

SUSTAINABILITY STATEMENT



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.

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 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 as it is the core of our organisation’s way of carrying out our operations and the driver of our business decisions.

SUSTAINABILITY STATEMENT (CONT'D)

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 in 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 second line of defense 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 48 to 52 of this 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 of our type of business and 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 core of its strategic formulation. The Board is supported by general managers, who enable 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 is detailed in the Statement on Corporate Governance on pages 30 to 42 of this Annual Report.

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.

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.

SUSTAINABILITY STATEMENT (CONT'D)

Materiality Process (Cont'd)

Stakeholder's group	Type of engagement	Key topic
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 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 matters to the Group's business. The Company has considered, amongst others, the followings:



the nature of CEPCO's business



statutory laws and regulations



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 analysis of internal documents and our Risk Register. We also take consideration of 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, Economic and Social Analysis that matters to the Group.

SUSTAINABILITY STATEMENT (CONT'D)

Environmental

Everyone is responsible for healthy and quality ecosystems 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, economic, and social wellbeing.

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.

CEPCO adheres to Standard Operating Procedures (SOP) 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 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 regulations.

We are continuously working on finding ways to reduce our carbon footprint. As part of our green initiative, we used eco-friendly material in our production to ensure the sustainability of green environment for prosperity of the nations.

The application of the dust collector in our factories helps remove dirt, dust, debris, gases, and chemicals from the air and improves the safety of our employees and the public surroundings.

A system to collect rainwater for general outdoor cleaning has been practiced in our factories to ensure sustainable consumption and efficiency of water usage for production processes.

The Group's electricity consumption is mainly used for production and operate offices. CEPCO implemented various measures to enhance energy efficiency and actively exploring and increasing the adoption of renewable energy sources to reduce total energy consumption in the long run.

In our offices, the employees have developed a culture of efficient consumption of electricity and recycling 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.



//

Paper usage had been reduced by recycling paper from renewable sources and adopting a paperless system for selected processes. //



//

Our spun piles can be installed by hydraulic jacking method, which is environmentally friendly with low noise and vibration and less air pollution. //



SUSTAINABILITY STATEMENT (CONT'D)

Environmental (Cont'd)

Our Safety, Health and Environmental Department is responsible for creating awareness and promoting 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 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.

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.



“

The authority had set stringent SOP related to health and safety protocol as preconditions for business resumption.

”

CEPCO generates scheduled waste during the production process. Based on CEPCO's responsibility is committed to managing this scheduled waste in accordance with the guidelines set by the Department of Environment.

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

With the accreditation of ISO 9001: 2015, this sets out the criteria for a quality management system based on several 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 for our customers. With higher quality end products, they would stay competitive in the market.

The current export rate of our products is 39.87 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 markets, which is expected to generate better sales and profitability.

Our spending on local suppliers is significant in developing the domestic economy. Currently 87.88% 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. Our Corporate Social Responsibilities focusing on lending a helping hand and reaching out to others through various forms of social aids by making contribution towards the following bodies:



Hospis Malaysia



Kiwanis Down Syndrome Foundation



Malaysian Association for the Blind



Yayasan Prihatin Insan



Zero Waste Malaysia

SUSTAINABILITY STATEMENT (CONT'D)

Social

The Group is committed to a 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 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 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 development by providing periodic training and opportunities for professional development.

Our Annual Training Plan for FYE 2023 covered the following areas:



Bursa Malaysia's Enhanced Sustainability Reporting Framework



CFO'S Business Strategic Consulting and Coaching



Driving Profitability Using the Activity Based Costing



Emerging Risks: A Packaged Solution for Maximum Protection



Go ESG ASEAN 2022 Summit



Going Forward with ESG & Expanding Trade with The Regional Comprehensive Economic Partnership



ISO 9001: 2015 Interpretation



ISO 9001: 2015 Internal Audit Training



ISO 45001: 2018 Internal Audit Training



Malaysian - Japan Industry 4.0 Summit 2023



Managing Challenging/Difficult Issues Facing HR & Industrial Relations Practitioners Today



MIA Conference 2023

SUSTAINABILITY STATEMENT (CONT'D)

Social (Cont'd)



ISO 37001: Anti-Bribery Management System



Program Pendidikan Pemburuan



Sustainability Reporting and Climate Change Series



The Application of Prestressed High-Strength Concrete Pile as Foundation for Marine Structure



The First Step to Digitisation for Manufacturers



UN Global Compact Network Malaysia & Brunei

We are committed to providing a safer and healthier environment for our employees and minimise 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 creates a safer working environment for 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.

The Company has 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 to enhance health and safety performance.

CEPCO is fully committed toward eradicating corruption. The Group maintains a strict, zero-tolerance position against corruption, bribery, or any kind of abuse of power. Aligned with this, the Group adopted its Anti-Corruption Framework and Policy on 1 June 2020. The Group expects its Directors, Senior Officers, Employees, and Business Partners to be acknowledged and operate in full compliance with the Company's Policy with the highest standard of ethical conduct, integrity, and professionalism. The full version of the policy is available on the company's website (<https://www.cepco.com.my>).

CEPCO is committed to maintaining 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 misconduct including corruption, bribery, and fraud.

SUSTAINABILITY STATEMENT (CONT'D)



//

CEPCO's directors, employees and associates are adequately alerted to the Group's policy adherence requirement and shall require undertaking anti-corruption and anti-bribery assessment yearly to ensure a zero-tolerance approach is met. //

The implementation of corporate liability provision under Section 17A Malaysian Anti-Corruption Commission (MACC) Act 2009, comes enforced on 1 June 2020 in which 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 of 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 to the Group's policy adherence requirement and shall require undertaking anti-corruption and anti-bribery assessment yearly to ensure a zero-tolerance approach is met. In overall, CEPCO will not tolerate to any acts in regards of corruption and bribery as its commitment in the ethically business practices.

CEPCO focuses on the wellbeing of society, including personal 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.

We aim to add value to community growth and wellness by playing the role as a socially responsible corporate citizen and creating business sustainability. CEPCO believes in giving back to the community and employees are the main driving force of its business.

The Group places utmost importance on safeguarding the confidentiality of personal information belonging to our stakeholders, in strict compliance with the provisions outlined in the Personal Data Protection Act 2010. To protect customer privacy effectively, we have implemented a comprehensive range of cybersecurity measures and have invested in optimum data protection systems. Robust firewall and several cybersecurity measures are in place to ensure optimal protection of our stakeholders' information. We continue to uphold our track record of zero incidents or substantiated complaints concerning breaches of customer privacy and losses of customer data.

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 gained more ground in the sustainability drive to improve the triple bottom line of the Group.