

LEADING CHANGE



Sustainability Report 2006



LEADING CHANGE

At UEM Enviro we look at “growing” our business not just through the generation of profits, but by generating a more holistic, organic, and community-driven focus. This means integrating additional layers of growth, including environmentally sensitive and sustainable methodologies, as well as a more proactive corporate social awareness.

From chrysalis to butterfly, and from plant and animal interdependability, we likewise strive to nurture growth in a positive, resource-sustaining light.



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Responsibility for the Future

This report outlines UEM Environment Sdn Bhd (UEM Enviro)'s economic, environmental and social impacts on the communities in which we operate. The theme of our report this year is 'Leading Change', which reflects our commitment to improving how we work with the communities in which we operate to ensure a sustainable future.

This report can be viewed as a disclosure of our corporate responsibility performance. Our intent is to share the information in a standardised way on issues that are most relevant to our internal and external stakeholders. Our transparency efforts and our commitment to reporting are not limited to this document. We see value in different methods of reporting and communicating, and this report complements our website (www.kualitiam.com) where we disclose our performance.

REPORTING CONVENTIONS

Most of this report refers to year-end 2006 data. UEM Enviro refers to the company and its subsidiaries.

TARGET AUDIENCES

Our target audience consists of all of our stakeholders, including but not limited to shareholders, investors, government leaders, regulators, employees, business partners, academics, non-governmental organizations, environmental groups, community leaders, individuals with interests in corporate responsibility and the communities in which we operate.

GLOBAL REPORTING INITIATIVE (GRI) GUIDELINES

We have prepared this report in a way that meets the "in accordance" specifications set forth by the GRI's 2002 Sustainability Reporting Guidelines.

The GRI offers a comprehensive framework for reporting a company's impacts and activities. A GRI index can help readers match this report with the sections of the GRI (for more information, please visit www.globalreporting.org).

We strongly support the GRI as a core tool for corporate social responsibility reporting because it has credibility with a broad cross-section of stakeholder groups. We are committed to using the GRI Guidelines, and we support efforts to advance reporting on the basis of the GRI. (See page 48-52 for more information.)





Our Performance in Brief.....

2006 has been a year of changes. We have undergone a rebranding exercise in an effort to provide more co-ordinated and efficient services to our customers, and with our Board of Directors' approval in 2003, we were registered as UEM Environment Sdn Bhd and later referred to as UEM Enviro.

As a major player in the Malaysian environmental services industry, UEM Enviro has the capabilities to meet environmental needs in waste disposal and management. Our services prevent indiscriminate dumping of toxic waste and help industries to manage their scheduled waste in an environmentally responsible manner. Our group of companies include:

- **Kualiti Alam Sdn Bhd (Kualiti Alam)**
- **Kualiti Khidmat Alam Sdn Bhd (Kualiti Khidmat Alam)**
- **Kualiti Kitar Alam Sdn Bhd (Kualiti Kitar Alam)**
- **E-Idaman Sdn Bhd (E-Idaman)**
- **Abu Dhabi Kualiti Alam Environmental Services LLC (ADKA)**

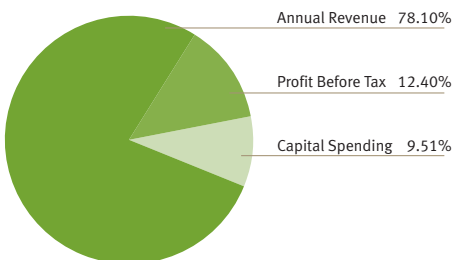
The UEM Enviro group of companies complement each other by providing comprehensive services in the field of hazardous waste management. We are able to offer the following products and services:

- **Privatisation of Hazardous, Medical & Municipal Waste Management Projects**
 - Hazardous Waste Recycling & Recovery Facilities
 - Treatment & Disposal
 - Packaging & Labelling
 - Logistics Planning & Transportation
- **Remediation of Contaminated Sites**
- **Integrated & Comprehensive Sludge Management & Tank Cleaning Services**
- **Technical & Consultancy Services**
 - Environmental Management Services which cover Laboratory & Analytical Testing, Environmental Monitoring Programme, Special Waste Treatment & Disposal, Waste Water Solutions and Waste Management Facilities Set-Up
 - Waste IT Solution for Real-Time Waste Tracking System
- **Research & Technology Development (R&D) for Process and Technology Innovation**
 - Kualiti Alam Modular Incinerator
 - Waste Burner & Industrial Shredder
 - Biofuel & Biotech
- **Feasibility Studies & Master Plan for privatisation of waste management services and/or systems**

In 2006, our performance has been consolidated into a single UEM Enviro performance. This is reflected in our performance reporting in this report.

We are pleased to report that we have recorded our highest revenue in 2006 since the start of our operations. With the exception of 2004, we have recorded pre-tax profits for the past 5 years. Conversely, our capital expenditure has also increased as we continuously seek to provide better and more efficient services to our customers, and also as part of our assets management programme. The diagram below presents some key financial indicators of the Group.

UEM Enviro's Financial Performance 2006



OUR STRATEGY

UEM Enviro intends to remain in its present operating sectors and expand regionally and globally. Growth will be pursued mainly organically, in addition to which there will be acquisitions. The group aims to grow faster in Malaysia than the market average. The long term growth target for the company's net sales is more than 10 per cent annually. The growth target abroad is higher, and growth will be based on organic growth, establishing new units and acquisitions. In particular, growth will be sought in Indonesia, Middle East and Asia in general.

Over the next few years, we will invest significantly both in Malaysia and abroad, which will accelerate growth in net sales. Investment in product R&D will be increased.

Our competitiveness will be maintained through improved efficiency and differentiation. Efficiency will be improved by viewing the business as processes and changing its operating methods. Process evaluation will be based on time and costs evaluations. Differentiation from the customer's perspective will be achieved through price, product development and services rendered. We have developed our assets management programme and invested heavily in building the capacity of our services.

UEM Enviro endeavours to exploit its expertise, especially in the Asia Pacific and the Middle East regions, where we see great opportunities in market development. The aim is to extend and share our experience in waste management value chain to these markets.

Our Subsidiaries' Competitive Strategies

Kualiti Alam

"Kualiti" means **Quality** and "Alam" means **Environment** in Bahasa Malaysia which reflects the commitment of the company to provide quality services for quality environment. Kualiti Alam is entrusted by the Government of Malaysia to provide an off-site integrated facility for the treatment and the disposal of hazardous waste in Peninsular Malaysia through a 15 year exclusivity. Kualiti Alam was given a build, operate and owned privatisation project to set up Malaysian pioneer Integrated Waste Management Centre (WMC) on a 146 acres of land at Bukit Nanas, Negeri Sembilan which provides the complete management of hazardous waste from "Cradle to Grave", commencing from marketing, collection at waste generator premises, transportation, treatment to final disposal. Kualiti Alam is the market leader in hazardous waste management in Malaysia. It also aims to be a major player abroad in selected business activities in hazardous waste management.

Kualiti Khidmat Alam

"Khidmat" means **Services** which reflects the commitment of Kualiti Khidmat Alam to provide quality support services in waste management. Kualiti Khidmat Alam has been specifically set up to provide marketing, collection and transportation of Hazardous Wastes from the premises of Waste Generators to WMC which has to be carried out in strict compliance with the Malaysia's Environmental Quality Scheduled Wastes Regulations 2005. These include waste for Recycling & Recovery for Kualiti Kitar Alam and waste for final treatment and disposal for Kualiti Alam.

Kualiti Khidmat Alam spearheads marketing efforts of the environmental business unit and caters to the needs of waste generators. Currently, the operation has 10 branches throughout Malaysia. Their array of services includes waste packaging, collection and transportation services for multinational corporations, small and medium sized enterprises and both public and private sectors.





Kualiti Khidmat Alam seeks to operate as comprehensively as possible in the scheduled waste marketing and logistics chain and endeavours to achieve nationwide market leadership in Malaysia. Whilst its operations are based mainly on marketing and collection, the aim being the assurance of large volumes for Kualiti Alam’s processing plants, Kualiti Khidmat Alam also provides repackaging services for hazardous waste incidences such as illegal disposal, accident spills and leaks. These services have been used extensively by relevant authorities within Malaysia in 2006. Apart from that, our expanded services includes site remediation work and integrated and comprehensive sludge management and tank cleaning services.

Kualiti Kitar Alam

“Kitar” means Recycle and reflects Kualiti Kitar Alam commitment’s to conserve natural resources and preserve our environment. Kualiti Kitar Alam is part of UEM Enviro’s tireless effort in continuing to create value for customers and meet the demands of the constantly changing environmental sector. Kualiti Kitar Alam is well-positioned to provide hazardous waste recovery and recycling services as part of the complete array of services provided by the Group. Thus, it will continue to strengthen UEM Enviro’s position in completing the hazardous waste management value chain.

Kualiti Kitar Alam plant is strategically located within the 146 acres of land owned by Kualiti Alam.

E-Idaman

Our vision in municipal solid waste market encompasses the provision of exemplary solid waste management services to the complex needs of towns, businesses and municipalities. At these levels, we will promote 3Rs (reduce, reuse and recycle) and create values for our customers from designing and operating state-of-the-art transfer stations, recycling and treatment facilities and engineered landfills that meet strict environmental regulations. At this stage, E-Idaman is in the process of recruiting its team members.

ADKA

ADKA is a joint-venture company registered in Abu Dhabi, UAE between UEM Enviro and Abu Dhabi Commercial Agencies & Companies Representation Est. (ADCAR), a local UAE company. ADKA stands for “Abu Dhabi Kualiti Alam Environmental Services Limited Liability Company”. ADKA Enviro LLC is positioned to provide all the expertise necessary to provide one-stop environmental and waste management solutions efficiently and effectively in a sustainable manner to UAE, particularly the rapid growing economy in Abu Dhabi. The local partner, ADCAR, is a management firm which has been established for more than 20 years in UAE. The management team consists of highly qualified and experienced personnel who are involved in several industrial sectors, namely, oil & gas, wood and agriculture, telecommunication, medical industry, aircraft maintenance and property industry.

Tapping into the expertise and vast experience from UEM Enviro group of companies, ADKA will replicate the experience, expertise and the success of UEM Enviro in our current waste management operation in the Gulf Cooperation Council (GCC) Countries.

DRIVING INNOVATION

Modular Incinerator

Kualiti Alam, is in the midst of developing a modular incinerator unit ‘made-in-Malaysia’ for treatment of all categories of hazardous waste and medical waste called the Kualiti Alam Modular Incinerator or “KAMI” to be ready by the end of 2008. This project is driven by our internal engineers assisted by our consultant, Niras A/S.



Integrated and Comprehensive Sludge Management and Tank Cleaning Services

While meeting regulatory requirements, our dewatering and sludge processing services provide cost contained solutions to the concerns associated with high volume sludge disposal. We treat a variety of both hazardous and non-hazardous waste streams, such as tank bottoms, hydrocarbon sludge, catalyst, bio-mass and listed waste streams.

Remedial and Packaging Works

We provide hazardous waste repackaging services for hazardous waste incidences such as illegal disposal, accident spills and leaks. Our repacking team is fully trained and equipped to handle such situations. We use up-to-date equipment and packaging materials. Our services provided are of the highest standards to assure our customers that their hazardous waste is being managed to the highest level of safety and industry best management practices.

Providing Waste Water Solutions

To provide Economically and Environmentally Sustainable Method of Treating Waste Water whilst meeting All Regulatory Requirements

Our Environmental Management Services (EMS) provides consultancy, management and engineering services in the field of waste water management. We design, build, operate and maintain Waste Water Treatment Plants (WWTP). We also provide WWTP cost effective studies that translate into cost savings for existing WWTPs.

Analytical Services

We provide a full range of sampling and analytical testing services. Our highly trained and experienced Chemists, Laboratory Supervisors and Technicians provide the assistance, expertise, and management necessary to obtain accurate and reliable results.

TENORM Waste Management

EMS has conducted studies on characteristics and properties of Technologically Enhanced Naturally Occurring Radioactive Materials (TENORM) oily sludge scale wastes that include the environmental baseline study of the radiation and radioactivity of facilities and their surroundings.

We develop and implement safety, health and environmental monitoring programmes (Radiation Protection Programme) for workers and facilities. We also handle the necessary application processes from the various regulatory authorities right up to the complete evaluation of appropriate treatment and disposal methods for TENORM oily sludge scale wastes.

Environmental Monitoring Programme (EMP)

EMS provides consultancy in developing your total Environmental Master Plan that includes strategy and implementation in ensuring your goal of sustainable development.

We conduct Environment Impact Assessment (EIA) baseline studies and ensure that proposals conform to EIA requirements. Our services in EMP cover air, water, noise, stack, biological (aquatic & terrestrial flora and fauna) monitoring, complete with consultancy and reports for the relevant authorities.

Special Waste Treatment & Disposal (SWTD)

We offer services for the management of special waste such as those in the forms of gas cylinders and PCB transformers that need extra precautions in handling and pre-treatment of toxic residues before they can be finally treated and disposed off at our existing treatment and disposal facilities. The hazardous materials include hydrogen sulphide, hydrochloric acid, ammonia, chlorine, catalysts, cylinders and tanks and containers; as well as PCB-contaminated transformers.





A Message from our Managing Director



AZMANUDDIN HAQ AHMAD
Managing Director,
UEM Enviro and Kualiti Alam

A Whole New Perspective

In 2006, I gained a whole new perspective on how global environmental issues are being viewed.

In my 4 years of helping the environmental division of UEM Group Berhad, I have been participating in seminars, roadshows and dialogues with a wide spectrum of professionals; locally and globally. Yet, when given the opportunity to address environmental issues and participate in discussions with a totally different crowd – this time with children of the world representing 58 countries at an event organised by United Nations Environment Programme (UNEP), I accepted with great alacrity.

We are proud that, together with our parent company, UEM Group Berhad, we were given to opportunity to participate and be the Premiere Corporate Sponsor for the **2006 UNEP TUNZA International Children's Conference** which took place at Putrajaya from 26 August to 30 August 2006.

On 29 August 2006, I was given the honour to present a keynote address on conserving natural resources in front of 173 children of the world. For the first time in my life, I saw that children do understand and are sensitive to environmental and climate issues more than we had expected.

Another touching moment is when I was given a video tape of an event that took place during the Plenary Session at the 1992 Earth Summit in Rio Centro, Brazil. A young girl named Severn Suzuki, then aged 12 representing the Environmental Children Organisation, presented her speech. Here are some quotes from her speech:

"In my life, I have dreamt of seeing the great herds of wild animals, jungles and rainforests full of birds and butterflies, but now I wonder if they will even exist for my children to see. Did you have to worry about these little things when you were my age?"

All this is happening before our eyes and yet we act as if we have all the time we want and all the solutions. I'm only a child and I don't have all the solutions, but I want you to realise, neither do you! You don't know how to fix the holes in our ozone layer, you don't know how to bring salmon back up a dead stream, you don't know how to bring back an animal now extinct; and you can't bring back forests that once grew where there is now desert.

If you don't know how to fix it, please stop breaking it!"

A Message from our Managing Director

“I’m only a child yet I know if all the money spent on war was spent on ending poverty and finding environmental answers, what a wonderful place this earth would be!

At school, even in kindergarten, you teach us to behave in the world. You teach us not to fight with others, to work things out, to respect others, to clean up our mess, not to hurt other creatures; to share - not be greedy.

Then why do you go out and do the things you tell us not to do? Do not forget why you’re attending these conferences, who you’re doing this for - we are your own children. You are deciding what kind of world we will grow up in. Parents should be able to comfort their children by saying “everything’s going to be alright”, “we’re doing the best we can” and “it’s not the end of the world”.

But I don’t think you can say that to us anymore. Are we even on your list of priorities? My father always says “You are what you do, not what you say.” Well, what you do makes me cry at night. You grown ups say you love us. I challenge you; please make your actions reflect your words. Thank you for listening.”

These quotes are examples of the spirits that was shown by children around the world. These are but a few of many other quotes. The children’s awareness and consciousness on our environment really touched me and it leaves us adults with a million dollar question as to whether we have done enough either as individuals or as a group to protect our environment for the good of the future generations.

Changing Environment

Change within any organisation in an inevitable process which all organisations must go through to grow. A wise man once said to me, “The only person who likes change is a baby with a wet nappy.” No one can make change happen alone and it is a process in which everyone in UEM Enviro must participate in to bring about meaningful results and create value to the group.

As most of us are aware, the changing of corporate culture is one of the most difficult aspects any corporation has to face. UEM Enviro has more than 10 years history and to bring changes within the organisation is a challenge which we relish as we seek to expand our business reach globally. The opportunities offered are abundant and challenges faced are tremendous. However, based on our track record of innovation and solving problems as a team, I am confident we can achieve a great deal.

***“It is not the strongest of the species that survives,
nor the most intelligent that survives.
It is the one that is the most adaptable to change.”***

~ Charles Darwin ~

Consolidating Growth

Prior to 2006, we have invested considerable resources and time in consolidating our businesses to bring about more co-ordination and better delivery packages to our customers and other stakeholders. The incorporation of sustainable development to us is the next step forward which we initiated in 2005.

To us at UEM Enviro, there is nothing contradictory about providing strong environmental and social leadership whilst working to provide quality integrated hazardous waste management services to our customers.

The challenges ahead are immense, but not insurmountable. We believe in a positive vision for the future in which the hazardous waste management industry plays an increasingly important role in meeting our customer needs – without putting undue stress on the environment and our communities.



A Message from our Managing Director

Paradigm Shift

Technology will be a key driver of sustainability going forward as we work to reduce the environmental impacts of our expanding operations. Investments in renewable energy will complement those efforts in our core business. Innovative partnerships and collaboration with all stakeholders – governments, communities, suppliers and investors, to name a few – will also be essential. After all, each one of us has a role to play in achieving sustainable development.

Moving forward, we will also put extra effort on R&D in improving our current operations especially within the ambit of “reduce, reuse, recycle and recover – the 4R’s. This, we believe is the basic key foundation towards a sustainable environment.

Safety Comes First

In search of excellence, we have also placed and focused on one of the most critical qualitative aspect, that is SAFETY.

Our Safety, Health & Environment Department has been restructured to be more alert towards the safety and health of our human capital on and off site facilities.

As a result, we have improved our safety achievement by clocking 1.5 million man hours of zero lost time injury or Zero LTI on 31 December 2006.

As such, we were presented a notable award of the Prime Minister’s Hibiscus Award 2005/2006, National Occupational Safety and Health Excellence Award, and Silver Award (OSH) from the Malaysian Society for Occupational Safety and Health.

This proves that when it comes to safety, we have to walk the talk.

Value Creation

At UEM Enviro, we have worked hard at ensuring the accountability of our business with our stakeholders, in particular the local community, relevant regulatory agencies and customers. This year, we have implemented a 5-point value creation strategy to enhance our performance and raise productivity.

The key areas are:

- P Productivity of Resources
- E Expansion and Business Growth
- P People and Organisational Development
- S Systems and Processes Improvement
- I Image and Perception Management

With the implementation of the five-point value creation, we are more focused in delivering our products and services to our customers and other stakeholders in a more effective, efficient and systematic manner. This will be the key ingredient to “delighting our stakeholders’ needs and requirements”. These cover both commercial and non-commercial values towards value enhancement.

In addition, it provides a clearer strategy to all levels of our human capital in delivering and achieving our VISION and MISSION statements.

A Message from our Managing Director

Besides this, we also stress and practise on our 5 core values in our day to day business undertakings. We believe that **professional ethical** standards have to be practised in dealing with all levels of stakeholders. As such, all employees are expected to conduct their duties in a professional manner, in the spirit of **teamwork and togetherness**. Well equipped with **technical and business acumen**, we strive in achieving continuous **quality assurance**. Notwithstanding these, **safety and health** is our main priority to ensure that our human capital and environmental are safeguarded.

Conclusion

None of this will come easily and it will require collective action and concerted effort. In that context, I ask you to read this report carefully and give us your feedback. Together, we can build a strong, reliable and sustainable waste management industry. The legacy we leave for future generations begins with the choices we make today.

Last but not least, on behalf of the UEM Enviro group of companies, I would like to take this opportunity to thank all stakeholders for your support and also your constructive criticisms throughout our years of operations. Your feedback to this report is most welcomed to enable us to continuously improve our performance in years to come.

Personally, I would like to thank and congratulate all my colleagues in UEM Enviro group of companies for their undivided commitment in our past achievements. I believe, this is the result of our spirit in working as a team and a family.

Thank you once again.



“At UEM Enviro, we believe in investing in our human capital, technology and R&D to bring about positive changes in the way we do things. We also believe in ensuring accountability of our operations and people towards our stakeholders. Through these efforts, we seek to ensure that our contribution towards society and the environment would endure.”

~ Azmanuddin Haq Ahmad, Managing Director ~



Our Vision & Mission

OUR VISION

The **GREENER** Environmental Solution

OUR MISSION

To be a role model as environmentally and socially responsible citizen, offering innovative products and services with highest standards of professionalism and ethics for sustainable development

CORE VALUES

Professional Ethics
 Teamwork & Togetherness
 Technical & Business Acumen
 Continuous Quality Assurance
 Safety, Health & Environment Friendly

We are fully committed to ensuring a sustainable future for the future generation; and in doing so have ensured that our operations have obtained and successfully maintained the certifications to internationally recognised benchmarks such as ISO 9001:2000, ISO 14001:2004(UKAS), OHSAS 18001:1999 and ISO/IEC 17025 certifications.



OUR MASCOT

The mascot is based on the firefly, a species that is facing extinction in Malaysia as it is extremely sensitive to changes in the natural environment. The choice is important, as it embodies the set of values that UEM Enviro represents. In this respect, the firefly is ideal as it symbolizes:

- 1 Concern and Care for the Environment
- 2 A reminder of the Environment's Fragility
- 3 The Principle of Conservation of Natural Resources
- 4 The Concept of Sustainable Development
- 5 The Role of UEM Enviro in Championing Environmental issues in Malaysia

Our Challenge

In on our journey to sustainability, there will inevitably be challenges – some that we have already identified and others that will be uncovered along the way. These are some that we know we will be addressing...

- **Managing our performance metrics**
To enhance and manage the collection and reporting of performance metrics in a way that complements data collection regarding our environmental footprint.
- **Tracking social investment**
To meaningfully track and report on our social involvement and the investments that we are continually making in our communities are beyond the scope of the local press release.
- **Integrating sustainability company-wide**
To integrate sustainability into a corporate culture, as well as into the strategies of our individual businesses.
- **Extending Safety & Health Performance**
To extend this programme to develop a safety mindset within our employees and suppliers... a mindset that pervades our entire corporate culture.
- **Collecting greenhouse gases (GHG) emissions data**
To manage the process of GHG emissions data collection for our day to day operations.
- **Monitoring waste reduction**
To monitor the results of myriad waste management projects occurring throughout our corporation.





Defining Sustainability

In our inaugural report in 2005, we have defined “Sustainability” as innovation in our operations. Sustainability also means the overall health of the company and our businesses, not just our environmental performance.

In our continuous quest to improve ourselves and our operations, in 2006, we have further defined “Sustainability” to mean:

- conducting business in a socially responsible and ethical way
- protecting the safety, health and environment of people
- assuring the rights of employees, suppliers and stakeholders
- engaging, respecting and supporting the communities and cultures with which we live and work

Whilst our sustainability programme is still in its infancy, it is envisaged that eventually our sustainability policy will cover business ethics and transparency, safety, health and environment, stakeholder relations, employee relations, human rights, and the community.

Nonetheless, we are able to report that we have in place at Kualiti Alam:

Safety, Health, Environment & Quality (SHEQ) Policy

We are committed to provide efficient and excellent services to our customers as well as to safeguard the health and safety of employees, contractors, vendors, and visitors and the surrounding environment through:

- Striving for recognition of quality services that meet customers’ expectations
- Ensuring compliance with the applicable legal requirements and other requirements which relate to its health, safety and environmental aspects
- Committing to achieve continuous improvement in SHEQ performance
- Implementing SHEQ objectives and programmes for performance improvement
- Committing to control the quality of air emission and effluent, prevent land contamination, and conserve natural resources
- Inculcating the SHEQ management systems to our employees, contractors, and vendors
- Providing training and continual education to employees, contractors, vendors, and visitors.

We aim to have a reliable and effective SHEQ system that we can be proud of, to earn the confidence of our customers, employees, shareholders and stakeholders, and contribute to sustainable development.

We have also committed to the following policies:

- Employees Remuneration
- Governance Structure
- Child Labour And Worker Exploitation Policy
- Personal Information Privacy
- Anti-Harassment

Environmental Cost Commitments

At UEM Enviro, we incorporate environmental accounting in our daily management and budgeting activities. Our guiding principles are based on the company's Safety, Health, Environment and Quality policy which emphasises on a green environment; commitments to prevent pollution by ensuring strategies are developed to control the quality of air emission, to reduce effluent, and to conserve natural resources.

At the beginning of each year, we evaluate the environmental aspects and impacts from which EMP will be developed and implemented to mitigate the significant aspects and impacts. This is used as an environmental consideration whenever decisions are made on costs and investments undertaken.

At UEM Enviro, we have continuously invested in the environmental management activities.

	Activity	Year				
		2002	2003	2004	2005	2006
Business Area	<ul style="list-style-type: none"> • Compliance • Global Environment • Conservation • Pollution Prevention • Resource Conservation 	RM3.3M	RM3.7M	RM3.1M	RM6.2M	RM11.6M
Environmental Management Activities	<ul style="list-style-type: none"> • Training, Consultancy • ISO Audits • Area Maintenance 	RM0.9M	RM1.5M	RM1.6M	RM425K	RM889K
Activities Upstream/ Downstream	<ul style="list-style-type: none"> • Internal Waste Processes • External Waste Processes 	RM4.8M	RM7.5M	RM10.2M	RM3.95M	RM13.9M
Social Activities	<ul style="list-style-type: none"> • Social Contribution • Information Disclosure 	RM115K	RM118K	RM125K	RM280K	RM401K
Research & Development	<ul style="list-style-type: none"> • Research & Development 	RM70K	RM90K	RM13K	RM75K	RM76K

“The Environment is not a gift from God but merely a loan for keeping in trust for the future generations”

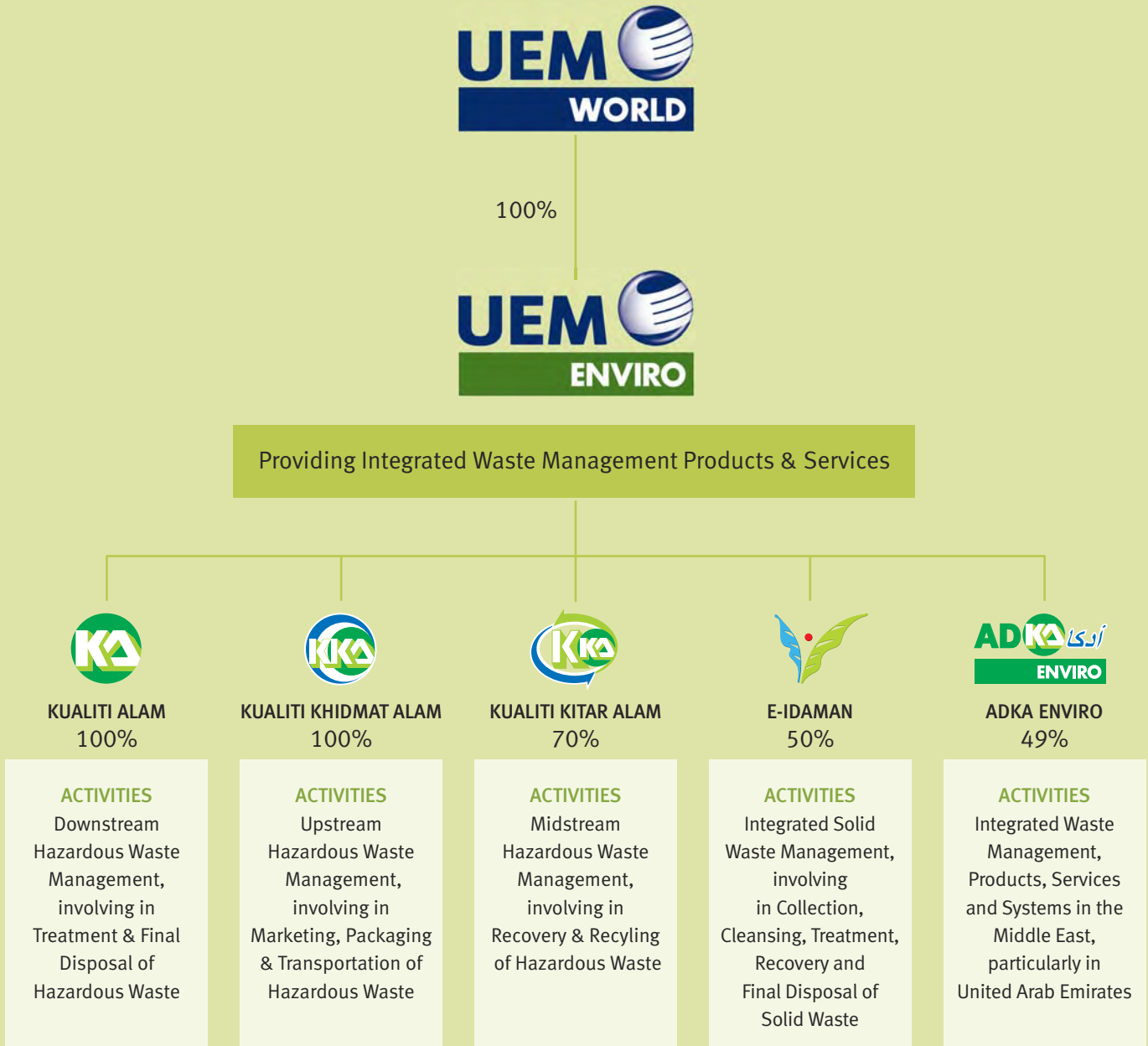
~ Azmanuddin Haq Ahmad, Managing Director ~



Corporate Structure

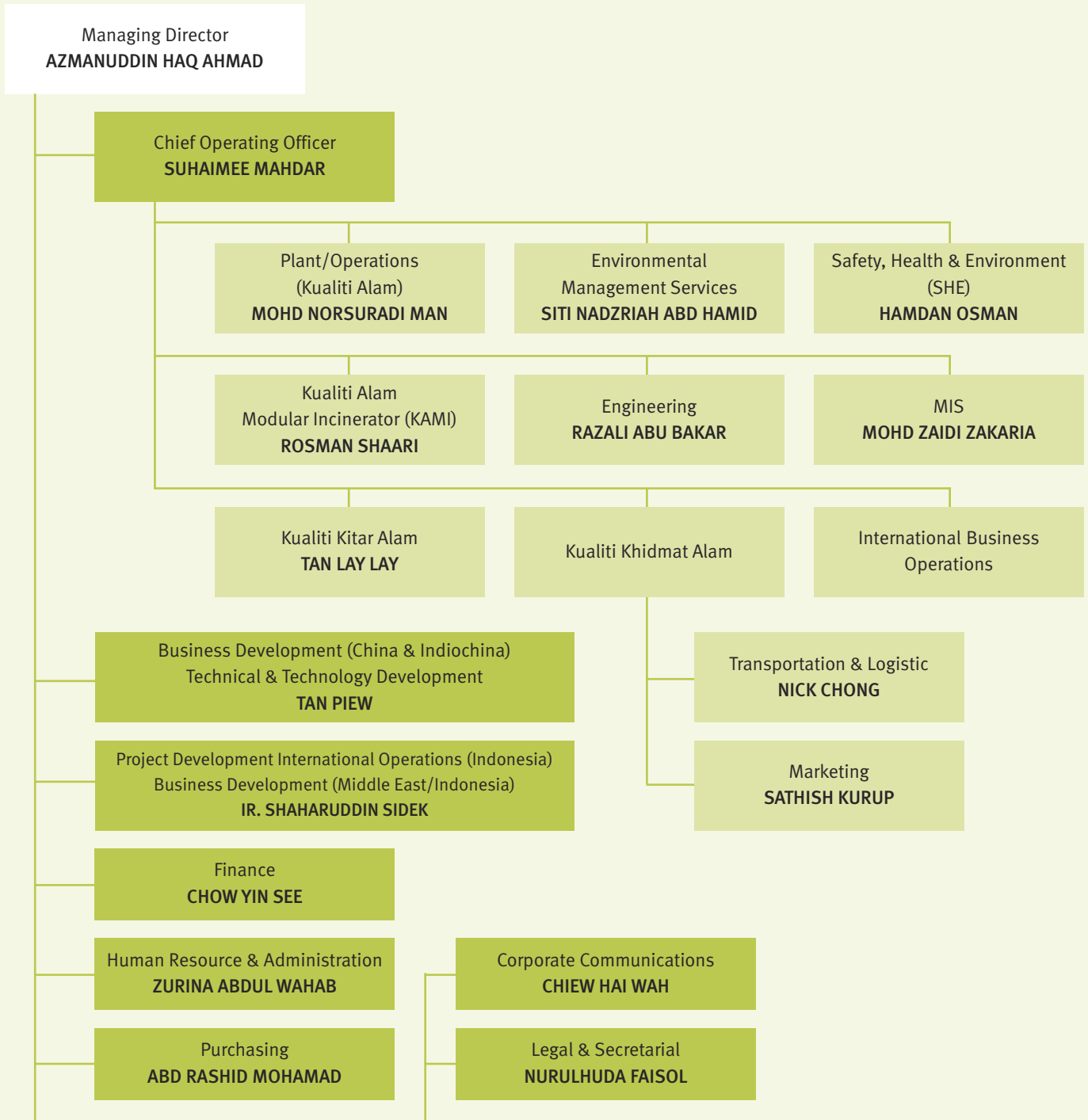
In line with our parent company’s rebranding exercise, we have undergone changes in our branding. Our logo has been changed to reflect a more dynamic and modern outlook. The intent of our new logo is to display our renewed vigour, enhanced knowledge and intense commitment towards greater value creation.

Being the leader in the provision of environmental services in the UEM Group of Companies, UEM Enviro’s logo is green in colour, reflecting our industry.



Our Management Team

Our management team is made up of young and dynamic members, each providing invaluable experience in their respective fields.



On 1 September 2006, En Suhaimee Mahdar was appointed as the Chief Operating Officer (COO) of UEM Enviro. As the new COO, En Suhaimee will be taking on the responsibility of assisting the Managing Director in overseeing the operations of the various subsidiaries in the UEM Enviro group of companies.



Corporate Governance

At UEM Enviro, corporate governance means ensuring a comprehensive system of stewardship and accountability is in place and functioning among directors, management and employees. We manage corporate governance through the use of our policies, programmes and practices. The following are some of the targets that will help us continue to have a strong corporate governance culture built on integrity, accountability and transparency.

- Ensure every employee complies with our internal policies
- Install mechanisms in place to continually evaluate the effectiveness of our safety, health and environment (SHE) programs
- Comply with all laws and regulations that affect our business

OUR 2006 HIGHLIGHTS

- We conducted several internal audits of our SHE systems throughout all of our business segments and also participated in external audits and inspections of our operations.
- We are subject to inspections from the Department of Environment (DOE), Department of Occupational Safety and Health (DOSH) as well as other governmental departments on an annual basis. To date, we are pleased to report that since 1999, we have had no incidences of non-compliances.
- We have successfully maintained our certifications for ISO9001:2000, ISO14001:2004 and OHSAS 18001:1999. Through these certification exercises, we are able to demonstrate continuous improvements in our safety, health, environmental and quality management programmes.
- Arising from the SIRIM QAS reassessment from 28-30 August 2006, we have been provisionally awarded the United Kingdom Accreditation Services (UKAS) certification for our ISO14001:2004 environmental management system for our subsidiary, Kualiti Alam. Kualiti Alam obtained its ISO14001:1996 certification on 30 September 2000, and successfully maintained its certification through the migration from ISO14001:1996 to ISO14001:2004 in 2005.
- In the ISO/IEC Laboratory Accreditation System, our subsidiary, Kualiti Alam was selected by the Department of Standards Malaysia (DSM) for its ISO/IEC 10725 Peer Evaluation Review under the Asia Pacific Laboratory Accreditation Cooperation Mutual Recognition Arrangement (APLAC-MRA) on 21 June 2006. It is our great honour to have been selected by DSM to showcase our laboratory operations and services during this international audit.
- In the UEM Group of Companies Corporate Perception Index survey for 2007 by Taylor Nelson Sofres (TNS) conducted in March and April, UEM Enviro made a 14 point jump to 49 from 35 a year ago while Kualiti Alam scored a 19 -point increase to 54 from 35 in 2006. Based on the findings, the performance of both UEM Enviro and Kualiti Alam made strong positive perception improvement among its stakeholders during the same period.
- At UEM Enviro, we have established the following committees to assist in the assurance of corporate governance:
 - Audit – oversees our accounting and financial reporting processes, the quality and integrity of our financial statements, the effectiveness of our internal controls and is directly responsible for the retention and oversight of the work of our external auditors.
 - Human Resources & Compensation – reviews and recommends comprehensive principles and strategies for executive compensation, approves material changes in our employee benefits plan and reviews our management resources and plans to ensure appropriate succession plans for executives.



Corporate Governance



- Corporate Governance & Nominating – assists the Board in developing our corporate governance system, reviews and recommends compensation for Board and Committee service, assesses overall performance of the Board, identifies Board candidates and ensures the Board functions independently of management.
- Safety, Health, Environment & Quality – approves our SHEQ policy, reviews our SHEQ strategies and programmes, industry standards and applicable legislation and monitors safety, health, environment and quality performance.
- Corporate Safety, Health & Environment committee – comprised of senior management; and representatives of employees of different levels and departments which are responsible in ensuring that we conduct our activities and operate our facilities in an environmentally responsible manner and maintain the integrity of our SHEQ policies.

OVERVIEW

We have long recognised the importance of good corporate governance. This is partly because our principal businesses are regulated at the state and federal levels. We operate under stakeholders' scrutiny and are expected to maintain the highest standards of governance. Through our commitment to building strong governance practices, we are promoting transparent public reporting, a culture of risk management, and efficiencies in business processes.

Efficient management systems for sustainability ensure minimisation of risk and encourage innovation. The measures used include certified safety, health, environmental, and quality management systems.

Continuous Improvement of Our Management Systems

Towards the end of sustainably enhancing the value, UEM Enviro relies on effective management systems. They assist in evaluating and implementing all measures for quality improvement, customer retention, maintaining real value, innovation and efficient use of resources.

Quality Management: Excellence for Employees, Customers and Stakeholders

Quality management systems have enjoyed long and successful use in UEM Enviro. Our business areas are certified under ISO 9001:2000, ISO 14001:2004(UKAS), OHSAS18001:1999 and ISO/IEC 10725.

Customer-oriented Innovations

In view of the dramatic advances in technology, sustainable growth is closely bound up with innovation. To this end, our R&D for Process and Technology Innovation Department is pursuing an all-embracing approach centred on customer needs while doing justice to technological aspects. One example of market-driven R&D is the development of our own incineration system – KAMI, Waste Burner, Industrial Shredder and recycling & recovery facilities.





Risk Management

Efficient risk management, along with transparent and reliable financial reporting, form an essential basis for the trust placed in us as a company that practices sustainable management.

Reviews and Audits

We use reviews and audits to assess each business segment’s compliance with government regulations and our internal policies and management systems, and to provide guidance for making improvements.

Internal SHE reviews

We conduct internal SHE reviews through our team of SHE professionals. Our team inspects the site, conducts interviews, and checks documentation. After the review is completed, the team provides local management with a formal written review report summarising the findings. Management then develops an action plan to correct deficiencies. The review team follows up on documented issues to ensure they are fully addressed. Every year, we conduct internal audits for ISO 9001:2000, ISO 14001:2004, and OHSAS1800:1999, & ISO/IEC 17025.

External Audits and Inspections

Local regulatory agencies carry out environmental and safety audits and inspections of our operations. Apart from that, at Kualiti Alam, we are regularly audited by our customers annually. The results of these audits are summarised with action plans to ensure that any findings are dealt with promptly. Here are some of the examples:

- The Negeri Sembilan State DOE completed a comprehensive hazardous waste inspection of Kualiti Alam. No deficiencies were identified.
- Our customers conducted 34 external audits at our facilities in 2006. These include audits for EMS, HSE and ISO 14004 by companies such as, among others, Infineon Technologies, Konica Minolta Precision Engineering, NEC Semiconductor Sdn Bhd, Glaxo Smith Kline Sdn Bhd, Tex Cycle Sdn Bhd, Perodua Manufacturing Sdn Bhd and BP Chemicals Malaysia Sdn Bhd.

Compliance Management

We manage compliance with laws and regulations through system controls and regular reviews and inspections. We consider every regulatory notification or penalty to be important and continue to work towards our goal of continuous compliance. In the event that our performance falls short of this goal, we carry out rigorous reviews and institute corrective processes.

We have maintained an exemplary compliance record over the last year with no enforcement notices or prosecutions. This performance is consistent with our reputation for reliability and integrity, and our ongoing commitment to continuous review and improvement of site operating procedures.

We recognise that there is no room for complacency where environmental protection and safety are concerned, especially amid the changing requirements of regulators and customers.

Economic Performance

Moving forward, our growth will be expanding business activities within the Asia Pacific and Middle East regions. Our objective is to generate superior long-term value for investors. We want to continue to deliver superior revenue growth while maintaining our relatively low risk profile. The following are some of the targets that will help us achieve our corporate goals.

- Long-term growth target for the Group's net sales of more than 10% annually.
- Maintain a stable, low-risk investment profile and strong financial position.

OUR 2006 HIGHLIGHTS

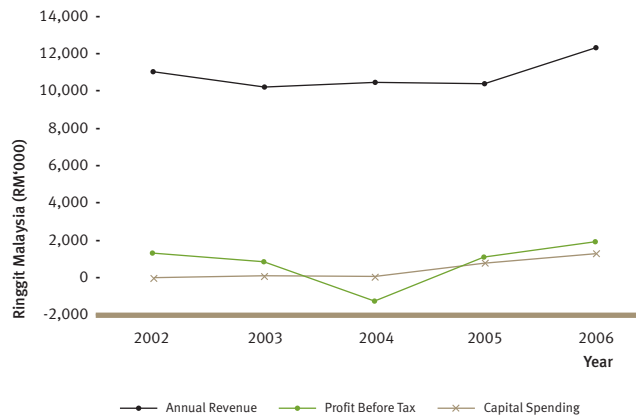
- Achieved revenue of approximately RM123 million, an 18% increase from 2005.
- Completed R&D in developing our own recovery & recycling facilities under Kualiti Kitar Alam.
- UEM Enviro spent approximately RM15 million in 2006 on innovative designs, products R&D and plant expansion.
- UEM Enviro signed a Memorandum of Understanding (MOU) on 27 March 2006 to evaluate several waste management projects in China.
- On 11 July 2006, a Memorandum of Agreement (MOA) was signed with the Provincial Government of Riau Island, Indonesia, in Tanjung Pinang, for municipal and hazardous waste management projects, and on 13 July 2006 with Pantai Medivest Sdn Bhd for hazardous waste management projects for the West Java Provincial Government, Indonesia.

Financial Performance

We remain focused on our main priorities as a business to generate long-term value for our investors. This requires that we deliver shareholder value and maintain profitability while performing in a socially and environmentally responsible way.

In 2006, we recorded our strongest performance yet. Revenue was approximately RM123 million in 2006 compared with RM104 million in 2005. This represents an 18% increase in our revenue as compared to the previous year.

Financial Performance from 2002 to 2006



Expanding our Reach

UEM Enviro is uniquely positioned for growth in Asia. We are focused on moving our services to areas where we foresee increasing demand, principally being in the Asia Pacific and Middle East regions. In 2006, we made continued progress towards our goal of broadening access to regional customers for our integrated hazardous waste management services.



Economic Performance

Expansion to:

Provincial Government of Riau Island, Indonesia

On July 11 2006, UEM Enviro signed a MOA with the Provincial Government of Riau Island, Indonesia in Tanjung Pinang. At the signing ceremony, UEM Enviro’s Managing Director, En Azmanuddin Haq Ahmad represented the company while Ir Joki Muchajar, the Badan Pengendalian Dampak Lingkungan Daerah (BAPEDALDA) Director, signed on behalf of Riau Island. On hand to witness the occasion was the Vice-Governor of Riau Island, H.E. Ir HM Sani, who is a member of the Riau Parliament and Head of Provincial Government.

The MOA signed would enable UEM Enviro to conduct feasibility studies for six Riau Islands with emphasis placed on the islands of Batam, Karimun and Bintan on the various waste management needs.

Following the MOA, in August 2006, UEM Enviro gave a presentation on our WMC and shared our experiences in the management of hazardous wastes to 50 delegates at a waste management seminar in Batam Island.

A meeting was also held between UEM Enviro and BAPEDALDA on the scope of the proposed feasibility study on industrial waste quantities, treatment plant capacities and site location for a proposed Integrated Scheduled Waste Management Centre in Riau Island.

Provincial Government of West Java, Indonesia

On 13 July 2006, another MOA was signed with Pantai Medivest Sdn Bhd to undertake a feasibility study on the development of a hazardous waste management centre in West Java. The MOA was signed by En Azmanuddin Haq Ahmad and En Azman Ibrahim, Managing Director of Pantai Medivest Sdn Bhd.

The signing ceremony was witnessed by H.E. Bapak Nu’man A. Hakim, West Java Vice Governor and H.E. Dato’ Zainal Abidin bin Mahamad Zin, Malaysian Ambassador to Indonesia.

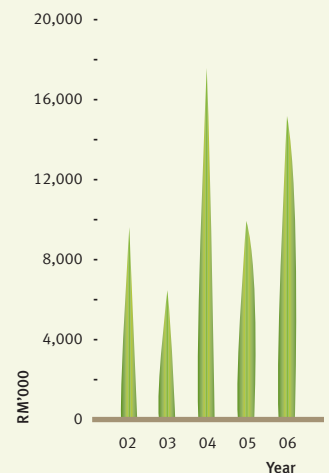
As part of the study, UEM Enviro visited 15 major industrial areas in West Java to determine their waste management needs.

China

UEM Enviro signed a MOU to consider several waste management projects in China. The signing ceremony, held at the Diao Yu Tai State Guest Hotel in Beijing, was witnessed by UEM World Berhad’s Managing Director and Chief Executive Officer, Y. Bhg Dato’ Ahmad Pardas Senin, Mr Fung Zhi Jun, Vice President, Resource and Environment Committee of the People’s Congress and H.E. Dato’ Syed Norulazman Syed Kamarulzaman, the Malaysian Ambassador to the Republic of China. UEM Enviro’s Managing Director, En Azmanuddin Haq Ahmad and Mr Deng Chongyun, Chief Executive Officer of the Tsingda Daring Group signed the MOU.

UEM Enviro met with various Chinese authorities and made several presentations during a week long mission to China, lead by UEM World International Business Unit Senior Director, Mr Tan See Yin.

Capital Expenditure



Economic Performance

Developing Renewable Energy Resources

Our R&D for Process and Technology Innovation department has the capabilities to provide technical expertise in the development of biofuel and biodiesel plants.

We are pleased to inform our readers that we are currently conducting a R&D project on a plant species for the recovery of oil as potential alternative fuel for use at our WMC. The plant, which is being promoted as an easily grown biofuel crop in hundreds of projects throughout India and other developing countries, is capable of yielding 35% - 40% of jatropha oil.

Bringing Economic Benefits

Being a private and limited company, UEM Enviro is proud to be able to add value to the economy through our operating expenses and distributions.

Distribution of Economic Value Added for 2006

RM ('000)

Payments and benefits to employees	16,100
Income and deferred taxes paid/payable to the Government	10,000
Payments to suppliers*	50,500
Payments to providers of capital	13,300
Corporate donations and sponsorships	322

* Includes the cost of purchasing commodities, power and other supplies and services.

Our strategy for the provision of capital expenditure is through the provision of new technology and R&D projects which would enable us to provide more efficient and effective treatment of hazardous wastes whilst at the same time minimising our environmental impacts.

Benefits to Employees

Our business operations provide jobs and contracting opportunities in our local communities. We have 274 employees with an annual payroll of about RM14 million.

Benefits to Customers

Every day through our integrated hazardous waste management system, we provide our customers the assurance that their hazardous wastes are being managed efficiently in an environmentally responsible and sustainable manner while meeting the increasingly stringent requirements of national legislations. These efforts are conducted through the proper maintenance and continuous improvement of our machineries, facilities and services.

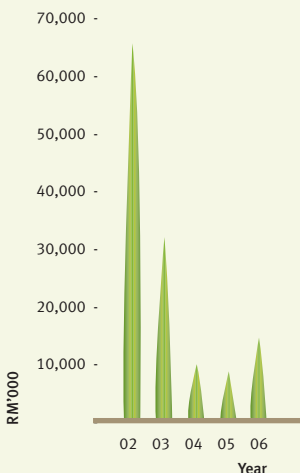
Benefits to Government

Our business activity brings other benefits to society. Some of the greatest beneficiaries are the federal and state governments which receive taxes from our activities. These revenues are used to help fund local public services and infrastructure. Our current organisation business structure provides a one-stop centre which would enable local authorities to curb possibilities of waste leakage arising from the illegal dumping of waste. Arising from this, benefits derived from our comprehensive integrated services will be passed onto our stakeholders.

Benefits to Communities

At the local level, our operations affect economies through the creation of jobs, the purchase of goods and services, and taxes paid to governments. We also invest in community programmes and charitable organisations. Additionally, the Group also makes contributions to deserving charitable and non-profit organisations annually.

Donations





Social Performance

At UEM Enviro, we are always looking for new opportunities to enhance the quality of life of our employees and stakeholders through a wide range of comprehensive programs, including workplace health and safety, human resources management, and community investment focusing on education, health, the environment, social services, civic leadership and volunteer resources. The following are some of the steps we are taking to improve our social performance.

- Be “best-in-class” in operational health and safety in all our activities and strive to have zero accidents, injuries or incidents.
- Set and communicate targets for days-away injury frequency and severity, reportable vehicle accidents, emergency response, inspections, leak repairs, and third-party damages.
- Invest in an integrated set of talent management initiatives to attract the best talents and develop, engage and retain our workforce.
- Increase our community investment dollars over time to meet the objectives of the 9th Malaysian Plan.

“What we do today represents what we expect of tomorrow”

~ Sathish Kurup, Head of Marketing ~

OUR 2006 HIGHLIGHTS

- We have had zero Lost Time Injury (LTI) for 2006 and maintained our zero dangerous occurrences on site.
- We reduced our medical aid injury by 17%.
- We received a Silver Award equivalent of the level Good Occupational Safety and Health (OSH) Performance 2005 from the Malaysian Society for Occupational Safety & Health (MSOSH).
- We were awarded the prestigious National Occupational Safety and Health Excellence Award for Maintaining the Highest Safety Standards in the Service Utilities Category in February 2007.
- We increased our contribution by 15% to charitable and non-profit groups.

Workplace Health and Safety

We value the health and safety of our employees and the public. For UEM Enviro, we are focused on being “best-in-class” in operational health and safety in all our geographic regions. Our approach to workplace health and safety emphasises the importance of open communication with employees, training, prevention, which require identifying and addressing health and safety risks before serious incidents occur, and engaging with industry peers.

When gauging world-class safety performance, days-away injury frequency is a statistical comparative industry measure. Based on our latest results, our workforce continues to show exceptional and ongoing attention to injury prevention.

1,500,000 MAN-HOURS OPERATION – ZERO LTI



In 2006, the WMC in Bukit Nanas of Kualiti Alam recorded its millionth man-hour without LTI. This is testament of our commitment and investment in our occupational safety and health management programme, put in place since 2001 through our OHSAS 18001:1999 certification, which has resulted in a better and safer working environment. More importantly the rigorous safety training is becoming a culture for both employees and contract workers. Recording of LTI hours began in March 2005 for all units of the WMC, including contractors and visitors.

We also are pleased to report that we had zero explosive incidences for 2006, compared to 1 in 2005. We achieved a 17% reduction in medical-aid injuries and maintained our record of near-miss incidences at 16. We also reduced our fire incidences by 44% in 2006.

However, we regret to report that our first aid requirements increased from 2 to 7 in 2006 while our property damage incidences increased by 22%. Our incidences of chemical releases increased from 7 in 2005 to 10 in 2006.

Daily Workplace Inspections are conducted by the SHE Department to identify the potential safety, health and environmental impacts. It also covers various activities at the WMC like unloading of scheduled waste, storage and processing. Findings from the inspections are reported to the management on a weekly basis and remedial actions are promptly carried out by the respective departments.

Participating in Industry Associations

We are active participants in the following associations

- Environmental Management and Research Association of Malaysia (ENSEARCH)
- Business Council for Sustainable Development Malaysia (BCSDM)
- Association of Scheduled Waste Recyclers (ANSWER)
- Malaysian International Chamber of Commerce and Industry (MICCI)
- American Malaysian Chamber of Commerce (AMCHAM)
- Federation of Malaysian Manufacturers (FMM)
- Malaysian Danish Business Council (MDBC)
- Association of Environmental Consultants and Companies of Malaysia (AECCOM)
- Malaysian Centre For Environmental Communicators Berhad (MACEC)
- Malaysian Society For Occupational Safety and Health (MSOSH)
- Chemical Industries Council Of Malaysia (CICM)

We do not only join these associations, we participate actively as well. We sit on the board of some of the associations which we have joined as the Secretary General for BCSDM and the Vice President of ANSWER. In fact, we were one of the main sponsors of the Waste Management 2006 Conference and Exhibition organised by ENSEARCH. We firmly believe that through our active participation and support of these organisations, we would be able to bring changes to sustainable management in Malaysia.

Some of our key personnel are also active members of various working committees at the national level. These are listed as below:

- Working Group on Scheduled Waste – developing Malaysian Standards for scheduled waste sampling and specifications for recycled solvent and oil.
- Working Group on National Life Cycle Assessment (LCA) – developing the National Life Cycle Inventory Assessment (LCIA) for solid and scheduled waste landfills.
- Sub-Working Group on Green House Gas (GHG) – developing the inventory of GHG emissions from solid waste disposal, sewage and industrial effluent.



Social Performance

Educating Waste Generators

We actively organised and supported seminars and workshops to educate and create greater awareness on proper waste management for the industries with the DOE and trade associations.

In 2006, UEM Enviro held seminars with the State DOEs of Johor, Selangor, Pahang, Melaka and Negeri Sembilan to keep the industries abreast with the Environmental Quality (Scheduled Wastes) Regulations 2005, benefiting more than 1,000 participants.

These series of seminars with the cooperation of the DOE has been held throughout the country including Sabah, Sarawak and Labuan since 1999. For 2006, the seminars conducted were:

January 2006	Kualiti Alam presented paper at FMM Melaka’s Briefing on Scheduled Waste Regulations 2005 at Renaissance Hotel
May 2006	Seminar Pengurusan Buangan Terjadual anjuran bersama Jabatan Pelajaran Negeri Sembilan dan Kualiti Alam
July 2006	Seminar Pengurusan Buangan Terjadual anjuran bersama Jabatan Alam Sekitar (JAS) Melaka dan Kualiti Alam
November 2006	Bengkel Pengurusan Buangan Terjadual JAS Selangor Seminar Pengurusan Buangan Terjadual JAS Johor dengan Kualiti Alam
December 2006	Seminar Pengurusan Buangan Terjadual JAS Pahang

OUR PEOPLE

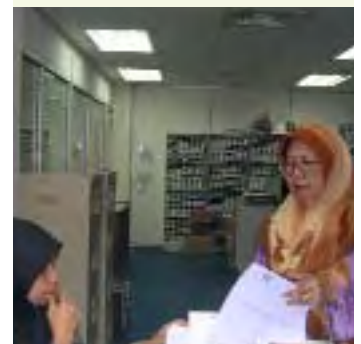
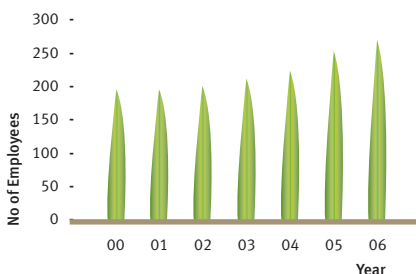
People are the basis of our success at UEM Enviro. Our vision to be the Greener Environmental Solution Provider in Malaysia’s integrated waste management industry depends on the commitment, development and performance of an engaged and highly skilled workforce across our company. We want, and need, to attract and retain the best talent, and invest in an integrated set of talent management initiatives to develop, engage and retain our workforce.

We actively invest in the development of employees by providing a positive work environment, offering opportunities for skill and career development and offering competitive total compensation programs.

Our Workforce, Our People

In 2006, we continued to expand our workforce through organic growth in alignment with business growth. At year-end, our workforce increased by 8% to meet our growing needs both locally and regionally. In addition, we also regularly collaborated with consulting organisations for specific project needs.

Workforce Strength



Social Performance

Managing Human Resources Strategically

Human Resources (HR) is a strategic partner in the guidance and operation of our business. Our HR team, consisting of senior HR professionals representing all business units, is a mechanism by which HR function contributes to business leadership through sharing best practices, providing strategic direction and recommendations to senior management and stewardship of the management of human capital across all businesses.

Our HR principles reinforce our team's contribution and commitment to effective human resource policy and programs. Within our business units, our leaders manage people. The role of the individual leader to lead both the business operations and the team organisation is central to our future workforce development. Individual leaders contribute daily to our employee engagement through effective employee relations, active development of employees, and the creation of positive and supportive work environments.

Our human resources programmes are intended to help facilitate the management of human capital; individual leaders manage people.

~ Zurina Abdul Wahab, Senior Manager, Human Resource & Admin ~

**Performance Management**

Performance management is central to our ability to meet our business objectives and to create and sustain a high-performance workforce. Leaders support employees in effectively aligning their contributions with the strategic goals of our business. Leaders provide feedback to employees in order to guide their performance and development in each performance year. Effective performance management ensures strong performance, the ability to recognise and reward performance and the development of opportunities for advancement.

Individual leaders are encouraged to develop their ability to provide effective performance feedback, to recognise and reward effective performance and to support employees in their development planning.

We have identified Core and Leadership Competencies that are valued at UEM Enviro – a framework that employees can apply in their development planning to prepare for opportunities. The Core Competencies are: customer focus, execution and results, flexibility, interpersonal skills and job/technical skills.

Total Compensation

Our total compensation program is at the centre of our efforts to attract and retain talented employees, and is one of our key principles in our People Strategy. Total compensation consists of a variety of programs to reward and recognise employee contributions to our business success.

Total compensation at UEM Enviro consists of base pay, short-term and longer-term incentive plans, benefits, pension and savings plans. Programme design and administration is consistent across the company in most areas with some adjustments for local market conditions and the unique needs of each business. Pay for performance remains a strong theme in the total compensation program.

Employee performance on an individual and/or group level is an integral part of our incentive programmes. Our performance and success impacts our ability to provide competitive benefits, pension and savings and recognition programs for employees and their families.





Employee Reward and Recognition

We reward and recognise our employees' environmental contribution through our annual performance appraisal whereby environmental indicators like housekeeping, resources reduction, etc, are evaluated as part of their performance. Any good suggestion will also be recorded and included as part of our appraisal system.

Commitment to a Diverse Work Environment

At UEM Enviro, we have a firm commitment to creating a healthy and positive work environment. The company's workplace harassment and anti-discrimination policies denote our strong commitment to maintaining the dignity and respect of all employees. We also subscribe to the principles of a fair and equitable work environment.

Our work environment promotes a diversity of roles and enriched job experience through project work and participation in cross-functional teams. We also encourage our employees to take an active role in their communities through a variety of volunteer activities.

Each of our businesses recognises the special achievements of our employees on an ongoing basis. These activities include service awards, monetary gifts, recognition in our internal communications and opportunities for challenging assignments.

Our diverse workforce is represented by members of the various ethnic groups in Malaysia and an increasing frequency of women in leadership roles. Our workforce statistics for 2006 were as follows: 78.47% male and 21.53% female workforce with an average age of employees of 34 years, ethnic groups are: 81.75% Malays, 8.40% Chinese, 9.12% Indians and 0.73% other races. Turnover as a percentage of workforce population, for the year ending 31 December 2006, was 9.5% of the total workforce.

KUALITI ALAM PLAYS HOST TO THE CHILDREN OF THE WORLD

For the first time, Malaysia played host to TUNZA International Children's Conference on the Environment. Themed "Save a tree, Save our lungs", this biennial event was a momentous milestone for not only Malaysia, but the South East Asia region as well.

The conference witnessed 173 children aged between 10 and 13 from 58 countries congregating in Malaysia to spread the word of environmental protection under the auspices of the United Nations Environment Programme.

UEM Enviro, through the UEM Group, was associated with the auspicious conference as a Premiere Corporate Partner – an honour the company is proud of. At our WMC site, the international event began with the visit of Conference Junior Board members who spent an afternoon getting to know the processes of scheduled waste management in Malaysia. Soon after, they were given a firsthand experience with various waste analyses carried at our laboratory besides touring our facilities.

On 27 August 2006, the conference was officiated by Seri Paduka Baginda Raja Permaisuri Agong, Tuanku Fauziah Binti Al Marhum Tengku Abdul Rashid at the Putrajaya International Convention Centre.

UEM Enviro's Managing Director, En Azmanuddin Haq Ahmad had the honour of addressing the conference on 29 August 2006. In his address, he spoke on the global need for wiser consumers to help conserve the world's depleting natural resources and encouraged the delegates to spread the message of environmental protection.



Social Performance

Employee Communications

Effective internal communications and employee relations are of strategic importance to UEM Enviro, particularly as we continue to grow and develop our workforce to support our business growth.

We seek to foster an environment committed to open and frank communication with a dedicated channel for employee upward feedback and input. We actively engage our employees in exchange of information and communications through:

- Annual employee meetings;
- Human Resources communications practices and tools;
- Intranet and employee newsletters;
- Regular e-mail updates to employees;
- Business performance review videos;
- Face-to-face sessions that enable employees to meet our Managing Director and share their questions, issues and recommendations;
- Manager and leader updates to employees;
- SHE committees and working groups, where employees and management meet regularly to discuss local issues; and
- Active employee social clubs.



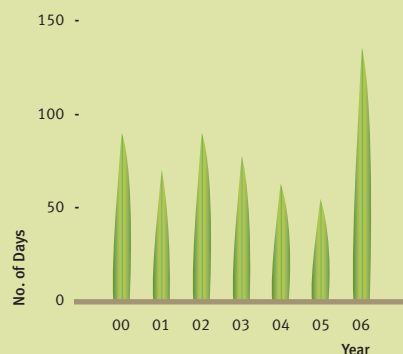
Employees are made aware of environmental matters through daily morning briefing (Toolbox meeting), memos, electronic mails (Daily media coverage – from local newspaper cuttings), notice boards, KASB newsletter (KASB Buletin), Customer Service magazine (Intouch) and Safety, Health, Environment & Quality Week (SHEQ Week).

We also encourage our employees to participate in the achievement of our overall environmental policy and objectives by setting personal target through job performance for yearly performance appraisal activity. We provide awareness training and other environmental related training. We have also developed a formal feedback system using the complaint/ suggestion forms.

Training

At UEM Enviro, we place emphasis in ensuring that our employees are provided with the capabilities to conduct their work responsibilities adequately. We increased our investments in training by 13% in 2006 in recognition of the importance of training. We also increased our number of training days by 156% as compared to 2005.

Employee Training Days





In 2006, our training programme includes:

- Environmental Audit Workshop
- Workshop on Emerging Global Corporate Challenges and Sustainable Development
- Waste Management Industrial Waste minimisation towards profitability
- UE WEEE/ RoHS & ELV Directive Compliance
- Internal Audit Training OHSAS 18001 & ISO 14001 Integrated Management System Audit
- Seminar “Pengurusan Alam Sekitar – Cabaran Masa Kini dan Akan Datang dan ISO 14001”
- The New Incineration Technology
- Petronas Group HSE Forum 2006
- Seminar on Chemical Engineers – Innovating Technology for Sustainable Development
- Identification and Evaluation of Environmental Aspects and Impacts and implementation of ISO 14001
- DOE’s new requirements for Industrial Effluent Treatment Systems & Air Pollution Control System
- Life Cycle Assessment Conference
- Seminar on “Improving Plant Efficiency & Safety, and Environment Emissions Monitoring”

Our WMC requires a number of materials, services and manpower in order to provide constant and reliable scheduled waste treatment to our customers. We spend a significant amount of time working with our suppliers and contractors to establish best practices and partnerships to reduce resource usage and improvement activities.

We always conduct Safety Briefing as an effective education method for our operational staffs and also to our contractors. In the briefing, we highlighted items on Safety & Health matters, Area Inspection, Housekeeping and environmental related issues.

Supply Chain Management

Our SHEQ Policy addresses our suppliers and contractors where we are committed in inculcating the SHEQ Management systems to our contractors and vendors and also provide training and continual education to them in order to enable them to meet our organisation’s environmental requirements.

We require our transportation contractors to conduct route optimisation to ensure the most efficient utilisation of “drive time”. Our contractor’s lorries are tracked through our GPS tracking system and drivers must adhere to rules in regard to driving hours, lorry parking areas, rest stops. Usage of state roads is to be minimised. Our contractor is also required to conduct preventive maintenance on their fleet of vehicles to control of emissions and black smoke. We also conduct regular training for our contractors to ensure that they are able to perform their services to our internal requirements (see Training section).

Social Performance



We have planned to assist our sister company, Kualiti Khidmat Alam next year (2007) to implement the Integrated Management System (IMS) comprising of ISO14001:2004, ISO9001:2000 and OHSAS 18001:1999 safety health and environmental and quality management systems.

Our Purchasing Department began the integration of safety, health and environmental, concerns into their strategic sourcing – recognising that our company’s wastes, emissions, and environmental risks are often directly linked to the quantity and quality of the goods and raw materials that we buy. While the implementation process can be challenging, environmentally preferable purchasing can offer long-term business benefits.

Our SHE Manager has worked with our Purchasing Department to identify and assess greener alternatives to currently used products and materials, and to weigh suppliers’ environmental performance and initiatives in purchasing decisions. We did this by inclusion of safety, health and environment concerns as important criteria in the procedure to evaluate supplier performance. This is to ensure that our suppliers comply with our safety, health and environmental requirements.

As this procedure was newly developed in 2006, we are not able to report any measures in this report. However we hope to be able to report our contractor performance in our forthcoming reports.

Stakeholder Engagement

At UEM Enviro, our stakeholders are drawn from all sectors of society affected by our operations. They include employees, suppliers, customers, investors, government agencies, environmental groups, business partners and local communities. The time and effort we put into developing positive relationships with these stakeholders is an essential part of being good neighbours and operators in our different geographic regions. This engagement occurs in many different ways, including:

- Project consultation
- Public awareness
- Community relations
- Customer engagement
- Relations with local community

We believe that by communicating with all stakeholders – including local officials, legislators and the media – we can help identify and resolve issues in the first stages of project development. We benefit by learning about issues and proactively responding as early in the project as possible. Our stakeholders benefit by an open and transparent process conducted early enough to have meaningful input. This is of particular importance as we prepare for expansion in other regions outside Malaysia.



Customer Engagement

As the operator of Malaysia's leading integrated hazardous waste management facility, we provide services to 1769 customers throughout Peninsular Malaysia for the year 2006. We are highly committed to providing fair and reasonable service to our customers.

Customer feedback is gathered through regular customer engagement programmes to help gauge our performance against our commitment and adjust our service where necessary. We regularly engage with our customers through forums. These forums provide a means to better understand our customer needs. We also take part in exhibitions and Safety, Health and Environment Week activities upon request by regulatory authorities to educate the public on the importance of proper waste management.

We are pleased to report that for 2006, our customer satisfaction levels have remained relatively stable. To us at UEM Enviro, this stability illustrates our customers' continued trust to our services as reliable, efficient and cost effective.

In a Perception Index conducted by TNS, UEM Enviro made a 14 point jump to 49 from 35 a year ago while Kualiti Alam scored a 19 point increase to 54 from 35 in 2006. This indicates to us the continued trust and satisfaction of our customers in our services and that our efforts in building positive business credibility are proving successful. We aim to further capitalise on this feedback and improve further.

“Whilst we are in the business of hazardous waste management and treatment, the illegal dumping of hazardous waste represents a risk and cost to the local community, Government and businesses, as well as to our employees.”

~ Nick Chong, General Manager, Logistic ~

Community Engagement

To us, our “community” refers to the residents of Felda Sendayan, Kg. Jimah Baru, Kg. Jimah Lama, Kg. Gadong and Tanah Merah. These are the communities around our WMC. We have a dedicated/special officer who routinely visits the villages to gain first hand knowledge of any issues arising. Our officer will initially discuss informally with the villagers on any issues impacting their daily lives arising from our activities prior to our dialogue session held annually with the local community.

During these dialogue sessions, an engineer will brief the community on the routine soil and water monitoring efforts done to ensure their safety. They also have the opportunity to ask questions and bring up any issues regarding our activities in the vicinity.

Social Performance



Our dialogue session on 8 September 2006 was held at the Dewan Komuniti Felda Sendayan. Approximately 30 villagers turned up for the dialogue which was attended by our COO, En Suhaimee Mahdar and Mr K. Devan from DOE Negeri Sembilan. Our Operations Senior Manager, En Mohd Norsuradi, briefed the villagers on our activities on site. At the end of the briefing session, a frank question and answer session was held between the villager, Kualiti Alam and DOE.

Amongst the issues raised was the presence of odour around the WMC which had occurred in early September 2005. We were given the opportunity to explain that the odour released was identified to be “mercaptan” from several waste drums which were sent to us by DOE Perak as court evidence of illegal storage of waste in Perak. We acknowledged that mercaptan poses a threat at very high concentrations and informed the villagers that all necessary controls to minimise the release of the gas were undertaken during the processing of the waste on site under the supervision of DOE on site. We further assured the villagers that the WMC adheres to all regulatory requirements imposed by DOE.

The villagers were assured by DOE that all necessary safety measures were undertaken by our WMC staff to ensure that no health risk was posed. DOE also provided information to the villagers on the safe levels of mercaptan released. The dialogue session ended with DOE’s undertaking to keep the villagers informed through further dialogue sessions.

Buletin KASB, a newsletter in Bahasa Malaysia, is published quarterly and distributed to the local villagers to provide current information on our activities and up-coming events. This is conducted to provide the local villagers with accurate information and to maintain our relationship with our local community.

For 2006, we celebrated our 10th year of operations and held a celebratory gathering with our local community. Kualiti Alam’s Chairman, Y. Bhg Tan Sri Razali Ismail and Managing Director, En Azmanuddin Haq Ahmad accompanied the Minister of Natural Resources and Environment, YAB Datuk Seri Azmi Khalid during this celebration. In our celebrations, we presented our first 10 customers and top 10 customers with pewter plaques models of our incineration plant, in honour of using Kualiti Alam’s services to manage their hazardous wastes. We also contributed 10 desktop computers to five schools in the neighbouring villages.

“Local businesses must take responsibility for their hazardous waste, and manage it well and effectively. Waste producers should be responsible for their waste and should not compromise at the cost of our environment.”

~ Azmanuddin Haq Ahmad, Managing Director ~



As a responsible corporate citizen in Malaysia, we make voluntary contributions to charitable and non-profit organisations on a regular basis. Our key focus areas include education, health, environment, social services, and volunteer resources. We focus on using our financial resources, our partnerships and our human capital to support organisations that contribute to the economic and social development of communities where we live and work.

“We take our jobs seriously and would always provide our specialist assistance to the authorities where required. We are always ready to lend a hand.”

~ Suhaimee Mahdar, Chief Operating Officer ~

Some community investment highlights include:

- Premier corporate partner for TUNZA International Children’s Conference on the Environment, with sponsorship of RM60,000.00.
- Volunteer work and donation for Johor flood victim since mid December 2006.
- Gotong royong activity with MERCY Malaysia volunteers at Taman Seri Jitra, Kedah for three days from December 2005 to January 2006.
- We are regularly called upon by regulatory authorities to provide our specialist services to assist in the management of illegal dumping cases such as the Kg Sg Gatom case in January 2006. In Kg Sg Gatom we cleared 7,200 tonnes of hazardous wastes, contaminated soil and water. To alleviate the inconvenience and suffering of the local kampong people, we hosted a kenduri to celebrate being finally allowed home in the end.
- We built a proper car park for Felda Sendayan Mosque for RM62,000.00 in October 2006.

“We have consistently maintained an open door policy in its approach to customers and stakeholders in order to improve our products and services. We see them more as our business partners.”

~ Chiew Hai Wah, Corporate Communications Manager ~

Environmental Performance

At UEM Enviro, we believe that to achieve a consistently strong environmental performance – a key indicator of success – we must set clear goals, find new and better ways to operate, stay on top of developing trends, and constantly challenge ourselves to improve. The following are some of the quantitative and qualitative targets that will help us further build our reputation for environmental leadership.

- Continue to invest and develop in new energy technology to further our strategy for ensuring sustainability and capitalise on opportunities for economically attractive growth in the hazardous waste management sector.
- Develop GHG reporting mechanisms for our operations.
- Conduct regular emergency response drills and simulations to test and improve procedures, and strive for continuous improvement in our understanding and management of security best practices.
- Reduce the use of material resources.

Our readers should note that our impact on the environment arises primarily from our activities at our integrated hazardous WMC at Bukit Nanas, Negeri Sembilan, specifically from our subsidiary, Kualiti Alam. As such, data reported are generated from the activities of Kualiti Alam.

Whilst we note that the data on our environmental impacts are not comprehensive of our business activities, we are implementing IMS for the rest of our subsidiaries. We hope to be in a position to report on their safety, health and environmental performance next year.

OUR 2006 HIGHLIGHTS



- In meeting our targets to reduce the use of material resources, we have:
 - **Installed New Cyclone on INC2: Performance and its Capability**
This project involved the replacement of an existing heat exchanger (boiler) with a cyclone system for INC2 plant to reduce/ eliminate production loss due to boiler downtime hour and improve dust collection. Starting October 2006, INC2 plant began operating with a newly installed cyclone system. Since then, operating conditions have improved and no downtime was recorded.
 - **Reduced Downtime from Off-specifications Operation of INC1**
The project was to reduce Interlock 7 (I7) from 4.2%/month to 2.1%/month. Initiated in March 2006, the project resulted in incidences of black smoke reduction to 0.55%/month, resulting in savings of RM150,000.00 per annum.
- We incorporate Six Sigma methodology as our tools to promote continuous improvement culture towards achieving UEM Enviro's environmental goals.
- In 2006, we conducted emergency response exercises for staff and contractors.

Climate Change

As a major player in the Malaysian environmental services industry, climate change is an issue of strategic importance to Kualiti Alam. We understand that the leading contributors behind global warming are GHG such as carbon dioxide which is prevalent in most industries.



Environmental Performance

Although we have yet to ascertain the precise quantity for different GHG emissions, the data presented is based on the emission of CO₂ arising from our consumption of energy and fossil fuels in our plant operations.

Since 1999, several expansion projects were carried out to enhance treatment options to clients and to meet the escalating demands for our treatment services in the industry. As a result, there was a corresponding increase in total GHG emissions in CO₂ equivalent.

Kualiti Alam recognises the need to heed the call to take urgent action to tackle one of the major environmental challenges facing mankind today. Kualiti Alam will strive to implement energy efficient and alternative-energy methods to deal with GHG emissions.

At Kualiti Alam, we have identified energy and fuel consumption in our plant operations at the WMC as the main source of GHG emissions. Diesel is largely utilised as burning fuel for our incinerators. Since 2004, new ways have been explored to replace diesel and in 2005, reconstituted oil (derived from waste) was found to be a suitable alternative as fuel for our operations.

Diesel (cubic metres)	2005	2006
Total diesel	1345.03	1397.61
Reconstituted oil	2003.70	1472.70
Total fossil fuel (diesel + recon oil)	3348.73	2870.31

As can be seen from the table above, our use of reconstituted oil consists of 51% of total fossil fuel used on site in 2006 as compared to 60% in 2005.

Energy Use

Recognising that energy use is one of the main contributors to climate change, we at Kualiti Alam, continuously manage our energy use to ensure that our usage is appropriately managed and minimised. We build energy efficiency into our various facilities by improving lighting, heating, information technology, and ventilation and cooling systems. Through our energy reduction programmes, we reduced our energy use by 2.5% in 2006 as compared to 2005, thereby reducing our energy costs by 14%.

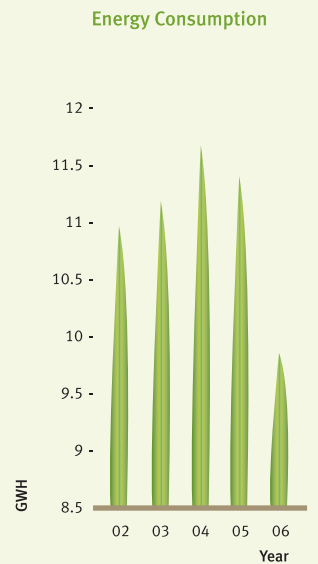
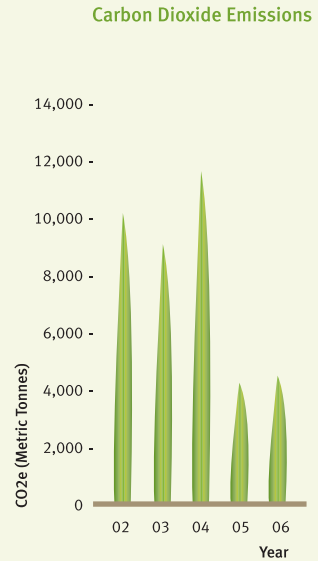
Whilst it is recognised that we have managed to reduce our energy consumption for 2006, our CO₂ emission has increased from 2005 to 2006, which we believe is a result of the increase in the volumes of waste treated. However, CO₂ emissions generated from our activities is an area which we will continue to focus our efforts on.

In recognition of this, we are in the process of developing efficient and effective technology for the production of green fuels (biodiesel and biofuel) to help conserve natural resources and preserve the environment.

Managing Our Climate Change Initiatives

Since commencing operations, we have monitored emissions on a quarterly basis under a comprehensive EMP. Monitoring is conducted against the national standard set by DOE.

In our promise for greater transparency, Kualiti Alam publicly reports our CO₂ emissions from our operations guided by internationally recognised reporting protocols (GRI). To date, reporting is based on consumption of energy and fuel consumption in plant operations as this constitutes a huge proportion from our overall GHG emissions.



Environmental Performance

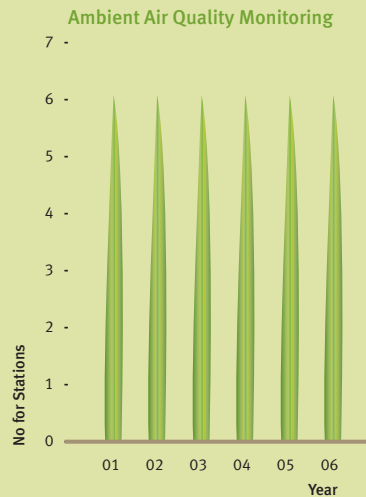


To provide a clearer picture of our global carbon footprint, we plan to further intensify reporting to identify and complete an inventory of specific and total GHG emissions of all assets under Kualiti Alam. We anticipate that we will be able to report this information and our progress in setting GHG reduction targets in our forthcoming reports.

Air Quality

Kualiti Alam strives to ensure emissions to the air from our operations are maintained below regulated limits, thus, restricting exposure to mankind and the environment. The major air emissions released by Kualiti Alam facilities include carbon dioxide, carbon monoxide, nitrogen oxides (NO_x) and volatile organic compounds (VOCs). Other contaminants released but in much smaller quantities include sulphur dioxide (SO₂), hydrogen sulphide and particulate matter. We also monitor the release of dioxins and furans from our incinerators.

Under our EMP, monitoring stations have been placed at a number of locations to monitor ambient air quality and emissions from our plant stacks, incineration plants, solidification plants, physical treatment plant and containerised mini incinerators. Since 2001, we have a total of 6 ambient air quality monitoring stations on site. The parameters monitored are in accordance to the requirements of the DOE while the standard methodologies are followed in the analysis of the samples collected.



Our ambient air quality monitoring parameters were:

Parameter	Standard Methodology
Suspended Particulate Matter	AS 2224.3
Sulphur dioxide as SO ₂	ISC 704C
Nitrogen oxides as NO _x	ISC 818
Free Chlorine as Cl ₂	USEPA Method 26A
Hydrochloric acid as HCl	USEPA Method 26A
Sulphuric acid as H ₂ SO ₄	USEPA Method 8&ISC 704 C
Carbon Monoxide	AS 2695
Polychlorinated Biphenyls	USEPA Method TO-4A & USEPA Method 1613A
Total hydrocarbon	Australian EPA-Victorian Procedure B20



Parameter	Standard Methodology
Arsenic as As	AS 2800
Iron as Fe	AS 2800
Manganese as Mn	AS 2800
Total Chromium as Cr	AS 2800
Nickel as Ni	AS 2800
Mercury as Hg	AS 2800
Lead as Pb	AS 2800
Antimony as Sb	AS 2800
Cadmium as Cd	AS 2800
Copper as Cu	AS 2800
Zinc as Zn	AS 2800

We are pleased to report that all parameters monitored were in compliance with their respective stipulated limits. PCBs concentrations were found to be below the detection limits.

As part of our monitoring programme, we initiated air quality monitoring at the ground level in 2000. This was done primarily to ensure the safety of our employees on site. Two stations were selected with the following parameters monitored were:

Parameter	Standard Methodology
Free Chlorine as Cl ₂	USEPA Method 26A or NIOSH 7903
Hydrochloric acid as HCl	USEPA Method 26A or Niosh 7903
Polychlorinated Biphenyls	USEPA Method TO-4A & USEPA Method 1613A or Method TO9; PUF sampler
Arsenic as As	AS 2800 or NIOSH 7300
Cadmium as Cd	AS 2800 or NIOSH 7300
Aluminium as Al	AS 2800 or NIOSH 7300

Generally, overall results obtained for the monitoring were found to be below its method detection limits, with the exception of arsenic (As) and aluminium (Al) which were within the stipulated limits.

We conduct stack monitoring for all of our three incinerators. Our incinerators, the largest source of air emissions are inspected regularly, and repairs and replacements of parts are made to ensure that they meet regulatory criteria. Parameters monitored were:

Parameter	Standard Methodology
Smoke	IS 9078
Particulate Matter	USEPA Method 5
Hydrogen Sulphide as H ₂ S	USEPA Method 11
Hydrofluoric Acid as HF	USEPA Method 26A
Hydrobromic Acid as HBr	USEPA Method 26A
Hydrochloric acid as HCl	USEPA Method 26A
Sulphuric Acid as H ₂ SO ₄	USEPA Method 8
Sulphuric Acid as SO ₃	USEPA Method 8
Chlorine as Cl ₂	USEPA Method 26A

Environmental Performance

Parameter	Standard Methodology
Nitric Acid	USEPA Method 26 or Method 5 and HACH 8171
Oxygen	USEPA Method 3A
Carbon Dioxide as CO ₂	USEPA Method 3 or Method 3A
Carbon Monoxide as CO	USEPA Method 3 or Method 10
Sulphur dioxide as SO ₂	USEPA Method 6C
Nitrogen oxides as NO _x	USEPA Method 7E
Total hydrocarbon	Australian EPA-Victorian Procedure B20
Total Organic Carbon	USEPA Method 18 or Australian EPA-Victorian Procedure B20
Arsenic as As	USEPA Method 29
Chromium as Cr	USEPA Method 29
Nickel as Ni	USEPA Method 29
Mercury as Hg	USEPA Method 29
Lead as Pb	USEPA Method 29
Antimony as Sb	USEPA Method 29
Cadmium as Cd	USEPA Method 29
Copper as Cu	USEPA Method 29
Zinc as Zn PCBs	USEPA Method 23
Dioxins / Furan	USEPA Method 23
VOCs (expressed as n-Hexane)	USEPA Method 18 or Australian EPA-Victorian Procedure B20
Temperature	USEPA Method 2
Odour	-
Gas Flow	USEPA Method 2
Moisture /Water vapour	USEPA Method 4

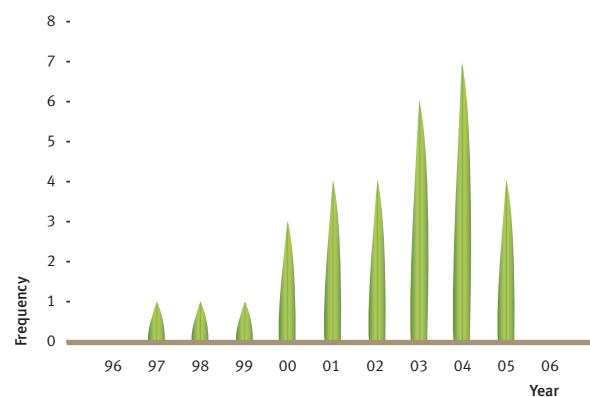
Overall, the stack emissions concentrations were found to be in compliance with the limits. We are pleased to report that our incinerators' release of dioxin and furan have not exceeded the limits.

Regulatory Compliance Index Monitoring

As part of our compliance status, we are pleased to report that for 2006, we have had no incidences of non-compliance.

In addition to this, annual shutdowns ranging from 20 days to 1 month are conducted for major maintenance to allow for smooth running of operations throughout the year.

Air Monitoring Non-Compliance Index





As road transport emissions are another of our major environmental impacts – even small improvements can yield significant results. Our contractor transports waste from locations all over Malaysia. In view of this, drivers are required to adhere to strict regulations regarding driving hours, lorry parking areas, rest stops and minimal usage of state roads. This will ensure limited public exposure to harmful noxious gases.

As part of the monitoring process, our licensed transporters are fitted with global positioning satellite (GPS) and also indicators to monitor the driving pattern of each driver. This would enable us to monitor that the vehicles are driven in an economical and efficient manner.

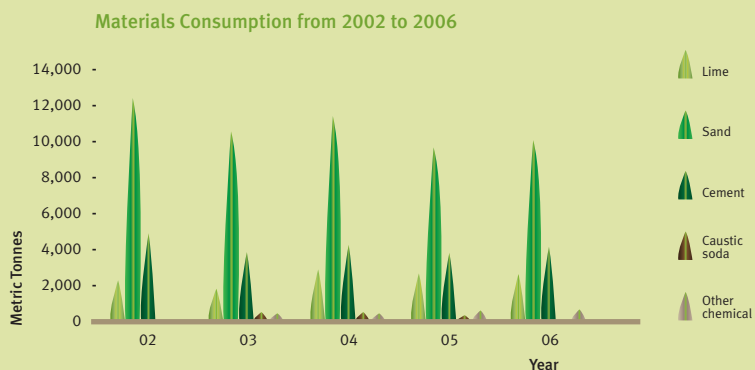
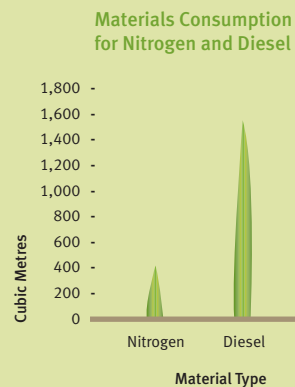
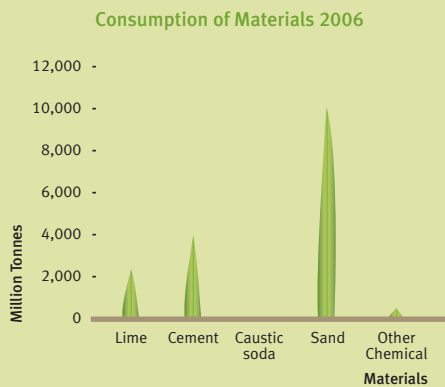
Ozone Depleting Substances

We do not use ozone-depleting substances (chlorofluorocarbon, CFC) in our operations. However, we do continue to use hydro-chlorofluorocarbon (HCFC) in our air conditioning systems, mobile air conditioning systems and halon-containing equipment in our fire fighting equipment. We are liaising with the DOE on the phase out requirements of HCFCs.

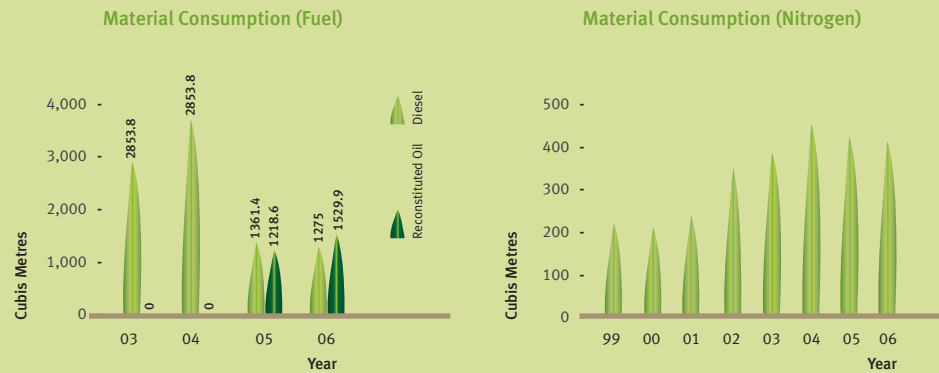
Materials Use

We utilise a wide range of chemicals and materials as part of our daily scheduled waste treatment services. These materials are use in our incineration, solidification, physical-chemical treatment as well as our leachate treatment plants.

Our consumption of materials depends on the type of scheduled waste being treated. As recognised in our last report, it is difficult to predict the volumes of materials used as we are dependant upon our customers. As can be seen, we put emphasis in ensuring that our equipment work to the highest level and this is reflected in our materials used.



Environmental Performance



We also consume a significant amount of diesel especially for our 2 smaller incineration plants. As reported last year, we invested RM 1.2 million in upgrading our Incinerator 1 to run on reconstituted oil in 2005. As a result of this investment we are able to further reduce our diesel consumption by 5% as compared to 2005. Our consumption of nitrogen has remained relatively stable relative to the volumes of waste treated.

As can be seen from our data, we place emphasis in being efficient with the consumption of our raw materials to ensure maximum utilisation of materials, reduction of costs as well as bringing additional benefits to the environment.

Spillage

Spillage not only affects productive output, but also, once exposed to the environment, proves detrimental to living systems and ambient quality.

Our goal is to prevent all spills and leaks from our energy transportation and operation systems. In alignment with ISO14001 standards, Kualiti Alam carries out spill prevention and detection preventive maintenance programs as part of a comprehensive management system of our facilities. Kualiti Alam appoints independent third parties to monitor environmental impacts as per the requirements of the DOE.

Our communication programs keep our communities informed of recent developments and actions to take, in the event of spillage. Serving as a platform for two-way communication, concerns and complaints of incidents in community areas are conveyed via designated officers.

For 2006, we recorded 9 spill incidences, an increase of 1 from 2005. While incidences of spills cannot be fully remediated against, we employ all possible methods to ensure that our staff and contractors are aware of the appropriate handling and storage methods for all our materials – solids and chemical. We conduct daily briefing to ensure that all personnel are aware of the SHE requirements. In the event of spillage, an ERP team is deployed from the WMC, with support from Jabatan Bomba & Penyelamat. For different cases of accidents/spillage or leakage of toxic effluents, there is a corresponding Corrective Action Required (CAR) to be taken. Immediate remedial and recovery measures are deployed to ensure minimal hazardous impact to the environment.

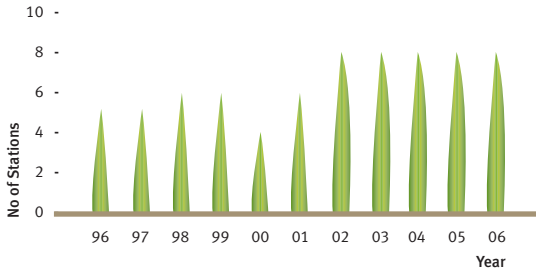
Water

Kualiti Alam recognises that water is a valuable resource that must be protected and conserved. We take extra care in ensuring that water pollution resulting from our activities is kept to a bare minimum. Our monitoring stations are strategically placed at various locations to detect incidents of pollution for surface water and ground water.

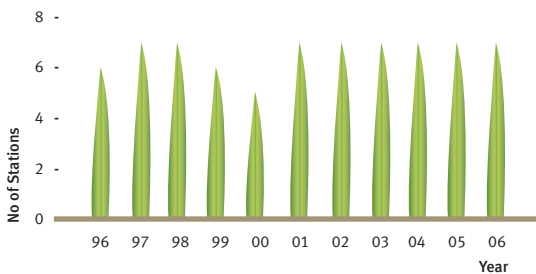


Environmental Performance

Surface Water Quality Monitoring



Ground Water Quality Monitoring



Surface Water

Since 2001, we have increased our monitoring stations to 8 for surface water and 7 for groundwater. The parameters monitored for surface water were:

Parameter	Standard Methodology
pH value	APHA 4500 H+ B
Temperature	APHA 4500 H+ B
Dissolved Oxygen	APHA 4500 O- G
Conductivity	APHA 2510
Total Dissolved Solids	APHA 2540 C
Total Suspended Solids	APHA 2540 D
Turbidity	APHA 2130 B
Biochemical Oxygen Demand (5 days at 20° C)	APHA 5210 B
Chemical Oxygen Demand	APHA 5220 C
Ammoniacal Nitrogen	APHA 4500 NH3-C
Total Nitrogen	APHA 4500 N B
Oil and Grease	APHA 5220 B
Cyanide as CN	OSRMA p. 456
Phenol	APHA 5530 B&D
Arsenic as As	APHA 3114 C
Mercury as Hg	APHA 3112 B
Cadmium as Cd	APHA 3111 B
Lead as Pb	APHA 3111 B
Total Chromium as Cr	APHA 3111 B
Copper as Cu	APHA 3111 B



Environmental Performance

Parameter	Standard Methodology
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Manganese as Mn	APHA 3111 B
Zinc as Zn	APHA 3111 B
Iron as Fe	APHA 3111 B
Pesticides as PCBs	APHA 6630 B
Total E.Coli	APHA 9221 F
Total Coliform	APHA 9221 F

Generally, all parameters measured were within their respective limits of Class II and Class III of the proposed DOE Interim National Water Quality Standards for Malaysia. Overall, all stations demonstrated good water quality.

Groundwater

Parameters monitored for groundwater were:

Parameter	Standard Methodology
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pH value (in-situ)	APHA 4500 H+ B
Temperature	APHA 4500 H+ B
Dissolved Oxygen	APHA 4500 O- G
Conductivity	APHA 2510 B
Total Dissolved Solids	APHA 2540 C
Total Suspended Solids	APHA 2540 D
Chemical Oxygen Demand	APHA 5220 C
Turbidity	APHA 2130 B
Hardness as CaCO ₃	APHA 2340 C
Chloride as Cl	APHA 4500-Cl-C
Bicarbonate as HCO ₃ ³⁻	APHA 2340 C
Nitrate as NO ₃ ³⁻	APHA 4500 NO3 B
Sulphate as SO ₄ ²⁻	APHA 4500 SO42-C
Calcium as Ca	APHA 3111 B
Magnesium as Mg	APHA 3111 B
Potassium as K	APHA 3111 B
Sodium as Na	APHA 3111 B
Cyanide as CN	OSRMA p. 456
Phenol	APHA 5530 B&D
Lead as Pb	APHA 3111 B
Copper as Cu	APHA 3111 B
Nickel as Ni	APHA 3111 B
Zinc as Zn	APHA 3111 B
Iron as Fe	APHA 3111 B
Mercury as Hg	APHA 3111 B
Arsenic as As	APHA 3111 B
Oil and Grease	APHA 3111 B
Polychlorinated Biphenyls	USEPA 608
Volatile Organic Compounds	USEPA 8260 B

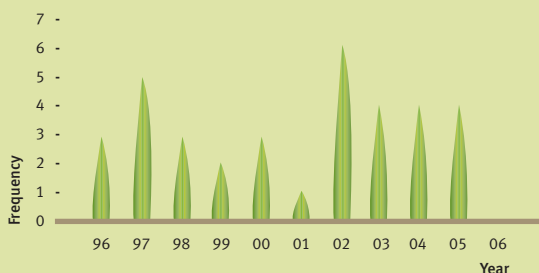
Generally, all groundwater stations demonstrated good water quality.



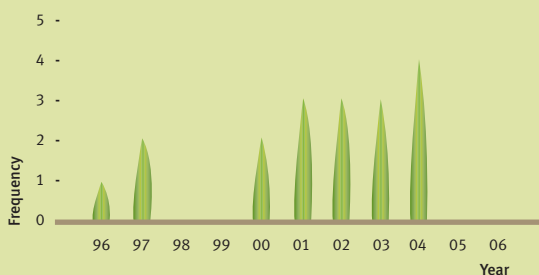
Regulatory Compliance Index Monitoring

We also monitor our regulatory compliance status for water quality and for 2006; we are pleased to report that we have zero non-compliance arising from our surface and groundwater monitoring.

Surface Water Monitoring Non-Compliance



Ground Water Monitoring Non-Compliance Index



Wastewater

Our WMC only discharges treated sewage effluents. Other effluents arising from scheduled waste treatment are treated in our advance leachate treatment plant (LTP), which has zero discharge policy. Commissioned in 2001, we are proud to be operating Malaysia’s most advanced leachate treatment plant equipped with state-of-the-art technology.

We have maintained two monitoring stations at our leachate treatment plant since 2002, however as of 2006, we installed an additional monitoring point, increasing our monitoring points to 3. Wastewater parameters monitored are:

Parameter	Standard Methodology
pH value	EPA 150.0
Biochemical Oxygen Demand (5 days at 20° C)	APHA 5210 B
Chemical Oxygen Demand	APHA 5220 D
Total Suspended Solids	EPA 160.2
Temperature	APHA 2550 B
Mercury as Hg	APHA 3112 B
Cadmium as Cd	EPA 200.7
Chromium hexavalent as Cr ⁶⁺	HACH 8023
Chromium trivalent as Cr ³⁺	APHA 3111 B
Arsenic as As	APHA 3111 B
Cyanide as CN	APHA 4500 CN F

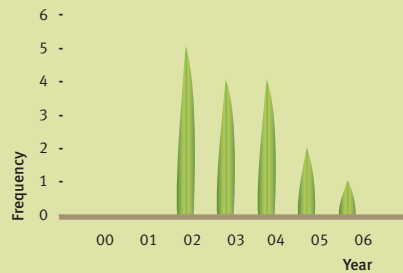
Environmental Performance



Parameter	Standard Methodology
Lead as Pb	EPA 200.7
Copper as Cu	EPA 200.7
Manganese as Mn	EPA 200.7
Nickel as Ni	EPA 200.7
Tin as Sn	EPA 200.7
Zinc as Zn	EPA 200.7
Boron as B	EPA 200.7
Iron as Fe	EPA 200.7
Phenol	HACH 8047
Free Chlorine as Cl ₂	HACH 8021
Sulphide as S ²⁻	EPA 376.1
Oil and Grease	APHA 5520 B

Generally, the overall treated wastewater sampled was in compliance with their respective limits with the Environmental Quality (Sewage and Industrial Effluent) Regulations, 1979. We have had incidences of non-compliance to certain parameters of the leachate treatment plant, primarily relating to fine-tuning of our LTP. With the commissioning of our second LTP in 2005, we have steadily reduced our incidences of non-compliance from 5 in 2002 to 1 in 2006.

Leachate Monitoring Non-Compliance Index



Water Use

We acknowledge that water saving is a crucial aspect of sustainable development. On that note, even small savings across a number of processes can produce worthwhile financial and environmental benefits.

At Kualiti Alam, it is our practice to reuse water where possible as part of conserving our natural resources. Processed water from our Physical Chemical Treatment Plant is further treated for reuse. Leachate water from our landfill is treated at the rate of 300 m³ per day at our LTP and is recycled for plant usage.

Stormwater is collected for multi-purpose usage in production and operations. Stormwater is treated at a rate of 600 m³ per day in the WWTP to meet Standard B of the Environmental Quality (Sewage and Effluent) Regulations, 1979, prior to being recirculated for plant usage. Through this process we have benefited from reduced water consumption as well as having zero discharges from our LTP and WWTP into the waterways.

Our water consumption increased in 2006 due to a leak detected at the front wall rotary kiln cooling jacket from our Incinerator 1. The cooling jacket acts as the medium to control heat from the rotary kiln. The cooling jacket uses water from a cooling tower (supplied by Jabatan Bekalan Air (JBA) water). Immediate action was taken to rectify the leak; however, approximately 2400 m³ of water was leaked.



Environmental Performance

Biodiversity Conservation

We view biodiversity conservation as an important part of responsible environmental management, and incorporate ways to conserve wildlife habitat into our project planning and maintenance activities.

We conduct biodiversity monitoring of our surrounding environment for:

- **Biomonitoring:**
 - Fish
 - Phytoplankton
 - Zooplankton
 - Chlorophyll
- **Bioassay:**
 - Fish (krai)
 - Chlorella Vulgaris
 - Moina Micrura
- **River sediment analysis**

We are pleased to report that for 2006 no adverse impacts on the flora and fauna were detected. It is our commitment to continue monitoring of biodiversity in our surrounding environment for the future to assure the conservation of our local ecosystem.

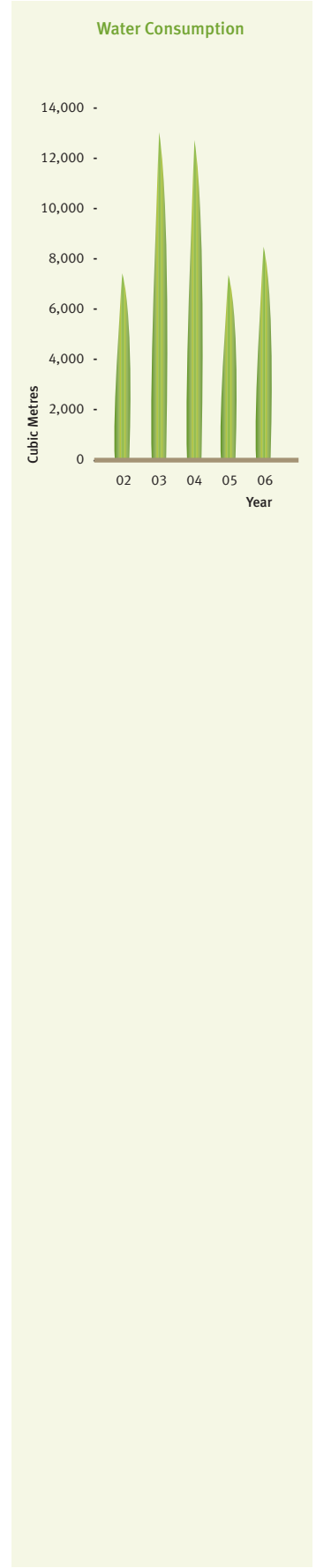
Waste

Our operations produce mostly non-hazardous wastes, consisting of paper, scrap metals, package materials and construction-related materials. Typically, our operations generate only limited amounts of hazardous wastes. Overall, we make every effort to reduce our waste volumes, regardless of hazard classification, through measurement and management programs at our various facilities.

We minimise the amount of waste from our operations, wherever possible, by reducing the amount of waste we generate or by finding beneficial ways to reuse waste by-products. One of our priorities is to promote consistent waste management practices across our businesses. The development of waste management tracking and training programs helps our employees achieve better waste recovery and meet regulations.

For year 2006, we generated about 19,830 tonnes of waste – 72% being hazardous waste and 28% being solid waste.

Our hazardous waste, which comprise of spent oil, contaminated uniforms and rags and lab waste is sent to our Incineration Plant for incineration whilst other waste, such as empty drums, pallets and scrap metal is sent to steel mills for recycling or disposed of at the Bukit Palong Municipal Landfill in Lukut. Both types of waste will undergo thorough cleaning procedures and inspection prior to leaving Kualiti Alam’s premises.



Environmental Performance



Emergency Preparedness

One way of measuring a company's performance regarding emergency threats or risks is to observe how it reacts when an actual emergency occurs. To be truly effective, we have to ensure that we have an appropriate emergency response infrastructure in place and that emergency preparedness plans are optimised.

Our emergency and crisis preparedness plans are designed to minimise the impact of an incident and to verify that we comply with regulatory requirements. In addition, employees throughout our business units participate in regular emergency response drills and simulations to test and improve procedures. Our operating facilities maintain regular contact with communities and first responder organisations to keep them up-to-date and coordinated with our contingency plans.

We have established procedures to identify potential emergency situations and potential accidents that can have an adverse environmental impact(s) to employee, property and public and the appropriate mitigation and response actions if such situations occur. Our procedures developed include:

- Emergency Preparedness and Response
- Fire Prevention System for understanding and providing guidance on the usage of fire prevention system in WMC.
- Managing Spillage for environmental conservation through systematic handling of spillage and the safe method in handling any spillages.
- Workplace Inspection to improve safety, health, environment and working conditions in order to prevent accidents and incidents at workplace.
- Job Safety Analysis (JSA) to prevent an occurrence of all the identified hazards, a Job JSA is conducted periodically. Information and data gathered from the JSA will help to improve safety in various other tasks.

We conducted several major training courses for 2006 to ensure that our employees are able to manage emergency situations accordingly:

- Occupational First Aid & Cardio Pulmonary Resuscitation
- Refresher For Emergency Response Team
- Mock-Drill Chemical
- Public Fire Safety & Prevention Knowledge
- Fire Drill With Fire & Rescue Dept

Our Mock Drill for the handling of chemical emergencies include training for our transport contractors to ensure that they are adequately equipped and trained to manage emergencies in event of incidents during transportation.



UEM Enviro's

Commitment to Our Customers

We try to make your job as easy as possible while ensuring compliance to regulations by:

- Customer Service Representative to assist you in meeting your environmental management needs
- Pre-printed hazardous waste manifest or other shipping paperwork provided to our customers
- Convenient transportation on a dedicated schedule
- Trained personnel able to pack and properly label your hazardous waste containers
- Online label templates, examples and guidelines
- Ordering Containers and Pickup Requests

Commitment to Environment

We do not just give lip-service to the environmental issues. We do what we say:

- ISO 14001 Environmental Management System (EMS)
- Recycle First Waste Management Policy
- Community Involvement
- Award Winning Performance:
 - UEM Enviro's superior performance in waste management earned recognition for:
 - Certifications and accreditations ISO 9001, ISO 14001, OHSAS 18001 and ISO/IEC 17025, upgraded to 2004 series.
 - MSOSH OSH Silver Award Winners for 2005' from "Malaysian Society For Occupational Safety And Health" for our achievement of 1.3 million free from lost time injury
 - PM'S Hibiscus Award in the Notable Category for year 2005/2006
 - Laboratory Excellence Award from Malaysian Institute of Chemical
 - Excellence Award for "System & Process Improvement" category within UEM Group in 2006
 - National Occupational, Safety & Health Excellence Award – Gold, Cleansing Facility in 2007
 - International Proficiency Testing - Certified by Resource Technology Corporation, USA
 - EiMAS training practitioner/consultant
 - ACCA Malaysian Environmental and Social Reporting Awards 2006-2007



GRI Index

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GRI #	Index Listing	Page (s)
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HR4	Description of global policy and procedures/programmes preventing all forms of discrimination in operations	13, 27
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PR9	Description of policies/management systems and compliance mechanisms for adherence to standards and voluntary codes related to advertising	NA

List of Abbreviations

American Malaysian Chamber of Commerce	AMCHAM
Asia Pacific Laboratory Accreditation Cooperation Mutual Recognition Arrangement	APLAC-MRA
Association of Environmental Consultants and Companies of Malaysia	AECCOM
Association of Scheduled Waste Recyclers	ANSWER
Business Council for Sustainable Development Malaysia	BCSDM
Chemical Industries Council Of Malaysia	CICM
Chief Operating Officer	COO
Corrective Action Required	CAR
Department of Environment	DOE
Department of Occupational Safety and Health	DOSH
Department of Standards Malaysia	DSM
Emergency Response Plan	ERP
Environment Impact Assessment	EIA
Environmental Management and Research Association of Malaysia	ENSEARCH
Environmental Management Services	EMS
Environmental Management System	EMS
Environmental Monitoring Programme	EMP
Federation of Malaysian Manufacturers	FMM
Global Positioning Satellite	GPS
Global Reporting Initiative	GRI
Greenhouse gases	GHG
Gulf Cooperation Council	GCC
Human Resources	HR
Hydro-chlorofluorocarbon	HCFC
Integrated Management Systems	IMS
Jabatan Bekalan Air	JBA
Job Safety Analysis	JSA
Kualiti Alam Modular Incinerator	KAMI
Leachate Treatment Plant	LTP
Lost Time Injury	LTI
Malaysian Centre For Environmental Communicators Berhad	MACEC
Malaysian Danish Business Council	MDBC
Malaysian International Chamber of Commerce and Industry	MICCI
Malaysian Society for Occupational Safety & Health	MSOSH
Memorandum of Agreement	MOA
Memorandum of Understanding	MOU
National Life Cycle Assessment	LCA
National Life Cycle Inventory Assessment	LCIA
Occupational Safety and Health	OSH
Research & Technology Development	R&D
Safety, Health, Environment	SHE
Safety, Health, Environment & Quality	SHEQ
Taylor Nelson Sofres	TNS
Technologically Enhanced Naturally Occurring Radioactive Materials	TENORM
United Kingdom Accreditation Services	UKAS
United Nations Environment Programme	UNEP
Waste Management Centre	WMC
Waste Water Treatment Plants	WWTP

YOUR FEEDBACK

(please tick where appropriate)

- Can we post your view/s on our website? Yes No
- Can we include your name/organisation with your comment/s on our website? Yes No
- Would you like us to continue to mail materials on the social reporting process or any other information pertaining to the Company in general to you? Yes No
- Would you like to participate in our future dialogue session? Yes No

Please state reason if you answered “No”

(for disclosure purpose, if any information from absent stakeholders is intended for public disclosure as part of the social reporting process, the above reasons can be used to state why your organisation has chosen not to participate in the dialogue session)

Signature

Your name and address (optional)

Organisation

Telephone number (home/office)

Email address

REQUEST FOR A PRINTED COPY OF THE KUALITI ALAM 1996-2006 SUSTAINABILITY REPORT

Name

Telephone number (home/office)

E-mail address

Address

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stamp

Chief Operating Officer
Kualiti Alam Sdn Bhd
15th Floor, Menara 2, Faber Towers
Taman Desa, Jalan Kelang Lama
58100 Kuala Lumpur, Malaysia

fold here

2006 Sustainability Report

The report team wishes to thank all the individuals throughout the organization who contributed information, stories and data to this report. Special thanks to the core contributors that have been helpful in contributing towards the successful publication of this inaugural report.

Core Contributors	En. Azmanuddin Haq Ahmad En. Suhaimee Mahdar Mr. Tan Piew Ms. Chow Yin See Mr. Nick Chong En. Shaharuddin Sidek Cik Zurina Abdul Wahab En. Mohd Norsuradi En. Rosman Shaari En. Razali Abu Bakar Pn. Siti Nadzriah Pn. Malini Sailin Mr. Fo Mooi Hua En. Hamdan Osman Mr. Chiew Hai Wah Ms. Kong Lee Peng Mr. Sathish Kurup En. Abdul Halim Sharif En. Jefri Din Cik Jazzita Jamaluddin Cik Normalis Ali
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Compiled & Prepared by	Green Edge Consult Sdn. Bhd. Lot No. 2/A102 University Tower, No. 28 Jalan Universiti, 46200 Petaling Jaya, Selangor. www.greenedgeconsult.com
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Designed by	Octagon Creative Sdn. Bhd.
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Contact	Mr. Chiew Hai Wah Manager Corporate Communications Kualiti Alam Sdn. Bhd. 15th Floor, Menara 2, Faber Towers, Taman Desa, Jalan Kelang Lama, 58100 Kuala Lumpur, Malaysia.
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Email: chiew@kualitiam.com

A softcopy of the corporate sustainability report can be downloaded at:
www.kualitiam.com

UEM Enviro Sdn Bhd 375705-V

15th Floor, Menara 2, Faber Towers, Taman Desa

Jalan Kelang Lama, 58100 Kuala Lumpur, Malaysia

Tel: 603 7966 4000 Fax: 603 7966 4040