# OUT SUSTAINABILITY COMMITMENT at MUDAJAYA

As an integrated services provider, with focus on construction, power, manufacturing and property sectors, our commitment goes beyond profits, to include providing safe and sustainable infrastructure, energy, business and life solutions. We are currently transitioning to better understand, qualify and pursue various programmes and targets to manage our Economic, Environmental and Social ("EES") impacts.

"

WE ARE COMMITTED TO PUT THE BUILDING BLOCKS IN PLACE, IN TERMS OF OUR PROCESSES, PRODUCTS AND PERFORMANCE METRICS AS WELL AS TO STRENGTHEN OUR FOUNDATION. BEFORE WE DESIGN SUSTAINABILITY ROADMAP FOR THE GROUP. SUSTAINABILITY IS A WORK-IN-PROGRESS AREA FOR **OUR BUSINESS AND WE ASPIRE** TO IMPROVE OUR STRATEGY, IMPLEMENTATION AS WELL AS REPORTING OVER THE NEXT 3 YEARS.













### **ABOUT OUR SUSTAINABILITY DISCLOSURES**

### **SCOPE**

Our Sustainability Statement includes various policies and initiatives that we have institutionalised and implemented for positive impact in workplace, marketplace, community and environment. Our statement has been prepared in compliance with the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The data and the information included in the report are in relation to our Malaysian operations during the period 1 January 2017 to 31 December 2017.

### STAKEHOLDER ENGAGEMENT

We have not conducted any special stakeholder engagement exercise for the purpose of this Statement. However, we have mechanisms and systems in place to capture information and feedback from our multiple stakeholders throughout the year. For instance, we have monthly management sessions with our employees; we have regular performance review updates with our suppliers; and our interactions with regulatory authorities and government agencies is ongoing. We capture the feedback for deliberation at management-level, to arrive at issues material to our business, and strategise our mitigation action plan.

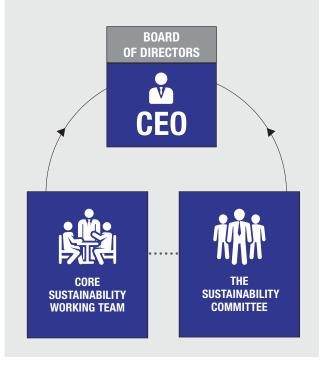


### APPROACH TO SUSTAINABILITY

As a responsible company, we map our growth strategies, but not without taking into consideration the various impacts of our business on our people, the economy, as well as the environment. Our Board of Directors and senior management are in the process of institutionalising a framework and processes, which going forward, will guide us to embed sustainable practices in our operations organisation-wide.

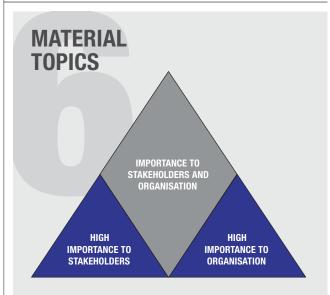
### **GOVERNANCE**

We are in the process of defining the Key Performance Indicators ("KPIs") for the Sustainability function, with a clear tracking and reporting mechanism internal and externally. In the interim, the current Corporate Social Responsibility mandate reports into the CEO, who tables relevant issues and various strategies for implementation with the Board for review and approval.



### DISCLOSURE AND EXTERNAL ASSURANCE

We are at our early stages of reporting for sustainability and are streamlining our internal processes for quality/improved reporting over the next three years. Meanwhile, our reporting format follows Bursa Malaysia's Listing Requirement Guidelines and Reporting Framework. We have not submitted our Sustainability Statement 2017 for independent assurance.



Based on our analysis of the feedback and data from multiple stakeholders and platforms, on the next page are the 15 material topics (the matters which were important for both stakeholders and the organisation).











STAKEHOLDER ENGAGEMENT AND MATERIALITY		
STAKEHOLDERS	MODE OF ENGAGEMENT & FREQUENCY	15 MATERIAL TOPICS
CUSTOMERS & PARTNERS	Meetings (Quarterly)	<ul><li>Quality</li><li>Competitive price</li><li>Safety</li></ul>
EMPLOYEES	<ul> <li>Townhalls (Quarterly)</li> <li>Management-Staff Reviews (Monthly)</li> <li>Appraisals (Yearly)</li> <li>Internal Employee Gatherings/ Events (Monthly)</li> </ul>	<ul> <li>Work-life balance</li> <li>Industry driven pay scale &amp; benefits</li> <li>Effective &amp; fun engagement</li> <li>Safety &amp; wellbeing</li> </ul>
REGULATORS AND POLICY-MAKERS	Meetings (Adhoc, Quarterly & Yearly)	<ul><li>Sectoral growth</li><li>Compliance</li><li>Local and government agenda</li></ul>
SUPPLIERS	<ul> <li>Performance Reviews (Half-yearly)</li> <li>Procurement Processes (Half-yearly)</li> </ul>	<ul><li>Fair procurement</li><li>Transparency</li><li>Payments</li></ul>
COMMUNITY	Events & Participation Co-organised (Bi-monthly)	<ul> <li>Improve quality of life</li> <li>Sharing, educating &amp; caring for environment, animals, community &amp; employees</li> </ul>

### **OUR 3-YEAR SUSTAINABILITY ROADMAP**

At corporate level, we are working with the management and our Sustainability Committee/Team to devise a 'Sustainability Roadmap' for Board approval. The roadmap includes policy interventions, focus areas and programme implementation recommendations for the period 2018-2020. Below are some of the priority areas covered in the roadmap.



### **MARKETPLACE**

Stakeholder engagement and feedback mechanisms

Grievance management platforms

Quality and service enhancing strategies





#### **WORK PLACE**

Policies that foster openness, learning, inclusiveness & development

Programmes that enhance fun, productivity, performance & innovativeness

Measures to enrich employees experience, safety & growth



Carbon footprint assessments and targets

Water footprint assessments and targets

Waste management gameplan



### **COMMUNITY**

Investment strategies to sustain community development

Campaigns to address material topics

Community feedback processes to capture impact











### **ECONOMIC IMPACT - MARKETPLACE**



Our commitment as well as our aspiration is always to operate to the highest standards of quality and performance, with the support of our capable and credible partners and suppliers. Our continuing mission is to uphold the principles of integrity and responsibility in all our business operations and dealings. Compliance is a must and non-negotiable, and we have policies that dictate consequences for non-adherence to regulatory norms and governance systems. With our key business focus in key sectors such as construction and energy, which are also the national key economic areas, we work to meaningfully contribute to national development agenda of inclusive growth. This means, we understand our responsibility to make sure that our partners and suppliers benefit from our growth, improving their socio-economic status and overall quality of life.

This section covers various aspects of governance and operations.

#### **GOVERNANCE**

At Mudajaya, we adhere to the principles of good governance and we are not only guided by our internal policies, but also by the regulatory and other legal requirements. Our objective is to ensure our customer, partner and supplier practices are equitable, fair, ethical, transparent and responsible by all means.



### **CUSTOMERS & PARTNERS**

Quality and safety are paramount in undertaking our development projects in all our focus sectors. For instance, our ISO 9001:2008 certification in itself is a testimony for our strong commitment to meet high standards of quality. We are meticulous in our implementation mechanisms, which are designed to deliver consistent quality and safety performance in keeping with the expectations of our customers and partners. Similarly, we also operate to OHSAS 18001:2007 standards, which are a set of stringent guidelines and minimum requirements for occupational health and safety management practices. Our ISO14001:2004 certification evidences our continuous efforts to positively manage the impact of our projects on the environment. Going forward, we will continue to adhere to international standards and best practices, along with our compliance with local regulations, which help strengthen our relationships and reputation in the marketplace.

In 2017, we have successfully conducted internal and external surveillance audits to ensure the standards and our compliance frameworks are current and relevant. Below are the details of various independent audits conducted during the year under review.

- The Annual Quality, Health, Safety and Environment Internal Audits were conducted on all our processes and Project Sites by competent Internal Auditors. The outcome of the internal audits shows that our work processes and project sites complied with all our management system requirements.
- Quality Management System (ISO 9001:2008) external 3<sup>rd</sup> Party Surveillance Audit was conducted by our Certification body, Lloyd's Register ("LRQA") on 8<sup>th</sup> & 9<sup>th</sup> of June 2017. Only 1 minor Non-Conformity Report ("NCR") was raised by the external Auditors for a minor non-compliance from one of our project site on our Quality Management System.
- Health, Safety & Environment Management System (OHSAS 18001:2007 & ISO 14001:2004) external 3<sup>rd</sup> Party Surveillance Audit was conducted by our certification body, Bureau Veritas on 27<sup>th</sup> & 28<sup>th</sup> March 2017 on all our work processes and Project Site. We received positive findings, whereby our processes and Project Sites fully complied with Health, Safety & Environment Management System requirements.



### **SUPPLIERS**

Supply-chain and vendor management is extremely critical for business continuity and project performance. At Mudajaya, our supplier relationships are guided by our 'Supplier Code of Conduct' and the local laws and regulations. Our policies ensure fair treatment of suppliers, free of all forms of exploitation. We also have a responsible procurement and supplier assessment, which takes into account critical aspects such as quality and lead time, helping to control costs and meet the expectations of our quality-conscious customers. Our

policies enable us to support local contractors within the set parameters of meritocracy, in addition to mentoring them for new skills and capabilities. We also support the local economy by prioritising business opportunities for domestic suppliers. For instance, in construction sector, bulk of the material such as concrete and steel are locally sourced. The annual projections are approximately 63,000 tonnes of steel and 148,000 m³ of concrete.

#### **AS AT 31 DECEMBER 2017:**

We had

249 suppliers



On an average,

90%
of OUR CONTRACTS
are for long-term duration
of 2-3 years
and others range from
6 MONTHS to A YEAR.



who were evaluated as equals, based on their capability assessments and competitive pricing.





We organised
TECHNICAL
AND VOCATIONAL
WORKSHOPS

106
for CONTRACTORS AND
SUB-CONTRACTORS,
who have limited budgets for training, to ensure they are

able to meet high standards

and specifications.











We adhere to the following key regulations and internal policies to safeguard the interests of our partners, suppliers and workers. Our financial and non-financial reporting also follow the local regulations and compliance requirements.

#### **INTERNAL POLICIES**

Management Information System ("MIS")
Policy & Procedure

Occupational Health, Safety & Environment Policy

Environmental Management System

Quality Management System

Whistle-blowing Policy

Remuneration Policy & Procedures

### REGULATORY AND COMPLIANCE CODES

Personal Data Protection Act 2010 of Malaysia

Malaysian Code of Practice on the Prevention and Eradication of Sexual Harassment at Workplace

Companies Act 2016

### MUDAJAYA'S WHISTLE-BLOWING POLICY

Mudajaya's Whistle-blowing Policy empowers our suppliers, partners, and even employees to raise their voice against illegal activities, insider trading, abuse, all forms of corruption and malpractices. The whistle-blower is offered various platforms to submit their concerns and grievances with an assurance of keeping their identity confidential. We also safeguard the whistle-blower from any kind of negative impact due to his or her disclosures and is again assured of fair and unbiased treatment.

The whistle-blowers can make their reports, addressed to the Managing Director either through an email (hr@mudajaya.com) or a snail mail to our corporate headquarters. Our General Manager – Human Resource & Admin is responsible for the Administration, interpretation and application of the Whistle-blowing Policy and any amendment to this Policy needs to be vetted by the Head of Internal Audit, subject to the final approval of the Managing Director, and the Chairman.

#### **OPERATIONS**

Our major projects in Malaysia include large infrastructure construction, power installations, and transportation system, which are national key economic areas National Key Economic Areas ("NKEA"), with significant social and economic impacts. For instance, in recent years, we have been spearheading two of the six Mass Rail Transit ("MRT") work packages, namely MRT Line 1 Package V3 and MRT Line 2 Package V207 valued at RM1.4 billion. The MRT Mega project is set to bring socio-economic progress, through job creation for local small & medium enterprises (SMEs) and connecting major

business districts and trade links. Similarly, we also completed construction of major power plants (Tanjung Bin 4; Manjung 4; Pengerang Cogen & Jimah, and RAPID Worker Village) valued at RM2.42 billion and contributing to meet the nation's increasing energy demand. On the property development front, we implemented the Batu Kawah Township development, which is located only 7km from the Airport. Through the development, we have catalysed economic activities, created local jobs and helped decentralise the congestion in the city towards the township. In short, we take pride in our role as a credible market player, positively contributing to creating socio-economic value through our projects.

We completed



### 5 mega projects

in **CONSTRUCTION** and **POWER SECTORS**, with total contract sum of

RM 3.12 BILLION,

offering employment to

100 SMES; 20 BUMIPUTRA COMPANIES and DISADVANTAGED COMMUNITIES.



We have implemented

### **OHSAS Standards**

and reported:

### 5 MILLION MANHOURS

Zero Lost Time ("ZLT") Injuries in Tanjung Bin 4 Project

### 5.5 MILLION MANHOURS

ZLT injuries in MRT V3 project

### 1 MILLION and 3 MILLION MANHOURS

ZLT injuries in Pengerang PCP and RAPID Worker Village projects respectively

On our construction sites, we provided **SAFE AND** 

CLEAN-LIVING
QUARTERS, POTABLE WATER,
BASIC AMENITIES for more than

**3,000** LABOURERS,

with a Grievance Management System in place. We received **ZERO** number of complaints, which are usually expected to be **resolved within 24 hours** to the satisfaction of the complainants.

Our strict compliance with the construction standards and regulatory specifications helped achieve

## **5 Stars**CIDB Shassic Score

in **BUILDING** and **INFRASTRUCTURE DEVELOPMENTS** 

(MRT V3, RAPID Warehouse and RAPID Workers' Village)













### ENVIRONMENTAL IMPACT - ENVIRONMENT



Mudajaya is conscious of the environmental impact of its business and operations. All our projects sites are therefore governed by our customers' stringent policies on environmental protection, including aspects such as waste management etc. For instance, we conduct routine and scheduled monitoring of water, air, and noise pollution, as well as record and analyse key parameters to ensure they are within the levels set by regulation. Besides, we also abide by the local environmental regulations and compliance requirements, in addition to our own internal ISO 14001:2004 environmental guidelines. We appoint projectspecific environmental management plan, which covers site waste management and disposal in line with the prescribed limits set by the Department of Environment ("DOE"). There are also site-specific environmental managers appointed to oversee the implementation of the plans, and also minimise the overall carbon footprint of respective projects.

This section includes information on our pioneering renewable energy project, in addition to our efforts to manage the environmental impacts of our project sites.



### **ENVIRONMENTAL STEWARDSHIP**

At Mudajaya, we have adequate processes and international standards to address key environmental and social issues, as well as to champion projects in the renewable energy sector, which is also a key focus area of the Malaysian government.

In view of our commitment to and capabilities in environmental stewardship, most recently, we formed a special purpose vehicle - Sinar Kamiri Sdn. Bhd. ("SKSB") to undertake the development of a solar photovoltaic facility in Sungai Siput, Perak, Malaysia. With an installed capacity of 49MW, the Sinar Kamiri solar project is one of the large scale solar projects under the governments initiative to increase solar capacity by 2020, supplying clean energy to the national grid for 21 years. Besides, the project has the potential to stimulate socio-economic development of the surrounding communities.



Sinar Kamiri's Green SRI Sukuk (the proceeds of which will be used for the design, construction,

ownership, operations and maintenance of the solar photovoltaic facility) has been recognised by RAM with a Tier-1 Environmental Benefit, which means the project is aligned towards low-carbon future and has demonstrable environmental benefits; and the project contributes towards improvements in greenhouse gas emissions. It also complies with the transparency and disclosure requirements of Securities Commission Malaysia's Sustainable & Responsible Investment ("SRI") Sukuk Framework and ICMA's Green Bond Principles ("GBP").

In 2017, we conducted an Environmental Assessment and prepared a report outlining the key environmental risks and mitigation action plans in relation to the construction and operation of the solar photovoltaic facility.



Recipient of Anugerah Kecermelangan Industri Pembinaan Malaysia (MCIEA) IBS Award from Lembaga Pembangunan Industri Pembinaan Malaysia (CIDB) for Pengerang Workers' Village project. Award recipient on behalf of Mudajaya Corporation Berhad: Ir. Anthony Teoh (third from right)

### **EMISSIONS & WASTE MANAGEMENT**

We record and report real-time emissions data from our construction sites to the respective DOE database for online monitoring by the regulator. To ensure compliance with emission limits, we apply stringent 'emissions-control equipment maintenance schedule' on all of our projects.

The construction waste such as used rods, concrete debris, contaminated solid waste are collected by appointed domestic contractors and sent for either landfill or incineration for disposal.

### **ENVIRONMENTAL MANAGEMENT AT PROJECT SITES**

In construction sector, we deploy modular construction system, which expedites the construction process, while reducing environmental impact by limited material waste through structured manufacturing line.

In 2017, we spearheaded construction work of RAPID Worker's Village, which has been designed to minimise the consumption of non-renewable energy through sensitive design prescribed by CIDB Malaysia's Industrialised Building System (IBS). The design has benefitted 14,100 occupants, also minimising the carbon footprint throughout the construction and operation phases of development.

On property development front, our design philosophy emphasises on blending buildings into the green environment, creating nature-inspired living. Our commercial buildings are equipped with green building features such as rain-water harvesting, solar panels at rooftop, sensor lights and taps, charging stations for electric vehicles – all of which will help significantly reduce carbon footprint of the resident working population. We also have a policy to ensure that the trees growing on original project sites are preserved and featured in the design planning of the projects. Through our project, we raise community and citizen awareness on sustainable living, and help them reduce their carbon footprint.

### **ENVIRONMENTAL AWARENESS**

To promote sustainable practices amongst our employees, in Q3 2017, we rolled-out an internal organisation-wide campaign on the impact of climate change and sustainability. We used various channels and platforms such as posters, intranet posts etc. to share trivia and tips on minimising environmental impact. During the year, we managed to create awareness with 100% of employees on paperless information transmission, recycling, and SOS to save energy. We also replaced/installed motion activated lights and water taps to save power and water consumption at our headquarters.











### SOCIAL IMPACT - WORKPLACE & COMMUNITY





Our people are the valuable machinery behind all our growth. We believe that organisations can perform their best, if their people are given sufficient opportunities to tap their full potential. At Mudajaya, we follow industry practices in terms of our equal, fair and growth-oriented human resource policies, which play a critical role in building a performance culture within the organisation. Our employee policies, at their best, help maintain healthy levels of communication with the management, high levels of motivation, and the spirit of team work for greater efficiencies and effective delivery at workplace. We also provide a work environment that is conducive to continuous learning and development. Our open-door policies also ensure that employees are free to express and share and pursue their career aspirations with Mudajaya. This section covers various policies governing employee benefits, their welfare and our community involvement.

### **DIVERSITY FOR PERFORMANCE**

As business focused on diverse sectors, we believe there is a direct correlation between diversity and performance at workplace. Employees with diverse backgrounds, experience, skill-sets and attitudes tend to power organisations with new ideas, energy and drive to excel. Gender diversity also adds a new dimension to workplace, with high levels of emotional intelligence and values such as loyalty, compassion and integrity. Our recruitment policies, which also comply with Malaysian Employment Act 1955 and Children & Young Persons Employment Act 1966, consider diversity as one of the key determinants of talent acquisition and development. We do not discriminate employees on the basis of their ethnicity, gender, age, disability or status.

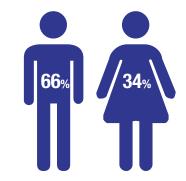
In 2017 **70**, of our total workforce comprised of

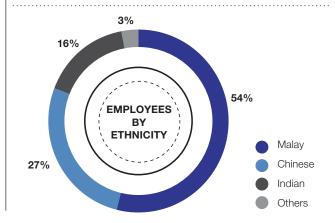
### women employees,

with nearly 21% of them holding MANAGERIAL POSITIONS.

We are currently targeting to build more women talent for senior leadership roles. By 2020, we are targetting to increase the gender ratio across levels. Our organisation also reflects ethnic diversity in similar ratio as of the Nation, which makes the workplace culturally rich, with employees from different states of Malaysia.

#### **EMPLOYEES BY GENDER**





#### AN INCLUSIVE APPROACH TO LEARNING

At Mudajaya, we encourage continuous learning and development for improving productivity as well as to keep employees equipped with new emerging skills and technologies. We take an inclusive approach to training and development by circulating training calendar to various Head of Department ("HODs") every six months, for them to update their training requirements for their respective teams. The annual training calendar has various categories of courses, to meet the diverse needs of the staff. Some of the courses include technical, self-development, supervisory or leadership, soft-skills, IT, trades etc. Every employee must annually complete eight (8) hours of mandatory training, especially in areas such as safety, software, glassic awareness, contract and business management etc.

In 2017, we included training and development as part of the Staffs' yearly KPIs. This means, each of our employee must take responsibility to discuss his or her areas of development and skills with their immediate managers and ensure they complete minimum hours of training. This in itself helped increase the take-up rate of training programmes in the year under review. During the year under review, we invested approximately quarter of a million on staff training and development initiatives, which was 30% more compared to 2016.

125
TRAINING PROGRAMMES

12,000
HOURS OF TRAINING

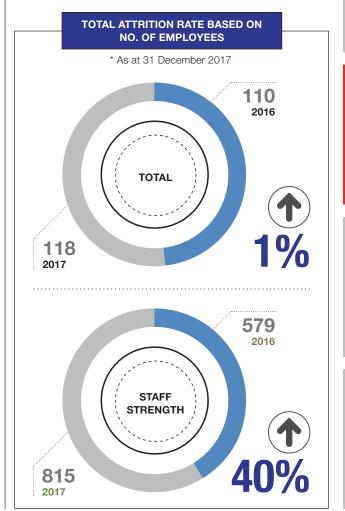


- \* Construction Industry Development Board
- # National Institute of Occupational Safety and Health

#### POLICIES FOR WORK-LIFE BALANCE

We believe that employee policies should promote productivity and performance, by the virtue of improving levels of motivation through employees' welfare and well-being. In 2016, we have introduced staggered and flexible worktime arrangements for employees who are primary care-givers of children and aged parents. In keeping with our diversity agenda, in addition to a maternity leave of 2 months, we have also introduced paternity leave of 2 days to support more balanced parenting roles amongst our employees.

In 2017, our progressive policies helped us to improve our staff-retention rate as well as maintain staff absenteeism rate at less than 3%. During the year, 25% of our office employees opted for flexible work arrangements.













#### **EMPLOYEE ENGAGEMENT**

We place great emphasis on bridging the gap between multigenerational employees by creating various platforms for continuous engagement and team work. Our objective is to facilitate active dialogue to encourage team work as well as to improve understanding amongst employee at various levels and positions in the organisation. In the long-run, we believe these platforms, to include townhalls, employee engagement activities, intranet, more relevant and applicable benefits and even managerial meetings at individual department-level, will help move the organisation towards one vision and mission. Besides, our internal communications team is dedicated to champion various employee-focussed activities to promote positive work environment, healthy communications and recognition.

In 2017, we organised townhall meetings with active participation of employees and members OF THE MANAGEMENT.

The format of these meetings encourages open dialogue with the Group Managing Director & Chief Executive Officer, share ideas and discuss various workplace related concerns and issues.

#### **MERIT-BASED REMUNERATION & APPRAISAL SYSTEM**

Our remuneration policy is strictly designed on meritocracy. The key performance indicators are based on 60% of the balanced scorecard and 40% of the individual's competencies. All our permanent employees enjoy fair competitive compensation benefits at par with the industry standards. The staff benefits are offered taking into consideration individual merit and performance on a year-on-year basis. Our current employee' benefits include:



fixed allowance





- **PREREQUISITES**
- Transportation - Medical and insurance coverage, dental etc.



In 2017. of our employees have been APPRAISED, with internal promotions and average increments

in keeping with industry standards.

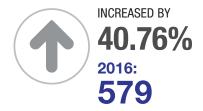
### **EMPLOYEE DATA**

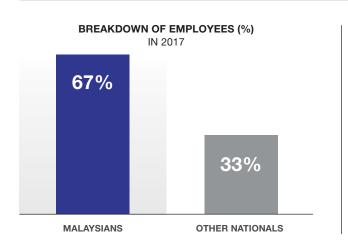
### **WORKFORCE**

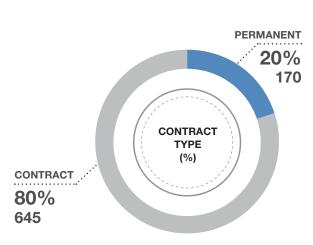
At Mudajaya, we are a strong and committed workforce, from diverse ethnic and cultural backgrounds, age groups, nationalities, professional qualifications, skills, interests and roles. Together, we form a cohesive, dynamic and productive team, working closely to meet high performance standards.

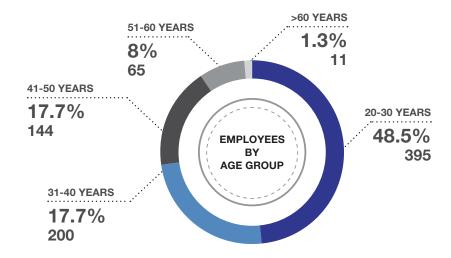
#### **TOTAL NUMBER OF EMPLOYEES**

815









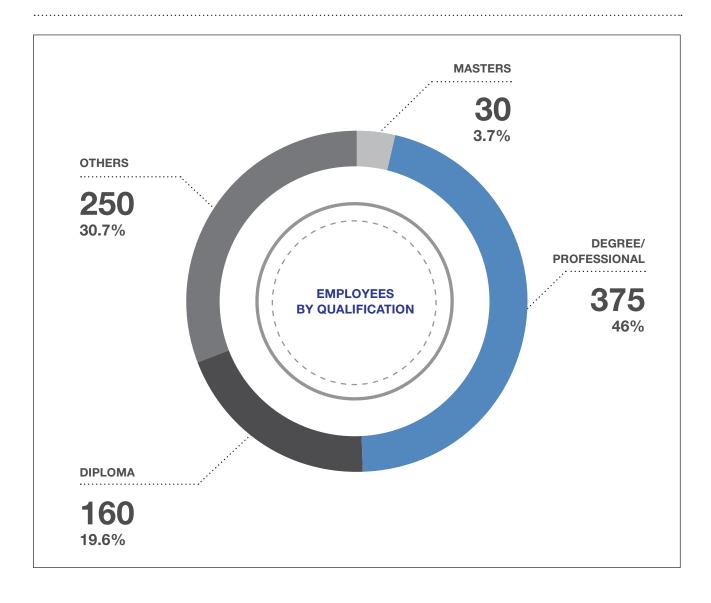












### **SHARING IS CARING**

To create a sense of belonging and community, at Mudajaya, we encourage all our employees to actively participate in community activities. We promote volunteerism and social responsibility, by rewarding employees with off-day and/or work-leave to participate in community work or cause-worthy events and programmes.

In 2017,

10%

of our employees contributed an average of

### 7 volunteer hours

to support **OLD-AGE HOMES** and **ORPHANAGES**, by devoting their quality time with these underserved communities, positively improving their state of being.

### ORANG ASLI VILLAGE IN ROYAL BELUM:

In partnership with

Master Builders Association of Malaysia ("MBAM"), Mudajaya

contributed to REBUILD THE ORANG ASLI VILLAGE INFRASTRUCTURE IN ROYAL BELUM.

Our staff members actively participated in the initiative as well as contributed to the development/volunteer work on the ground.













Mudajaya Staffs Assisted Orang Asli in Infrastructure Rebuilding















### SHARING THE SPIRIT OF ABUNDANCE AND HAPPINESS

Irrespective of the religion and race, the holy month of Ramadan inspires us to share the joy of giving. It is all about appreciating the good fortune, health and wellness and sharing the abundance with the underprivileged and disadvantaged. In 2017, Mudajaya staffs made two visits to

Rumah Kesayangan and organised a Hari Raya Celebration at Menara Mudajaya Auditorium, where we invited children from Rumah Kesayangan

– an underserved local orphanage for children.

More than

### 130 MARAMAN EMPLOYEES OF MUDAJAYA

spent quality time with the orphaned children, shared the spirit of Ramadan by gifting them Raya Hampers, goodie bags and 'Duit Raya'.

The highlight of the day were the traditional dance performances and Silat Demonstration staged by the children. The Mudajaya team also organised fun-filled games and shared a sumptuous meal with the residents of the orphanage.







Mudajaya Staff at Hari Raya Open House Party at Menara Mudajaya's Auditorium