export rate of our products is 24.84% of the total revenue. This has positively contributed to foreign exchange inflows to the country. The Group intends to enhance its product offerings to more overseas market, which is expected to generate better sales and profitability.

Our spending on local suppliers is significant to develop the local economy. Currently, 93.32% 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 Responsibilities on page 19 of our Annual Report.

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 components to CEPCO, as their performance and commitments are the key elements of survival and 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 a dedicated and competent workforce is paramount to the success of the Group's business. CEPCO subscribes to the idea of a 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 2021 covered the following areas:

1. ISO 9001:2015 Requirements and Internal Auditor
2. ISO 14001: 2015 and 45001:2018 Standard Risk Management Training
3. ISO 14001: 2015 and 45001:2018 EHS Legal, Chemical and Waste Management
4. ISO 14001: 2015 and 45001:2018 Requirements and Internal Auditor
5. Strategy and Budgeting Masterclass: Aligning Action Plans, Numbers and Vision in Practice
6. Corporate Director's Summit themed "Governance 4.0: Transforming Business, Transforming Boards"

We are committed to providing a safer and healthier environment for our employees and minimizing any preventable accidents and health hazards that may occur at our business premises. From time to time, our Safety, Health and Environmental Department improves employee safety, reduces 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.

In September 2021, to enhance the health and safety performance; the Company have been certified by ISO 45001:2018 (Occupational Health and Safety Management Systems). The said ISOs are intended to manage the Company's health and safety responsibilities in a systematic manner.

For Covid-19 preventive and safety measures, the Group have provided face mask to all the employees and sanitized the offices and plants to ensure the working environment is germ-free. As at the date of this report, there are 98% of our employees are fully vaccinated. Further, the Information Technology and Human Resources Department also worked in synergy to enact any required changes to enhance the work-from-home experience and data security.

CEPCO is committed to maintain a proper framework to ensure that the business is efficiently and transparently 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.

Coprorate Sustainability Statement (cont'd)

Social (cont'd)

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 misconduct, including corruption, bribery and fraud.

The implementation of corporate liability provision under Section 17A Malaysian Anti-Corruption Commission (MACC) Act 2009, comes enforced on 1 June 2020. A commercial organisation can be considered guilty if any of its employees or associates commit corruption for whatsoever benefit to the organisation. CEPCO takes note on the cruciality of the provision towards the Group and hence enforced its commitment with the circulation of anti-corruption and anti-bribery policy among every employee, in which can also be referred to on CEPCO's website.

The policy creates employees' awareness and responsibility to always comply with the provision to ensure the Group's businesses and engagement are conducted with high professionalism, integrity and stay clear from corruption or bribery. CEPCO's directors, employees and associates are adequately alerted on the Group's policy adherence requirement. They shall require to undertake anti-corruption and anti-bribery assessment yearly to ensure a zero-tolerance approach is met. Overall, CEPCO will not tolerate any acts in regards to corruption and bribery as its commitment in ethically business practices.

CEPCO focuses on the well-being 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 rights 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 focusing 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 19 of our Annual Report.

The onset of the Covid-19 pandemic along with its devastating impact on conventional economic, social activities and environmental issues have highlighted the need for a new balance between lives and livelihoods as well as between mankind and nature. Indeed, the adoption of good corporate sustainability practices can address many of the issues brought to light during the pandemic, which resulted in constriction of economic activity and restriction to movement including:

- i. sustainability and continuity of business;
- ii. security of employment and income;
- iii. safety and health of employees, customers and other stakeholders;
- iv. integrity of the physical environment;
- v. preservation of natural resources; and
- vi. resource management in response to the slowdown in business activities.

As a result, corporate sustainability has become an even more pressing imperative for CEPCO as it will continue to live and work in the new normal and gain more ground in the sustainability drive to improve the triple bottom line of the Group.