

# SUSTAINABILITY STATEMENT

## INTRODUCTION

With the emergence of the prominent global trend of sustainable practices and sustainability reporting being undertaken by conscientious local organisations, TRC Synergy Berhad ("the Company") and its group of companies ("the Group") similarly aspires to manifest the inspirational values described in the United Nations Sustainable Development Goals (UNSDG) alongside its operational performance. The Group therefore aims to adopt a holistic approach in relation to its activities and development, taking into consideration the economic, environmental, and social sustainability risks and opportunities in association with its financial implications. Thus far, the Group has initiated the requisite steps to raising awareness and understanding of the concept of sustainability amongst its Senior Management and the necessity to gradually shift their mindset and focus in implementing sustainable practices within the Group's business activities. The Group has also embraced sustainability principles in formulating and executing its business strategies based on sustainable long-term growth and continuity. We hope to extend our momentum of success and in acknowledging that the landscape of the construction industry is now inclining towards environmental and social sustainability on top of consistent economic performance, we have turned our attention to doing our part to contribute positively to a brighter future.

The objective of this Sustainability Statement is to share the progress and improvements made during the financial year 2018 with regard to the Group's sustainability initiatives.

## SCOPE OF SUSTAINABILITY REPORTING

This Sustainability Statement covers the period from 1 January 2018 to 31 December 2018, in congruence with the Annual Report.

Geographically, this statement will focus on business activities taking place in Peninsular Malaysia; and only those activities which are related to the Group's two main businesses namely construction and property development. Projects and subsidiary companies that are based elsewhere are excluded from this year's reporting due to the practical fact that they made no significant impact on the Group's operations and revenue in 2018.

We expect the scope of our sustainability reporting to expand in the near future due to work starting on new contracts won as well as higher contribution from our overseas subsidiaries.

As it stands now, the following table shows the scope of this Sustainability Statement:

Holding Company	Subsidiaries	Foundation
TRC Synergy Berhad	Trans Resources Corporation Sdn Bhd ("TRC") TRC Land Sdn Bhd	Yayasan TRC
<p style="text-align: center;"><b>Projects</b></p> LRT3 Package ("TD2") MRT2 Package ("DPT201") MRT2 Package ("V205") Pasar Seni Paid Link ("PSS")		

## SUSTAINABILITY GOVERNANCE

The Group established its Sustainability Policy in 2017 which encompasses all aspects of ethical business practices, addressing the relevant environment, social, and economic issues profitably and responsibly.

The policy's main objective is to integrate the principles of sustainability into the Group's strategies, policies, and procedures. It also promotes sustainable practices and ensures that the Board of Directors of the Company and the Group's Senior Management are involved in the implementation of this policy across the Group's businesses as well as in the review of the identification and management of the Group's sustainability performance and disclosures.

The establishment of the policy is also to facilitate the creation of a culture of sustainability within the Group and the communities it engages, with an emphasis on ensuring that economic, environmental, and social sustainability are considerations at the forefront of our decision-making as well as being an important part of the outcomes we deliver.

Presently, the sustainability-related matters are overseen and undertaken by the various relevant departments within the Group. The Corporate Affairs, Quality Safety Health & Environmental (QSHE), and Human Resources Department, together with Yayasan TRC, all work closely to ensure the effective and successful implementation of the Group's Sustainability Policy. The respective personnel of the aforementioned departments form the Sustainability Working Committee which is headed by the Deputy Chief Executive Officer who shall report its activities to the Company's Board of Directors in their role of being the highest governance body in the Group for sustainability matters. Moving forward, the Group will consider establishing a dedicated Sustainability Committee, which will comprise a combination of the Company's Board and the Group's Senior Management, in order to further improve the implementation of the Group's Sustainability Policy.

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## THE GROUP'S SUSTAINABILITY FRAMEWORK

For the purposes of this year's reporting, the Group has identified and prioritised its material sustainability matters to include the following:

- a) Social Sustainability
  - Corporate Social Responsibility ("CSR")
  - Talent Management
- b) Environmental Sustainability
  - Quality, Health, Safety, and Environment ("QSHE")
- c) Economic Sustainability
  - Corporate Governance
  - Quality of Works and Financial Performance

Due to the inter-related nature of matters related to sustainability inherent in the construction industry, each of the above listed is subject to an overlap in terms of impact across all aspects of sustainability: economic, environmental, and social. As such, the sustainability matters material to the Group shall be discussed henceforth as interconnected with the first four listed culminating in the last listed, the Group's quality of works and financial performance, which in turn perpetuates the subsistence of the other matters, creating a continuous sustainable cycle.

### CSR

The Group believes that the best way to contribute to the sustainability of the industry is to have a presence where the seed is sown by directing our focus on the importance of education. Honing in our efforts towards education ensures that the foundation of human capital is given due attention thus allowing the industry to more easily and readily build up on that foundation.

One of the main risk factors associated with the industry is as elaborated on page 10 in our Annual Report 2018 under the Management Discussion and Analysis Disclosure section regarding shortages in the labour force and the productivity issues related thereto. Therefore, we are proud to be a pioneer in contributing towards education as part of our CSR in order to improve the competence and quality of our local workforce and simultaneously lessen our dependence on foreign workers.

The Group's CSR activities are primarily under the purview of Yayasan TRC ("YTRC"), a foundation established by the Group dedicated to providing contributions to several categories of beneficiaries with priority given to employees of the Group as well as their spouses and children, followed by college students, underprivileged students, and students attending schools near and around the Group's offices and project sites. YTRC is chaired by General (Retired) Tan Sri Dato' Seri Mohd Shahrom Bin Dato' Hj Nordin. In carrying out its activities, YTRC is supported by the Group's employees on an ad hoc basis as and when necessary.

Following in the footsteps of the Construction Industry Development Board ("CIDB") and the Master Builders Association Malaysia ("MBAM"), the Group has taken up the



mantle of providing various practical trainings for local students and also programs to upskill the existing workforce, starting with provisions for our own employees and then branching out to YTRC's other beneficiaries as abovementioned.

During the financial year 2018, YTRC's education-oriented activities include the following:

- Sponsoring eligible staff to pursue off-campus degree programmes as well as extending educational aids to the family members of eligible staff with RM1 1,000 spent;
- Extending students' excellence awards amounting to RM3,000 in total to family members of eligible staff who excelled in their primary school examinations; and
- Sponsoring RM500 per student for the tuition sessions of eligible staff's children undertaking major school examinations (UPSR, PT3, SPM).

Additionally, the Group has embarked on a collaboration with Jabatan Pendidikan Politeknik ("JPP") to draw up a strategic cooperation between the two parties with a view to improving the quality of learning in polytechnics throughout Malaysia and subsequently to produce quality human capital and competitiveness to fill the needs of manpower in Malaysia especially in the field of construction.

Through the collaboration, both parties agreed to jointly:

- implement the "Work-Based Learning" program which is part of the curriculum for final year students undertaking Bachelor's Degrees in Civil Engineering Technology and Diplomas in Civil Engineering at Politeknik Ungku Omar ("PUO") in order to equip the students with real work experience;
- develop a conducive and modern learning centre for the needs of students majoring in Bachelors of Civil Engineering Technology at PUO;
- exchange information and knowledge by conducting lectures and discussion sessions on the development of the construction industry;
- assist in identifying and providing suitable employment opportunities to PUO graduates of Bachelors of Civil Engineering Technology;
- provide practical exposure to the lecturers of PUO through the Lecturer Counselling program at offices or construction sites operated by the Group.

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The Group also agreed to develop the TRC Edu Centre (the "Centre") at PUO which will be a Technology Enabled Collaborative Centre (TECC). The Centre will be equipped with Virtual Reality (VR) hardware and software which is in alignment with the concept of Industry 4.0. The Centre will be utilised by PUO to promote active learning processes particularly for students of Civil Engineering as the Centre is equipped with computer simulations of actual reality in sustainable construction technology by virtual reality. The Centre will also be a conducive space for practical talks and sessions held by the Group's senior staff for PUO students.



In 2018, the Group's senior staff members had successfully conducted knowledge sharing sessions with PUO students at the Centre. The first session of the year was held in August by the Human Resources department and the last session was concluded in December by the Group's project technical personnel. Similar programs are scheduled to be carried out in 2019 and a field trip to project sites has also been planned for PUO students to gain site exposure and experience.

postgraduate courses in the field of rail transport engineering technology as well as the implementation of work-based learning programme for the respective university students.

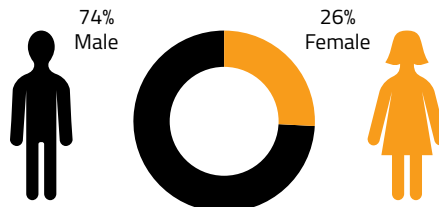
Separately, the Group had in July 2018 entered into an agreement with Universiti Tun Hussein Onn, Malaysia to collaborate on Academic Research and Development also in providing academic consultancy to improve undergraduate and

On another note in terms of social sustainability, other than education, YTRC also has a 'Prihatin' objective which provides for other exceptional needs of employees and other special categories of beneficiaries, with expenditures totaling RM67,543.80 in 2018.

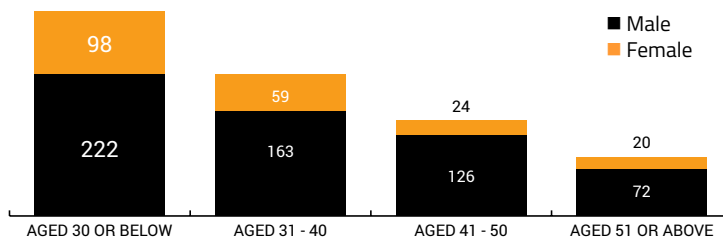
## Talent Management

The success of any organisation is largely determined by the people behind it, acting as its driving force. To that end, the Group believes that the best possible return on investment is when that investment is made in the individuals that make up our acclaimed workforce. This outlook results in the support and fulfilment of the UNSDG of quality education, gender diversity, reduced inequalities, and decent work and economic growth leading to sustainable cities and communities.

In ensuring the Group is on track with its management of human capital, we have established employment practices that attract and retain a talent pool consisting of high calibre and quality workers. The outcome of these practices is evidenced in our diversity indicators, in accordance with the scope of this year's reporting, as presented below.



### Gender Diversity



### Age Diversity

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One of the ways in which the Group attracts fresh talent in order to revitalise the workforce is by opening our doors to students so they may contribute their unwearied perspective whilst at the same time obtaining first-hand industry experience.

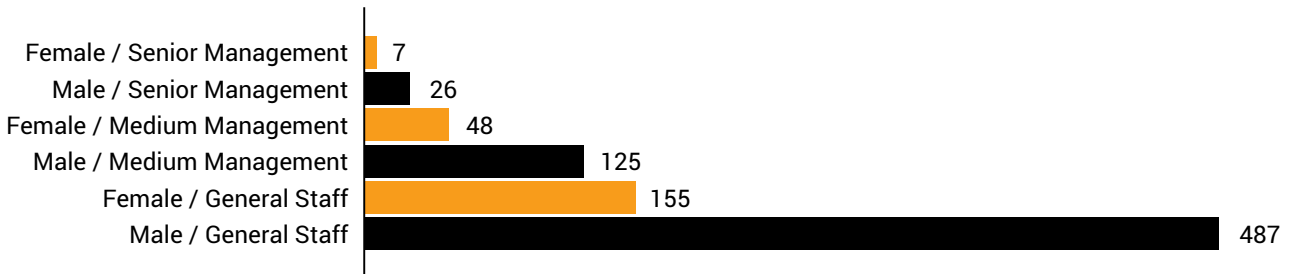
Accordingly, since October 2017, the Group has participated in the Skim Latihan 1 Malaysia (SL1M) programme initiated by the Economic Planning Unit (EPU), an agency under the Prime Minister’s Office which aimed to provide assistance to unemployed young graduates by enhancing their marketability with the appropriate skills, knowledge, and working experience throughout the training process. SL1M is also aimed at increasing the employability of graduates and the possibility of advancing their careers in the future. In 2018, the Group recruited 75 SL1M trainees and has spent RM1,216,132.33 on this programme for their allowances and RM139,316.90 on their soft skill trainings.

The Group has also offered opportunities to undergraduate and diploma students of various public and private colleges and universities, especially for those undertaking construction-related courses, to undergo practical training at the Group’s

Headquarters and site offices with the prospect of employment upon the completion of their studies. During 2018, 70 practical students were attached to the Group and RM123,434.34 had been paid to them in the form of wages.

It is imperative that the Group retains its strong workforce by continuously inspiring productivity and improvement. The measures taken in this respect include the education-oriented awards and benefits provided by YTRC as aforementioned.

Furthermore, employees are encouraged to undergo training to better themselves with value-added knowledge and skills. With diversity and inclusion at the heart of the Group’s values in relation to employment practices, employees are given every opportunity to participate in training regardless of gender and employment category; all at the expense of the Group as part of its investment in the workforce. An average of RM300 was spent on training per employee with the total training expenses for 2018 amounting to RM185,341.80 for both planned (as recommended in their Appraisal Forms) and ad hoc on the job training.



### Training and Development of Employees According to Gender and Employment Category

Other contributions by the Group include workplace incentives such as fully subsidised parking and daily meals as well as organising and sponsoring celebratory events such as Iftar, Hari Raya, and Chinese New Year.

The Group is gratified at our low employee turnover as a testimony of our talent management efforts. It is with great appreciation that we are able to state that in conjunction with the 35th anniversary of one of our subsidiaries, TRC, we will be conferring a total of 149 employees with long service awards as tabled below.

### Long Service Awards

Duration of Service	No. of Employees
More Than 30 Years	1
25 to 29 Years	17
20 to 24 Years	35
15 to 19 Years	47
10 to 14 Years	49
<b>Total:</b>	<b>149</b>

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## QSHE

In line with our Mission Statement, QSHE is a priority area of focus for the Group as we strive to excel in that aspect. It is the intrinsic nature of the construction industry to revolve around QSHE and true to form, every operational conduct of the Group is informed and governed by our QSHE Policies as supported by our QSHE System Administration Procedures Manual ("QSHE Manual").

## Mission Statement

**“ To be a leading construction company in the region for building and civil engineering works by completing projects on time, within budgets, and excel in quality, safety, health, and environment. ”**

Due to the Group's main business being under the purview of our construction arm, TRC, it was that subsidiary that drafted the QSHE Policies which has since been adopted across the Group's other companies, where relevant.



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TRC has also established a comprehensive QSHE Manual which is a practical guide to procedurally implementing and fulfilling the International Standards Organisation (ISO) requirements with regards to QSHE in order to uphold our ISO 9001 certification. The QSHE Manual, which is a part of the QSHE Management System Documentation ("QSHEMSD"), is distributed to every employee in the form of controlled hard copies available for reference purposes at every department as well as in soft copy on the Group's general server. All newcomers to the Group are requested to familiarise themselves with the document upon employment. This manual is constantly under revision so as to remain up-to-date with any changes to the ISO requirements.

The stringent policies and procedures described above are due to the wide-reaching impact of the Group's business activities in the construction industry on the general public. Since most of our projects involve interaction with the public, we ensure that we have in place standard operating procedures (SOP) to mitigate the effects on those possibly collaterally inconvenienced. Examples of our application of SOP for the year 2018 are as shown below.

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## Project Community Affected / SOP Applied

<b>TD2</b>	<b>Kg Johan Setia</b> <ul style="list-style-type: none"> <li>▪ Maintenance of public road access.</li> <li>▪ For vibration occurring due to piling works, surveys with photographic documentation are conducted before and after the works with TRC to repair any damage found upon comparison.</li> <li>▪ Dust control via water bowser.</li> <li>▪ In the event of a flood, TRC is to rectify the existing drainage.</li> </ul>
<b>DPT201</b>	<b>MARDI Area, Bukit Serdang, and Sekolah Kebangsaan Serdang</b> <ul style="list-style-type: none"> <li>▪ Diversion of road closed at the Bukit Serdang traffic light junction.</li> <li>▪ Close monitoring of the environment during monsoon season in case of a flood.</li> </ul>
<b>V205</b>	<b>Sungai Besi LRT Passengers and Residents of Serdang Raya Adjacent to Jalan Utama</b> <ul style="list-style-type: none"> <li>▪ Noise and road diversion mitigated by TRC's Public Relations team's engagement with the public.</li> </ul>
<b>PSS</b>	<b>Commuters at Pasar Seni KTM and LRT Stations</b> <ul style="list-style-type: none"> <li>▪ Road closures diverted.</li> </ul>

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In order for the Group to remain performing in compliance within the confines of its QSHE Policies and the QSHE Manual, internal audits specifically addressing QSHE issues are carried out twice annually resulting in audit reports upon which we can work to improve our conduct. These internal audits also act as a means of ensuring that the safety of the Group's employees is protected by way of abiding by the set requirements.

The safety of the Group's employees is of the utmost priority and we are diligent in providing those working in risky or hazardous conditions, particularly on-site, with adequate and proper protection in the form of attire (safety boots, helmets, high-visibility vests) and equipment which are maintained accordingly. We are therefore pleased to report that no incidents causing fatality or permanent disability occurred in 2018. However, 30 work-related accidents were recorded causing a total of 14 lost days due to injury. In light of these accidents, we have ramped up our annual Safety Campaigns, which are conducted at all our project sites, to be more demonstrative and effective.



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The Group is committed to identifying, managing, and minimising the environmental impact of its business activities particularly in relation to construction. To that end, a number of activities have been organised in 2018 which aimed to promote environmental awareness amongst staff and workers based at the Group's project sites where the impact of their execution of work is more significant upon the environment. The activities which were strategised into the following three categories have been well accepted and adapted by those involved:

## 1. General Activities

- Safety, Health, and Environment ("SHE") induction trainings held at all project sites before work commencement as attended by a total of 1,993 participants throughout 2018
- Weekly SHE inspections at all project sites
- Monthly SHE Committee Meetings at all project sites
- Environmental Promotion and Awareness Programs
- Monthly SHE Corporate Meetings
- Annual Management Review Meeting
- SHE briefings which cover environmental issues such as waste management, air pollution, noise pollution, water pollution, and erosion and sediment control were conducted during kick-off meetings prior to sub-contractors starting work
- Monthly environmental monitoring of noise, vibration, ambient air, and water quality at all project sites
- Environmental internal audits at all project sites carried out on a quarterly basis

## 2. Rewards

- Reward for the Best Management Practice (BMP) in relation to environmental matters

## 3. Training

Several series of trainings on environmental awareness have been organised throughout the year 2018. The trainings which cover the following topics are aimed to continuously equip all site staff and workers with the necessary understanding of the importance of environmental sustainability:

- Waste Management
- Pollution on Environment (Air, Noise, Vibration, and Water)
- Environmental Aspect and Impact
- Environmental Regulations and Legislation
- Scheduled Waste Management
- Erosion and Sediment Control
- Flood Mitigation Control
- Life Cycle Perspective Table
- Environmental Management Plan
- Sewage Management

Environmental personnel were also required to obtain certification as follows:

- Certified Environmental Professional in Scheduled Waste Management (CEPSWAM)
- Certified in Sediment Erosion Control (CISEC)
- Certified Professional in Erosion and Sediment Control (CPESC)
- Certified Erosion and Sediment and Storm Water Inspector (CESSWI)

In the need for the continual improvement of the Group's systems and approach towards safety, health, and environmental concerns, we have embarked on achieving ISO 45001: 2018 and ISO 14001: 2015 certification. This endeavour has led the Group to its adoption of a systematic approach to environmental management by implementing environmental management systems across its business operations with the aim of positively contributing to the environmental pillar of sustainability.



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## CORPORATE GOVERNANCE

The Group is committed to ensuring a high standard of corporate governance which is practiced throughout the Group. We also believe that sound corporate governance practices will have a direct impact on the Group's sustainability. Therefore, the Group adheres to the principles and recommendations that are set out in the Malaysian Code on Corporate Governance 2017 ("the Code"), the Main Market Listing Requirements which are issued by Bursa Malaysia, and other prevailing rules and regulations.

The Group's corporate governance practice is reported in page 32 of this Annual Report which is to be read together with the Company's 2018 Corporate Governance Report.

As recommended by the Code, the Group has established a Board Charter which outlines the roles and responsibilities of the Company's Directors. The Board Charter which was adopted in April 2015 aims to promote a high standard of corporate governance and is designed to provide guidance and clarity for Directors and Management with regard to their roles and the role of the Board's committees.

The Group has also established a Code of Conduct. The Board of Directors together with Management implement its policies and procedures which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading, and money laundering.

The Group is also committed to upholding the highest standard of integrity, openness, and accountability in administrating the Group's businesses and operations. It aspires to conduct the Group's affairs in an ethical, responsible, and transparent manner. In recognition of these values, the Group established its Whistleblowing Policy and Procedures in early 2019. The policy was formulated as an avenue for all the Group's staff and stakeholders as well as members of the public to disclose any legitimate misgivings they may harbour regarding any improper conduct within the Group.

The Board Charter, the Code of Conduct, and the Whistleblowing Policy and Procedures can be viewed at the Company's website at [www.trc.com.my](http://www.trc.com.my).

## QUALITY OF WORKS AND FINANCIAL PERFORMANCE

### Quality of Works

The Group recognises that the successful implementation of works either with regard to its construction business or its property development activities will have a huge economic impact on its clients and its shareholders as well as other stakeholders. This is largely due to the fact that most of the Group's projects involve infrastructure and buildings constructed for public access and use. The constructed items are vital to the pursuit of economic activity by the Group's clients as they provide the venue and space needed for the production of all goods and services. The physical infrastructure built at great expense through construction activities are the nation's economic backbone as it constitutes the arteries for the facilitation of productive activity by enabling goods and services to be distributed. The items built also offer social and welfare benefits. For example, housing fulfils one of the most basic needs of society by providing shelter from the elements. Built items also offer people the opportunity to improve their living standards.

Therefore, the Board will ensure that all works undertaken by the Group are completed on time and at the highest standard of quality pursuant to the expectations of clients. Project executions would be subject to the Quality Management System in accordance with ISO 9001: 2015. The Group also will strive to promote:

- Increased value for money to industry clients as well as environmental responsibility in the delivery process;
- The viability and competitiveness of domestic construction enterprises; and
- Optimisation of the role of all participants and stakeholders through process, technological, and institutional enhancement as well as through appropriate human resource development.

To equip itself with the internationally recognised working standards, the Group has in the year 2018 embarked upon and initiated the necessary auditing process for certification in ISO 45001: 2018 (Safety and Health). The auditing process has been completed and the Group is expected to be accredited with the said ISO certification by early May 2019.



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## Financial Performance

The Company recognises that the outmost obligation towards its shareholders is to deliver impeccable results arising from its activities which can be translated into good returns on the shareholders' investment.

For the financial year 2018, the Group performed commendably despite a weaker year for the country's economy as a whole and particularly for the construction industry. The detailed analysis of the Group's financial performance for the year 2018 is as provided on page 6 of this Annual Report under the Management Discussion and Analysis Disclosure.

Exemplary financial performance has always been and will continue to be a core focus area in relation to the Company's

overall business sustainability in order for the Group to remain resilient and competitive in today's dynamic business landscape.

Over the past three years from 2016 to 2018 the Group had fared well financially as illustrated in Table 1 below whereby revenue has been stabilising in the region of RM750 million. Albeit flat in terms of revenue growth, the Group achieved a strong enhancement of its earnings right from gross profit all the way to core profit after taxation with the cumulative growth rate over the past two years between 23.4% to 52.7% which is then amplified by the impressive Compound Annual Growth Rate (CAGR) of between 11.1% to 23.6%, notwithstanding the increasingly challenging business environment over the same period.

**Table 1**

Description	(In RM'mil)	(In RM'mil)	(In RM'mil)	Cumulative	CAGR
	FY 2016	FY 2017	FY 2018	Growth Rate Over 2 FYs	Over 2 FYs
Revenue	754	728	756	0.3%	0.1%
Gross Profit	56.0	78.5	69.1	23.4%	11.1%
Core Operating Profit	24.5	46.9	37.4	52.7%	23.6%
Core Profit Before Taxation	27.7	53.2	40.0	44.4%	20.2%
Core Profit After Taxation	22.9	36.1	29.2	27.5%	12.9%

*Note: CAGR denotes Compound Annual Growth Rate*

In addition to the Group's good financials, it is of paramount importance that its shareholders and investors are also being rewarded for their strong support, trust, and confidence in the Group throughout the years.

**Table 2**

Description	FY 2015	FY 2016	FY 2017	Cumulative	CAGR
				Growth Rate Over 2 FYs	Over 2 FYs
Dividend Entitlement (Sen)	0.65	1.9	2.8	330.8%	107.5%
Dividend Payout Amount (RM'mil)	3.1	9.1	13.5	330.8%	107.5%
% of Core Profit After Taxation	24%	40%	37%		

*Note: CAGR denotes Compound Annual Growth Rate*

Table 2 very clearly shows that the Group had taken care of its long-term shareholders and investors pretty well over the last few financial years with dividend entitlement surging from 0.65 sen per share (equivalent to a payout of RM3.1 million) in FY 2015 to 2.8 sen per share (equivalent to a payout of RM13.5 million) in FY 2017, reflected by a very strong Cumulative Growth Rate over two FYs as well as CAGR over two FYs which is above the 100% mark.

## CONCLUSION

As apparent from the elaboration on the Group's material sustainability matters presented in this Sustainability Statement, the Group has evidently incorporated sustainable practices in our day-to-day operations as a matter of fact. Concurrently, we are also working towards continuously improving and refining our business strategies and performance so we may foster a legacy of sustainability in line with the virtuous UNSDG, on par with other key industry players.