

# SUSTAINABILITY STATEMENT

## SUSTAINABILITY SCOPE

Our businesses are rapidly growing with wide-reaching operations within Malaysia and overseas. The scope of this Sustainability Statement covers PESTECH’s operations mainly in Malaysia for the financial year ended 30 June 2019. This includes business activities conducted by our subsidiaries, i.e. PESTECH Sdn. Bhd., PESTECH Energy Sdn. Bhd., PESTECH Solutions Sdn. Bhd., PESTECH Transmission Sdn. Bhd., PESTECH Technology Sdn. Bhd., CRSE Sdn. Bhd. and PESTECH (Sarawak) Sdn. Bhd.

## SUSTAINABILITY GOVERNANCE

In ensuring the implementation and integration of sustainability strategies into our business, we have developed a strong sustainability governance structure. Our commitment to sustainability comes from the top of the organisation and underwritten by the Board of Directors, who oversees overall sustainability framework.

We have established a dedicated Sustainability Committee chaired by the Group Chief Executive Officer to create the most effective governance structure for sustainability. The Committee has an overall responsibility regarding the management of sustainability within the Group. The roles include ensuring that proper programmes and initiatives are effectively implemented and integrated across our operations.

Below is the governance structure that is adopted by the Group:

### BOARD OF DIRECTORS

- Review and approve PESTECH’s sustainability objectives and strategies.
- Approve the annual sustainability statement.
- Discuss and agree long term goals for sustainability.

### GROUP CHIEF EXECUTIVE OFFICER

- Review and discuss sustainability matters with the Committee.
- Report sustainability matters to the Board.

### SUSTAINABILITY COMMITTEE

- Identify PESTECH’s sustainability objectives and strategies.
- Identify and evaluate Economic, Environment and Social (“EES”) risks and opportunities.
- Responsible for stakeholder engagement.
- Responsible for materiality assessment.
- Responsible for monitoring sustainability initiatives.
- Responsible for obtaining data and information from the various departments.

### VARIOUS DEPARTMENTS

- Responsible for day-to-day management of sustainability initiatives.
- Provide the data and information to the Committee.

**SUSTAINABILITY FRAMEWORK**

During this financial year, we developed a sustainability framework to further enhance our sustainability agenda and align our focus towards driving sustainability growth. We hold onto our framework as a tool to lead us to an effective long-term sustainability journey.



Figure 1: PESTECH Sustainability Framework

# SUSTAINABILITY STATEMENT

## SUSTAINABILITY MATTERS



### ECONOMIC

- Economic performance
- Market presence
- Procurement practices/ material sourcing
- Indirect economic impact
- Risk management
- Customer satisfaction
- Governance
- Innovation
- Supply chain management



### ENVIRONMENT

- Energy
- Water management
- Air quality
- Biodiversity
- Emissions
- Waste & hazardous materials management
- Environmental Compliance
- Transportation
- Environmental related complaints mechanism



### SOCIAL

- Employee engagement
- Employee welfare
- Health & safety at the workplace
- Training & education
- Diversity & equal opportunities
- Complaint resolution mechanism of working practices
- Business behaviour
- The rights of local communities
- Community relation/ CSR
- Customer privacy
- Products quality & safety
- Talent building
- Organisational knowledge

## STAKEHOLDER ENGAGEMENT

We believe that proactive stakeholder engagement is vital to ensure our business operations are viable, strategic and relevant. We constantly engage with a diverse group of stakeholders through various channels, formally and informally.

Our stakeholder engagement is shown in the following table:

KEY STAKEHOLDERS	ENGAGEMENT CHANNEL	SUSTAINABILITY MATTERS
Board of Directors	<ul style="list-style-type: none"> <li>• Board meetings</li> <li>• Annual general meetings</li> <li>• Ongoing communications</li> </ul>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Risk management</li> <li>• Governance</li> <li>• Business behaviour</li> </ul>
Shareholders/ Investors	<ul style="list-style-type: none"> <li>• Annual general meetings</li> <li>• Quarterly financial results</li> <li>• Bursa announcements</li> <li>• Corporate website</li> <li>• Bi-annual analyst briefings</li> <li>• Annual reports</li> <li>• Press releases</li> </ul>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Market presence</li> <li>• Governance</li> <li>• Risk management</li> </ul>

KEY STAKEHOLDERS	ENGAGEMENT CHANNEL	SUSTAINABILITY MATTERS
Customers/ Clients	<ul style="list-style-type: none"> <li>• Customer satisfaction surveys</li> <li>• Corporate website</li> <li>• Regular project meetings</li> <li>• Factory Acceptance Test (“FAT”)</li> <li>• Site visits</li> <li>• Environmental site inspection</li> <li>• Project monthly reports</li> </ul>	<ul style="list-style-type: none"> <li>• Customer satisfaction</li> <li>• Environmental compliance</li> <li>• Organisational knowledge</li> <li>• Products quality &amp; safety</li> <li>• Customer privacy</li> </ul>
Regulators	<ul style="list-style-type: none"> <li>• Inspections</li> <li>• Audit</li> </ul>	<ul style="list-style-type: none"> <li>• Governance</li> <li>• Environmental compliance</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Internal newsletters</li> <li>• Training &amp; development programmes</li> <li>• Annual performance appraisal</li> <li>• Toolbox/ safety training</li> <li>• Panthera Club (sports &amp; recreation)</li> <li>• Staff engagement initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Employee engagement</li> <li>• Employee welfare</li> <li>• Health &amp; safety at the workplace</li> <li>• Training &amp; education</li> <li>• Diversity &amp; equal opportunities</li> <li>• Organisational knowledge</li> <li>• Talent building</li> </ul>
Vendor/ Suppliers/ Subcontractors	<ul style="list-style-type: none"> <li>• Procurement practices</li> <li>• Contract negotiation</li> <li>• Vendor registration screening</li> <li>• Vendor evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Procurement practices/ material sourcing</li> <li>• Supply chain management</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Press release</li> <li>• Press conference</li> <li>• Advertisement</li> <li>• Bursa announcements</li> <li>• Corporate website</li> </ul>	<ul style="list-style-type: none"> <li>• Economic performance</li> <li>• Market presence</li> </ul>
Communities	<ul style="list-style-type: none"> <li>• Environmental Aspect Identification and Impact Assessment (“EAIA”)</li> <li>• Corporate website</li> <li>• News release</li> <li>• Sponsorship programmes</li> <li>• PESTECH CARE Programme (CSR)</li> </ul>	<ul style="list-style-type: none"> <li>• Waste &amp; hazardous materials management</li> <li>• Environmental related complaints mechanism</li> <li>• Environmental compliance</li> <li>• Community relation/ CSR</li> <li>• The rights of local communities</li> </ul>

**MATERIALITY**

Similar to the previous financial year, we continue to adopt a systematic materiality assessment process to determine the most imperative sustainability aspects that are relevant and important to our business operations. The findings of this process are used to define the material topics that are disclosed in this Sustainability Statement.

**Materiality Assessment**

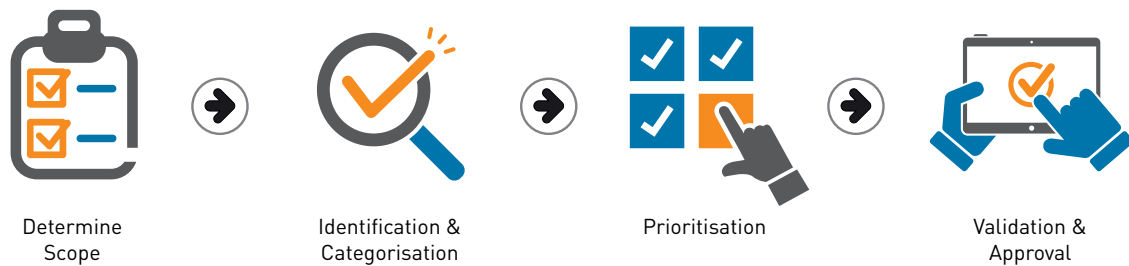


Figure 2: Materiality Assessment Process

# SUSTAINABILITY STATEMENT

NO	PROCESS	DESCRIPTION
1	<b>DETERMINE SCOPE</b>	The scope was defined as per page 29 taking into consideration the following: <ul style="list-style-type: none"> <li>• Geographical boundary</li> <li>• Organisational boundary</li> <li>• Our operations (within or outside the organisation)</li> </ul>
2	<b>IDENTIFICATION &amp; CATEGORISATION</b>	The list of relevant sustainability matters related to our business operations were identified. This list was developed based on our engagements with external and internal stakeholders.  The sustainability matters were then further rationalised and refined into categories.
3	<b>PRIORITISATION</b>	Several meetings were conducted by the Sustainability Committee to prioritise the sustainability matters.  The Committee also identified the key stakeholders to the Group during the meeting. More details on our stakeholder engagement are appended in pages 30 and 31.  From the meeting, the Materiality Matrix was generated.
4	<b>VALIDATION &amp; APPROVAL</b>	The Materiality Matrix was presented to the Group Chief Executive Officer for approval.  The updates on the Group's sustainability journey is presented to Board of Directors on regular basis.

## Materiality Matrix

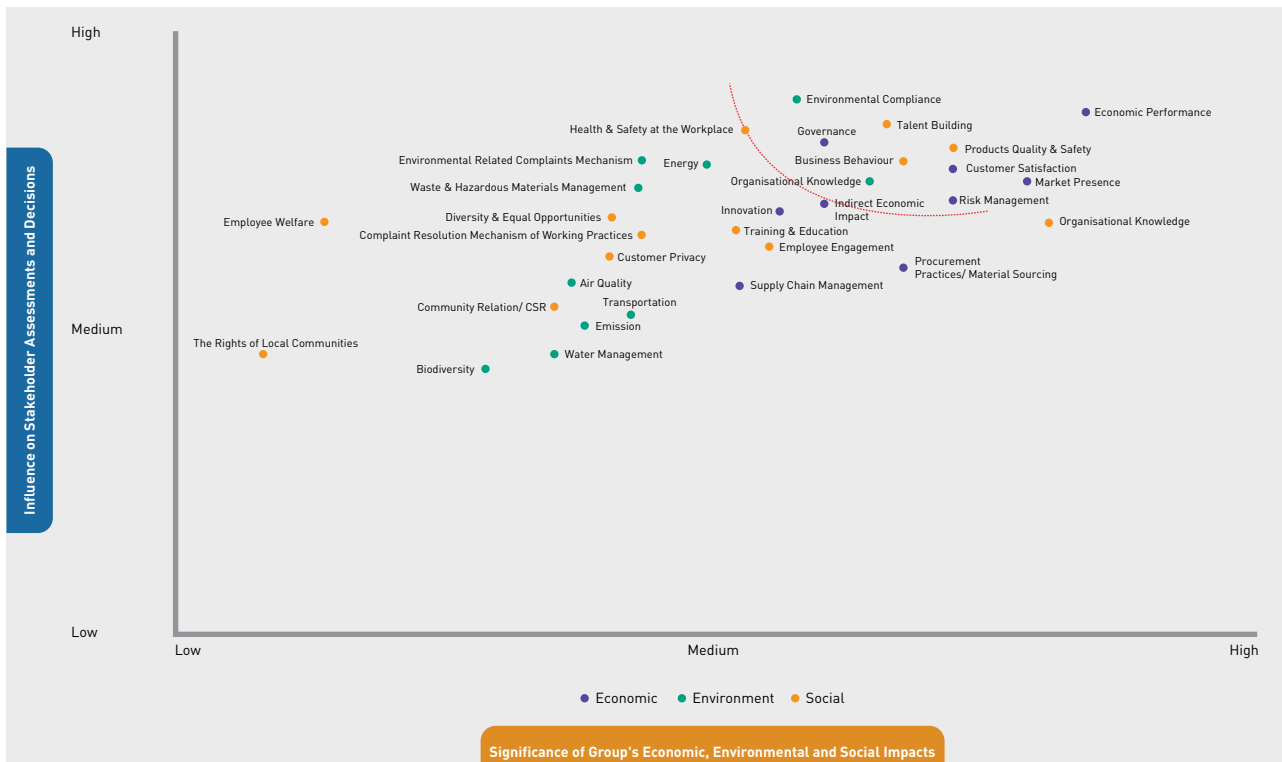


Figure 3: PESTECH's Materiality Matrix

From the above matrix, we will be focusing on twelve (12) key sustainability matters for this year's reporting.

## KEY SUSTAINABILITY MATTERS

### Economic Performance

During the financial year, we have secured a total of RM945.8 million orders and achieved RM811.5 million Revenue. We have recorded the Profit Before Tax ("PBT") of RM98 million and Profit After Tax ("PAT") of RM86 million.

### Indirect Economic Impact

Our responsibility goes beyond creating positive economic value. We had spent RM488,800 for our CSR programmes which covers four (4) aspects, i.e. community, advancement, recuperation and environment. With our contribution through CSR initiatives, we indirectly help to fuel the social and economic growth of the country.

In addition, we have also allocated RM200,000 for PESTECH CARE Undergraduate/ Postgraduate Scholarship Program, as part of our commitment to create a sustainable pool of future talent.

### Market Presence

Since our involvement in the power infrastructure industry 28 years ago, PESTECH has grown to become one of the key market leaders in the industry. In addition to maintaining our strong presence in Malaysia, we have shown an outstanding portfolio and maintain track records of international projects across 22 countries such as Cambodia, Philippines, Papua New Guinea, Thailand and Kyrgyzstan.

With our presence in other countries, PESTECH contributed to the economic development in the local communities by providing job opportunities, improving their knowledge and skills, improving their standards of living as well as improving local power infrastructures.



### Corporate Governance

Upholding a good corporate governance is crucial in managing an organisation. Thus, the Group complies with applicable laws and regulations of corporate governance and adheres to related best practices. With a high standard of corporate governance, we believe that the Group will be able to maintain its success, remain competitive and sustainable in the long term.

Our corporate governance overview statement is showcased in page 42 of this Annual Report.

# SUSTAINABILITY STATEMENT

## Risk Management

Risk influences every business aspect of our Group. The exposure to these risks is managed through the practice of Risk Management.

We have worked in accordance with an established Enterprise Risk Management framework across the Group to ensure significant risks are adequately assessed and managed in the face of uncertainty and to provide reasonable assurance regarding the achievement of the Group's objectives. This involves the associated activities of identifying, assessing, mitigating, monitoring, evaluating and reporting the risks.

By understanding and managing the risks appropriately, we enhanced our ability to make better decisions, meet the set objectives, further improve our performance and subsequently assist in the creation, protection and maximisation of value. This also assists the Board of Directors and Management in maintaining a sound internal control system within the Group as envisaged in the Malaysian Code on Corporate Governance 2017, the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers and Section 244 of the Malaysian Companies Act, 2016.

The Risk Management Policy and Guideline documents outlines the Group's risk management process and sets out clear roles, responsibilities and accountabilities in relation to risk management. This will ensure that the risk information is clearly communicated at all levels. It is a general duty and responsibility of all employees to adhere with the policy and, at all times, be conscious of the risks related to their actions and decisions that may adversely affect the operations, reputation and assets of the Group.



Figure 4: Six (6) Key Elements in PESTECH's Risk Management Framework

**Customer Satisfaction**

For PESTECH, customer satisfaction is our top priority and we are committed on delivering quality products and services to our customers. Assessing customer satisfaction is essential to evaluate our progress and performance.

We adopt the best-in-class standards and always ensure that customers feedback and complaints are properly managed and responded to the customers in order to improve our engineering, procurement, construction and commissioning services and products quality. In addition, we ensure that all non-conformances are properly controlled and corrective actions taken are effective in rectifying the problem to prevent future recurrences.

Effective Communications Channel

- Customer Satisfaction Survey Form
- Letters, Phone Calls, Emails, Faxes

ISO 9001:2015 Quality Management System

- Project Management
- Design engineering/ installation/ testing/ commissioning of HV and EHV electrical substation
- Manufacturing of MV, HV and EHV electrical substation equipment



We have established a customer service creed as a guidance to ensure that we are focused on the same vision and commitment to deliver satisfying experience for each customer.

As fostering a favourable customer experience is important, we have adopted ISO 9001:2015 Quality Management System (“QMS”) across main operating subsidiaries. Through the implementation of QMS, we provide assurance to our customers that their needs and expectations are met at every stage of a project.

We also provide customer satisfaction survey forms to our customers to gauge our customer satisfaction level and gain valuable feedback from them. The survey, which is conducted once a year, solicits feedback on the products and services quality, progress performance, project management, responsiveness, site management and technical competencies.

**Environmental Compliance**

In operating our businesses, PESTECH is committed to protect the environment and comply with applicable environmental laws and regulations. We have established the Environmental Policy in line with ISO 14001:2015 Environmental Management System (“EMS”) and Environmental Quality Act 1974 (“EQA”) to enable the Group to practice environmental control and improve its environmental performance. We continue to put in place relevant measures to monitor, protect and conserve the environment as well as implementing environmental management plan to achieve sustainability in the working environment that we are operating in.

# SUSTAINABILITY STATEMENT

## Business Behaviour



PESTECH has a code of conduct which provides the principles of business ethics and spells out the expectations of employee behaviour and conduct at work. We practice a culture of honesty, trust and integrity while upholding the highest standards of professionalism.



### Products Quality and Safety

PESTECH is committed to producing products and solutions that meet the quality and safety requirements. Through continuous improvement of the Quality Management System ("QMS"), we implement high quality standards in our day-to-day operations where the importance of traceability, consistency and reliability are emphasised.

We execute activities such as product testing, quality inspection and calibration for all products before delivering them to customers. These activities are properly handled by testers, QC inspectors as well as production teams to meet customers' requirement and design specification.





**Product**

**Factory Routine Test**

- Factory in-house testing.
- Check on the products operation and functionality.
- Check on the defect and rectify it, if any.

**QC Inspection**

- Inspect and ensure the products are produced according to the design specifications and standard requirements.
- Re-check on the defect and rectify it, if any.
- Segregate all products/ components that fail to meet specification.

**Factory Acceptance Test**

- Process of customer evaluation and acceptance of the products.
- Test and verify if the products are in accordance with the design specification.
- Ensure that the components and controls of the products are working properly.

**Health and Safety at the Workplace**

Health and Safety is our pinnacle priority in operations. We continue our commitment to protect the health and safety of our employees and stakeholders, and provide a safe workplace across our diverse operations, be it in corporate offices or construction sites.

We have established an Occupational Health and Safety policy and procedures in accordance to ISO 45001:2018 Occupational Health and Safety Management System (“OHSMS”) to monitor the risks at our workplace.

Below is the foundation of our Health and Safety (“HSE”) committee organisation chart:

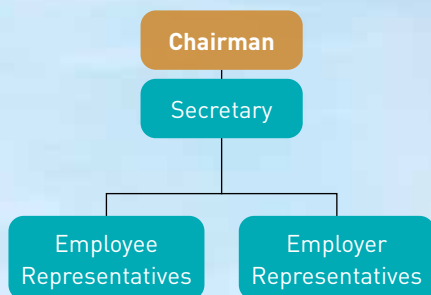


Figure 5: Safety Committee Organisation Chart



## SUSTAINABILITY STATEMENT

### *Safety Training & Communications*

Our Quality, Health, Safety and Environment ("QHSE") team always ensure that all employees, in both corporate offices and project sites are trained and educated. The team communicates the policy and procedures to all employees and updates them on a regular basis.

Below are the trainings organised during this financial year to promote the importance of safety at the workplace:

- New Employee Induction and Orientation
- On the Job Training
- Monthly Toolbox at Corporate Offices
- Daily Toolbox at Project Sites
- First Aid Training
- Manual Handling
- Monthly QHSE Alert

- QHSE Awareness Programme
- General Safety Educations and Trainings
- Specific Work-Related Safety Training



### *Emergency Response Preparedness*

Emergency Response Preparedness ("ERP") is our response mechanism in case of emergency. Our QHSE team has developed a procedure which serves as a guide dealing with emergency situations quickly in a systematic manner. An Emergency Response Preparedness Team ("ERPT") is formed and trained to ensure that such procedure is communicated and adhered to.

Below are some of the responsibilities of our ERPT:

- Prepare emergency escape plan
- List the emergency telephone numbers and contact persons

- Identify the emergency exits and how they are marked
- Identify evacuation routes and assembly points
- Signals that alert employees when there is a need to evacuate
- Handle and aid injured persons
- Organise fire drill
- Organise chemical spillage drill
- Organise firefighting training

We also conduct periodic inspections and maintenance on firefighting equipment such as portable fire extinguishers, fire hose reels, hydrant pump systems and sprinkler systems to ensure its operability.



*Safety Rules*

We impose safety rules on our employees, visitors, vendors and customers who visit our offices and project sites, based amongst other, the following safety measures:

- Strict access and security where only authorised personnel or workers possessing CIDB Green Cards and NIOSH Tenaga Safety Passport (“NTSP”)/ Sarawak Energy Safety Passport (“SESP”) are allowed to enter our project sites.
- Mandatory use of Personal Protective Equipment (“PPE”) when entering into production and project sites.



*Hazard Identification Risk Assessment and Determining Control (“HIRADC”)*

HIRADC is fundamental to the practice of planning, management and operation of a business as a basic of risk assessment. As part of our safety and health requirements, all activities must undergo the HIRADC process before commencement of any projects, productions or events. This process is executed systematically and recorded accordingly so that the results are reliable. With HIRADC, we will be able to identify hazards, analyse and assess its associated risk and then apply suitable control measures.



*Health Related Activities*

We lined up health related activities to bring health awareness to our staff. Amongst the activities are:

- Health Awareness Programme
  - Health screening – blood pressure and urine test
  - Health talk – Topics: Hypertension & hypotension, health condition, importance of annual medical checkup
- Aerobic Sessions
 

Aerobic sessions are organised during the toolbox meeting on monthly basis.



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- Blood Donation Campaign

The blood donation event was organised in collaboration with the National Blood Bank. The campaign aims to raise awareness that blood banks need a continuous supply of donations and other benefits of being a blood donor.



- Sports Club

As part of the Group's initiatives to promote healthy lifestyle and work-life balance, we established the Panthera Club. The Club organises activities such as badminton, paintball and other health-related events. These activities help to support employees' emotional and physical wellbeing.

### Occupational Health & Safety Performance

Our ultimate goal is to strive for zero fatality and reduce the number of accidents throughout our operations. This is done through monitoring and constant process improvement.

### OBJECTIVE:

- To achieve Zero reportable accident at office and project work site
- To achieve Five (5) star rating for office and project work site

NO.	COMPANY	TOTAL MANHOURS (as at June 2019)
1.	PESTECH International Berhad	<b>75,896 hrs.</b> (since December 2018)
2.	PESTECH Sdn. Bhd.	<b>7,500,170 hrs.</b> (since March 2015)
3.	PESTECH Technology Sdn. Bhd.	<b>426,616 hrs.</b> (since March 2016)
4.	PESTECH Energy Sdn. Bhd.	<b>58,544 hrs.</b> (since September 2018)
<b>GRAND TOTAL OF MANHOURS</b>		<b>8,061,226 hrs.</b>

Figure 7: Total of Manhours

In addition, we also received excellent ratings for our project sites for the following recognition:

- Safety Compliance Audit (“SAFCA”)

This audit is mandatory for all projects awarded by Tenaga Nasional Berhad (“TNB”) and will be conducted two (2) times for each project.



PMU 500/275kV Olak Lempit  
5 STAR , 95.9%



PMU 275/230kV Plentong Extension  
5 STAR, 92.9%



PMU 132/33kV MRT Jinjang  
5 STAR, 94.7%

- CIDB Safety and Health Assessment System in Construction (“SHASSIC”)

SHASSIC is an audit conducted by CIDB Malaysia to assess and evaluate the safety and health performance in construction projects.



*Talent Building*

At PESTECH, we believe sustainable talent building is vital to thrive in a volatile and competitive business environment. The talent of our future leaders is critical to our future success. This financial year, we developed PESTECH CARE Undergraduate/ Postgraduate Scholarship Program as part of our initiatives to contribute towards the country’s nation building. It aims to create a vibrant and sustainable talent pipelines by providing education sponsorship, training and opportunities to new talents into undergraduate/ postgraduate studies. Aside from engineering related courses such as electrical and electronics, mechanical and civil, the scholarship is also awarded for Business and Management, Human Resources and other courses which meets PESTECH’s needs.

*Organisational Knowledge*

“The only thing that gives an organisation a competitive edge, the only thing that is sustainable, is what it knows, how it uses what it knows and how fast it can know something,” says Larry Prusak, a long-time researcher in the field of knowledge management.

As an engineering-based organisation, technology competency is an asset of strategic importance to improve the organisation’s product portfolio. We value the technology competency and technical know-how as it is knowledge specific to our organisation and it is generally gained by experience. The subsidiaries within PESTECH Group of companies shall identify their respective core competencies and knowledge maintained through preservation of intellectual property; capturing and sharing lessons learned from successful projects and necessary improvements.