



A member of UEM Group

Sustainability Report 2008

A large, full-canopied green tree stands in a field. The ground is dark brown soil, and the tree's roots are visible, extending downwards. The background shows a clear blue sky with some white clouds.

**ENGAGING
SUSTAINABILITY
FROM WITHIN**

Cover Rationale

This 2008 Report cover illustrates the vision that is 'Engaging Sustainability from Within.'

The big tree as a symbol of growth, also represents UEM Environment as an organisation that stands strong because of its internal support system and deeply embedded roots.

The tree's growth throughout its lifetime symbolises the company's role in nourishing the environment, ensuring a sustainable future for all.

What's inside

Message from Managing Director	2
Performance at a Glance	4
Sustainability Cost Commitments	7
Introduction	8
Business Profile	10
UEM Environment's Life Cycle	12
Detailed Performance Review	14
Management Team	16
Corporate Governance	18
External Recognition	20
Employee Built UEM Environment	22
Creating Inclusive Workplace	22
Investing in Growth and Development	25
Our Work Environment	26
Focus on Our Community	28
Sustainable Procurement	28
Sustainable and Responsible Services	29
Community Involvement and Sponsorship	30
Caring for Our Environment	36
Resource Use	36
Environmental Monitoring and Compliance	38
Biodiversity	43
Carbon Footprint	47
Carbon Management Programme	55
Economic Dimension	59
Economic Benefits	60
Assurance Statement	61
References	65
GRI Index	65
Glossary	69
List of Figures	71
List of Tables	72
Appendix	72

This Sustainability Report (Report) aims to provide stakeholders with a complete and balanced picture of UEM Environment Sdn Bhd's (UEM Environment) performance in different areas of sustainability during 2008. The Report is structured based on issues, allowing easy access to the information stakeholders find most relevant and enabling us to provide a complete overview of the issues we face. It also adds comparability of this Report with those of previous years, including the most recent which was published on 31 October 2007.

At UEM Environment, we strive for continuous improvement of our growth strategy, our sustainability performance and the way in which we report our progress. In addition to applying the G3 indicators, we have also called upon questionnaires distributed to our customers, feedback from external dialogue and internal discussion in

About this Report

preparing this Report. The content of this Report is selected in accordance with the new G3 guidelines of the Global Reporting Initiative (GRI) to which UEM Environment applies level A+. We report on the profile disclosures on management approach, covering all performance indicators and our Report is also externally verified. For more detailed information on our application level of the G3 guidelines, please refer to the Reporting Process and Principles and the GRI Index.

As with the previous 3 years, we have published both printed and full version of our annual Report online including the current entitled "**Engaging Sustainability from Within**" with features that are more engaging and interactive through www.kualitiam.com for our stakeholders' perusal.



Message from Managing Director



We present our 2008 Report at a time when businesses around the world are globally challenged with rising costs and international economic instability – in short, the sustainability of a business becomes a major concern. There is no question that the game has changed for business and if we are no longer able to change a situation, we are challenged to change ourselves. As many managers shore up cash, downsize risk, and cut costs while enhancing execution, we are looking to position ourselves for the future. We believe that the top priorities for our business right now are to (i) develop and implement strategies for driving growth, (ii) enhance methods for managing talent, and (iii) develop ideas for improving relationships with customers and suppliers.

Our UEM Environment group of companies has done well against a backdrop of economic turbulence, with an increase in revenue of 18.4%. This was achieved because our priorities have been well defined in the Corporate Scorecard (Scorecard) and we can count on our strategic assets, the quality of our services and our policy of cost control. This, I believe, has been through the incorporation of sound sustainable business principles at the heart of our strategy. While this is said, much more remains to be done.

The theme for this year's Report is "Engaging Sustainability from Within" – reflecting an awareness within us to take a step back and evaluate how to best utilise the resources within our organisation. We have always sought to improve the capabilities of our employees and the adoption of our 5 key focus points; "P.E.P.S.I" has been a measure which has been introduced to bring about these improvements.

One of the improvement measures which have been introduced in this current Report is the absorption of "P.E.P.S.I" elements into our Scorecard. The Scorecard measures (i) managing productivity of our resources, (ii) expansion and growth of our business, (iii) enrichment of employee and organisation, (iv) improvement in processes and systems, and (v) enhancing image and public perception.

I would like to take this opportunity to highlight some of the key initiatives which have been conducted within our group of companies to demonstrate our efforts in ensuring economic and sustainable success. We have adopted Six Sigma programmes extensively throughout our operations at Kualiti Alam targeting process improvements and resources efficiency. Currently, there are 13 Green Belt Class projects creating 10 new job opportunities and resulted in an increase in our energy efficiency by 13%.

Through our own initiative to reduce waste generated in the operations and to maximise the operations of our plant, we constructed a Silicon Pre-Treatment plant in August 2008 to maximise the recovery of oil from waste and to reuse the recovered oil as an alternative fuel in our processes. We are pleased to report that our efforts have paid off, with an oil recovery rate of 37%. Through this project, we have gained twofold; (i) reduction of our incinerator downtime by 36.2% and (ii) the availability of an alternative fuel source. This has also reduced our diesel consumption by 17%.

The variable nature of the economy mandates that companies should think for long-term, as well as short-term, by giving attention to internal company morale. Businesses should be identifying, grooming and providing inspiration to those who show promise as future leaders or outstanding contributors. To sustain their motivation and maximise their productivity, managers' need to identify the unique factors and conditions that motivate and stimulate them. It is amazing what people will do if they feel valuable to an organisation.

We have continued to emphasise on the development of our employees as we strongly believe developing our staff capabilities through capacity building is the surest way to guarantee stability in our business. In 2008, the training expenditure was RM582K; with each employee having undergone an average of 30 hours of training.

We also understand that we need to engage our employees in issues at work in the same way they engage with societal issues in their own lives. We believe that our businesses can grow while contributing favourably to the environment and society we operate in without imposing significant cost or constraint to our operations. UEM Environment wants to make meaningful changes, publicly reaffirm our commitment and have a constant scale for the public to measure. We uphold

the idea that if we do not create changes, then change will create us. Thus, we have developed our own sustainability policy in conjunction with this 2008 Report focusing on creating value for our customers and businesses while improving our efficiency.

I am pleased to inform our readers that in 2008, we are working to establish our End of Life Vehicle (ELV) programme. On 4 July, 2008 we signed an agreement with Proton Edar Sdn Bhd (Proton Edar) to recover and safely dispose of scrapped vehicles with a proper and systematic operations manner without compromising environmental, safety and health aspect, commencing in 2009. We are pleased to have been selected by Proton Edar for this service as we believe that our services provided and approach used in providing comprehensive waste management services has stood us in good stead. Through the use of our services, Proton Edar can also assure its customers that their vehicles are being disposed off in an environmentally sound manner.

As we announced last year, UEM Environment is providing recycling and recovering services through Kualiti Kitar Alam. In 2008, the total hazardous waste recycled is 5,651 MT. As of July 2008, the construction of Kualiti Alam Modular Incinerator (KAMI) has begun and expected to complete in the middle of 2009.

While we noted many accomplishments in this Report, we neither claim perfection nor do we seek it because we believe there is always room for improvement. Change is a collective effort, crossing governments, NGOs, individuals and business. Change is constant and he who rejects change is the architect of delay. We hope it sparks dialogue and encourages actions from our customers, associates, community members amongst others, so that together we can act, inspire and make a difference.

UEM Environment is determined to pursue this road and we look forward to continuing our work and interaction with you. We hope that this Report gives you good insight into our performance and progress and inspires you in your daily life.



Azmanuddin Haq Ahmad,
Managing Director



Performance at a Glance

Workforce

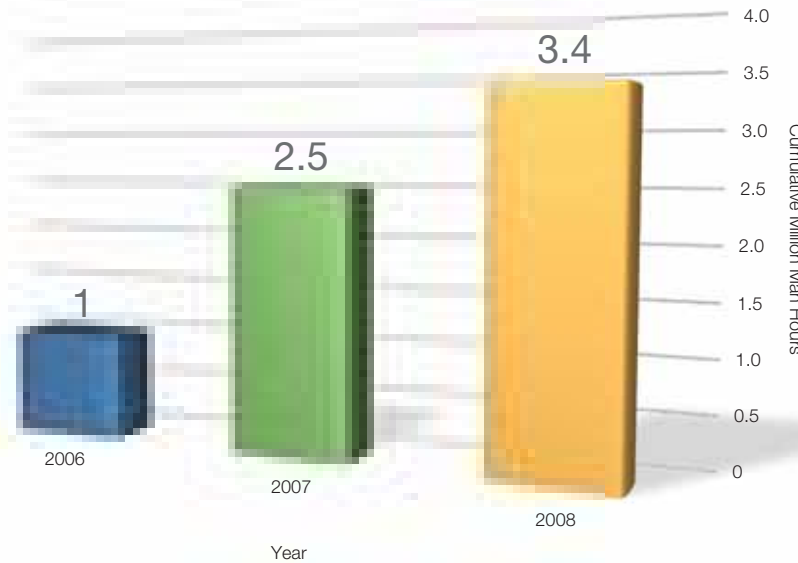
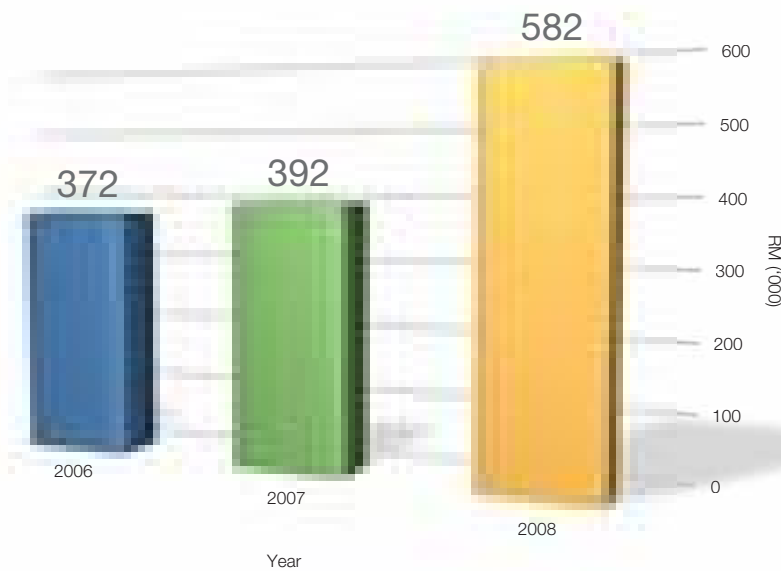


Figure 1 : Reached 3.4M man hours with zero Lost Time Injury (LTi) in 2008



30

training hours available per employee in 2008

Figure 2 : 48.5% increase in training expenditure in 2008

Responsible Services and Product Quality

96.7%

approval rating from 1515 customers in 2008

322

vendors registered under Vendor Management Programme since 2008

Environment

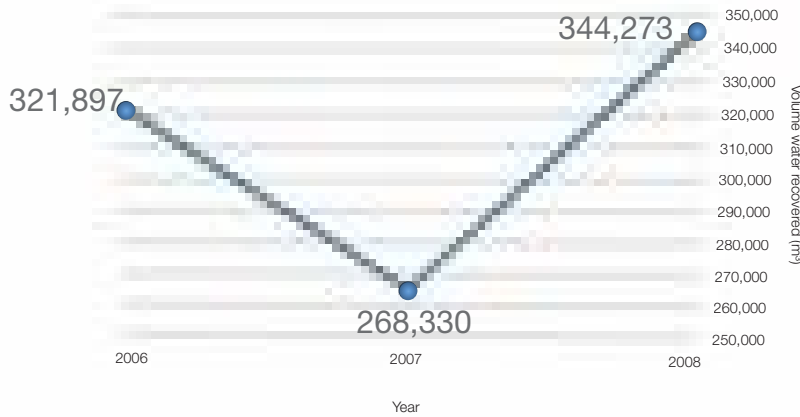


Figure 3 : Water recovered increased by 28% compared to 2007

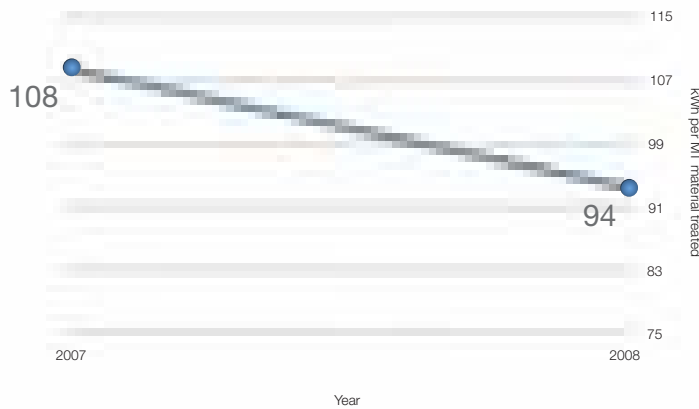


Figure 4 : Energy efficiency increased by 13% compared to 2007 at WMC

Estimated savings of

RM159K

per year from Six Sigma energy efficiency programme

Economic Dimension

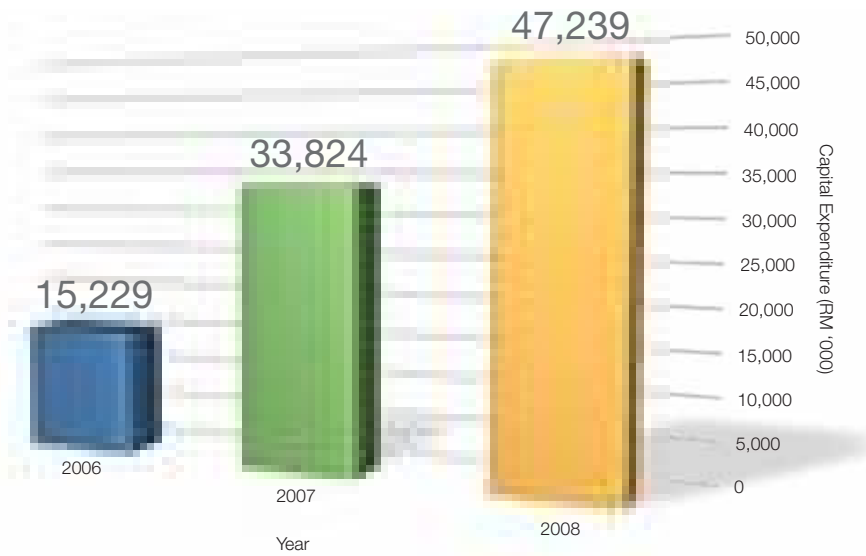


Figure 5 : 39.7% increase in UEM Environment capital expenditure

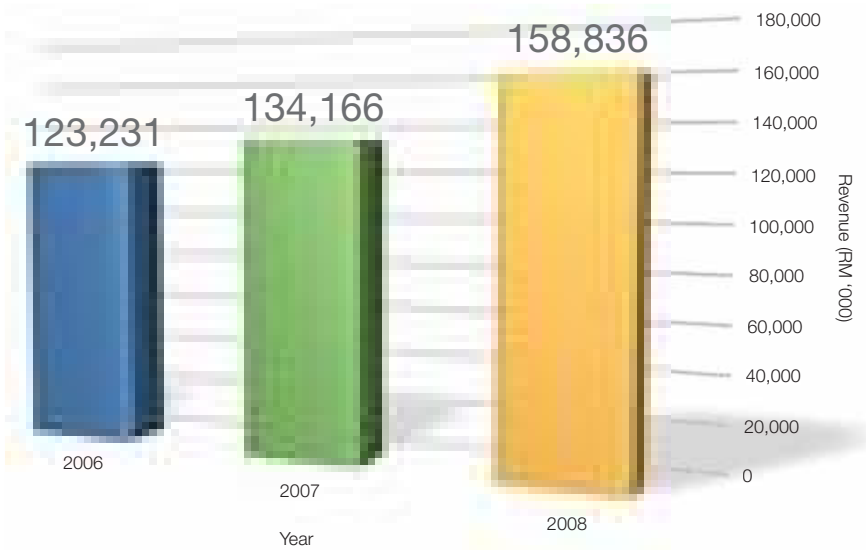


Figure 6 : UEM Environment revenue increased by 18.4%



Sustainability Cost Commitments for 2008

UEM Environment's commitment to sustainability continues to develop and strengthen year by year. We are proud of what we have achieved so far to meet society's growing demand in terms of sustainability - doing business in a socially responsible way - while actively developing products and services that help others do likewise. At the same time, we realised that a number of challenges still lie ahead of us.

To us, sustainable development means growing our business socially and environmentally, while simultaneously meeting the legitimate interests of our stakeholders. Since 2007, we have presented our

sustainability cost in the format below as a reflection of our progress in sustainability.

In 2008, we added the cost of internal waste disposal, resulting in the cost increment in managing the Plant and Operations Department. In the Support Services and Facilities Management Department, we added the cost of plant and machineries. UEM Environment spent 86% on waste disposal, treatment and remediation and 14% on prevention and environmental management out of the total sustainability cost, RM63.4M. We hope to keep refining our sustainability cost in future.

Department	Activity/Scope	Total Expenditure (RM'000)	
		2007	2008
Plant & Operations	<ul style="list-style-type: none"> • Pollution Prevention • Equipment • Internal Waste Disposal/Treatment 	11,320	36,910
Support Services & Facilities Management	<ul style="list-style-type: none"> • Plant repairs & Maintenance • Maintenance Personnel • Support/Services Personnel • Facility Management • Repair Works • Motor Vehicle Maintenance • Landscaping • Plant Upgrading • Plant & Machinery 	7,730	21,270
Environmental Management Services	<ul style="list-style-type: none"> • Lab Facilities Maintenance & Management • Research & Development • Consultancy • Pollution Prevention • Internal waste/disposal 	1,530	3,520
Corporate Communications	<ul style="list-style-type: none"> • Social contribution • Information Disclosure • Outreach/Awareness Programme 	313	521
Human Resources, Administration & Security	<ul style="list-style-type: none"> • Employee Welfare • Employee Uniform • Laundry Charges • Personnel Development • Employee Amenities • Security 	858	1,170

Table 1 : Environmental expenditure by department for 2008



Introduction

Scope of Report

This Report covers the performance of UEM Environment from January through to December 2008. In this Report, we have taken an issue-based approach to discussing our performance. The Report is organised in four sections

Employee Built UEM Environment

Responsible and Sustainable Services

Caring for Our Environment

Economic Dimension

Each section includes topics which are critical to the sustainability of our businesses. We are also continuing our efforts to refine the quality and materiality of our reporting.

Metrics

Our sustainability reporting is still evolving, and we work continuously to incorporate new reporting metrics. While we discuss initiatives and programmes, as well as report on our progress from year to year, we recognise the need to report additional quantifiable metrics and targets, especially as they relate to our social and environmental impact. We included our joint venture's data as they are closely related to our operations. We are continuing to further refine our systems in place and our targets to gauge performance and data gathering systems.

Environmental data for all subsidiaries

The majority of our data comes from Kualiti Alam, Kualiti Khidmat Alam and Kualiti Kitar Alam. Our joint venture, E-Idaman and ADKA data are limited to travel claims, electricity and water bills. In future, we plan to categorise the environmental data of all our subsidiaries on an individual basis to track their performances.

Vendor Management

UEM Environment has developed a Vendor Registration System in 2006 for all contractors and suppliers to fulfil the different needs of the staff and the contractors and has evolved into Vendor Management Programme. The programme is intended to evaluate supplier and contractor performance against our internally developed criteria such as safety, environment and health.

Goals and Performance

This year we have provided a thorough detail of the Scorecard to gauge where we are in terms of reaching our goals. However, we realise that our metrics performance still needs to be refined with regards to our social performance and economic impact. In pages 14 and 15 we provide a summary of various performance metrics. We have been working towards mapping our corporate responsibility issues, prioritising them and determining what will be discussed in our next report. We are also developing the necessary systems and targets to evaluate our performance and to consistently gather data.

Information System and Quality of Data

The carbon (CO₂) emission energy data for 2008 is based on monthly electricity bills, water bills, fuel receipts and fleet Global Positioning System (GPS) tracking. We will focus our efforts to report accurate energy data by subsidiaries in future. The data was provided through personnel within our subsidiaries.

External Assurance

We have engaged Bureau Veritas Certifications (M) Sdn Bhd (BVC) to provide limited assurance on the information in this Report. The report itself, including the identification of material issues, is our responsibility. BVC are responsible for developing and carrying out an appropriate programme of work as described in their assurance report and reporting their conclusions. BVC'S assurance report can be found on pages 61 to 63.



UEM Environment's Profile

UEM Environment is a provider of integrated waste management product and services. Our headquarters is located in Faber Towers, Kuala Lumpur. We deliver a total package of services through our own high performance Waste Management Centre (WMC) in Bukit Nenas, Negeri Sembilan consisting handling, identification, to recycling and disposal of hazardous waste.

We offer solutions that are sustainable and high quality to our customers. This makes us one of

the market leaders in handling hazardous waste in Malaysia. As an industry leader, we commit our knowledge and experience towards stewardship of the environment, exploring renewable energy resources, ensuring resource conservation, and safe collection and disposal of waste.

With over 317 people employed in Malaysia and abroad, UEM Environment is committed towards making a difference for our employees, customers, the environment and the communities in which we serve.

Our Vision

The GREENER Environmental Solution

Our Mission

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



Our Plan

UEM Environment has made significant progress since last year in the development and execution of our business strategies, energising our people, transforming our business and improving our resource usage. We have worked hard in ensuring we offer services which are focused, professional and economically viable while being in total compliance with local legislation at all times. We present for the first time, our Sustainability Policy :

Sustainability Policy

At UEM Environment, we seek to implement practices within the Company to promote social betterment, environmental stewardship and economic security. Being fully committed to provision of excellence, quality and leadership embedded in all our activities, we strive to create and provide innovative solutions both to our customers and within our operations. We seek to bring enriching experiences to our employees by providing opportunities to interact and give back to our local communities. We aim to lead innovation and practice towards a sustainable environment by focusing on 6 key areas :



To reduce our Green House Gas (GHG) emission through meeting our energy efficiency goals, GHG offsets and new renewable energy initiatives through implementation of Six Sigma programme.

To integrate sustainability consideration into all our decision-making process in managing our business ranging from treatment methods in Kualiti Alam to recycling waste in Kualiti Kitar Alam.

To continually focus on contributing to the well being of our surrounding communities and to utilise our resources and expertise to effect positive change in increasing the biodiversity in our environment.

To advance our process safety management systems, to identify and reduce potential process hazards, continuous improvement on cleaner technologies and processes and to implement enhanced company-wide occupational hygiene and health standards.

To build on our Company culture and capability for growth, provide a stable base for opportunities, jobs and benefits and to commit towards creating a workplace that is healthy, diverse, stimulating and rewarding.

To review annually and to report in a continuous manner, measurable progress of our social investments.



UEM Environment's Life Cycle

ADKA Enviro (49%)

Integrated Waste Management, Products, Services and Systems in the Middle East, particularly in United Arab Emirates



Solid Waste



E-Idaman (50%)

Integrated Solid Waste Management, involving in Collection, Cleansing, Treatment, Recovery and Final Disposal of Solid Waste



Hazardous Waste

Kualiti Khidmat Alam (KKA) (100%)
Upstream Hazardous Waste Management,
involving in Marketing, Packaging &
Transportation of Hazardous Waste



**Recycling
and Recovery**

Kualiti Kitar Alam (KKi) (70%)
Midstream Hazardous Waste Management,
involving in Recovery & Recycling of
Hazardous Waste



**Treatment
and Disposal**

Kualiti Alam (KA) (100%)
Downstream Hazardous Waste
Management, involving in Treatment &
Final Disposal of Hazardous Waste

Figure 7: Life cycle of UEM Environment services

Detailed Performance Review

This year, for our readers' convenience, a summary of our performance and progress is provided based on our Scorecard. The information provided is from January through December of 2008. As we monitor our progress internally through our Scorecard, it made sense for us to inform our stakeholders and the readers, on how we evaluate and monitor our performance progress. We aim to continue reporting in this manner in the future, as well as show how we develop our targets for the indicators.



Progress Rating (Self-Assessment)



Progressing on track



Completed



Not met

Performance Metric	Status	2008 Progress	2009 Moving Forward
Productivity of Resources		<ul style="list-style-type: none"> 17% increase in treating waste from 2007 Decrease planned shutdown by 3 weeks 	<ul style="list-style-type: none"> Aiming for 20% increase in treating waste
Expansion and Business Growth		<ul style="list-style-type: none"> Secured 4 new local contracts 	<ul style="list-style-type: none"> Secure new overseas contracts and at least one new local contract
People, Organisation and Development			
<ul style="list-style-type: none"> Developing excellent leaders across middle management 		<ul style="list-style-type: none"> 3% out of 32 managers rated excellent by UEM Leadership Centre (ULC) 	<ul style="list-style-type: none"> Focus on improving Proficiency Level & Competencies Gap Analysis for Finance, Business Development, Managing Information System (MIS), Human Resource and Corporate Communications by 40%
<ul style="list-style-type: none"> Retention of top critical position and implementation on Succession Planning Assessment and closing the Competency Gap Programme 		<ul style="list-style-type: none"> Increased retention rate by 12.65% compared to 2007 	<ul style="list-style-type: none"> Improve implementation of Succession Planning Assessment and close the Competency Gap by 50%
System and Processes Improvement		<ul style="list-style-type: none"> KKI received triple Integrated Management System(IMS) certification on 5 August 2008 KKA upgrades to OHSAS 18100:2007 on 31 July 2008 Developed e-PR on 10 June 2008, e-billing on 31 August 2008 and e-rebate on 28 June 2008 	<ul style="list-style-type: none"> Aiming for 3% cost savings through Six Sigma programmes Developing e-HRMS and Plant Maintenance System upgrade by 2009
Image and Perception Improvement		<ul style="list-style-type: none"> 18.36% improvement in Company Perception Rating Customer Satisfaction Survey improved by 16.5% from 2007 	<ul style="list-style-type: none"> Increase industry recognition / accreditation received by UEM Environment

Managing Director

01 Azmanuddin Haq Ahmad

Chief Operating Officer

02 Suhaimee Mahdar

Safety, Health & Environment (SHE)

14 Hamdan Osman

Management Information System (MIS)

15 Mohd Zaidi Zakaria

Management Team

Business Development (China & Indochina)

13 Tan Piew

Human Resource & Administration

Zurina Abd Wahab

Legal

05 Nurulhuda Faisol



ement

Kualiti Kitar Alam

Tan Lay Lay

Customer Account Management (CAM)

04 Abd Halim Sharif

Kualiti Khidmat Alam

Environment Support Services & Logistics

06 Nick Chong

Marketing

07 Sathish Kurup

Kualiti Alam

Plant & Operations

08 Mohd Norsuradi Man

Environmental Management Services

09 Siti Nadzriah Abd Hamid

Support Services & Facilities Management

10 Razali Abu Bakar

Kualiti Alam Modularised Incinerator (KAMI)

11 Rosman Shaari

Operational Improvement

12 Abd Halim Md Nor

Security

Mejar (B) Abd Kadir

Finance

03 Chow Yin See

Corporate Communications

16 Chiew Hai Wah

Purchasing

17 Abd Rashid Mohamad





Corporate Governance

At UEM Environment, we believe that strong corporate governance practices reflect better management practices in general. We strive for best practices in corporate governance as we believe a better-run company yields better results, and ultimately greater shareholder value. For us, good governance begins with our Board of Directors (Board). For this year, we have one independent director on our Board; with “independent” defined as having no financial interest in the organisation or potential benefits that could create a conflict of interest. We provide director fees and meeting allowances for our Board and in 2008, the Board met five times.

UEM Environment is fully owned by UEM Group and the process of avoiding conflict is carried out at the UEM Group level which indirectly ensures that the Board has no conflicts of interest. However, the Board recognised its role in ensuring diversity of thought in the boardroom; providing independent perspective and oversight of the company management.

Code of Conduct

The Code of Conduct (Code) is the foundation of our efforts to promote responsible and ethical work environment. The Code is designed to help employees avoid conflict of interest, ensure compliance with laws, and safeguard our company information and assets. In addition to providing guidelines for proper workplace behaviour, it also directs employees to specific persons to contact with questions or concerns.

The employee's induction training contains module on handling corruption and in 2008, 12.3% employees was trained in UEM Environment anti corruption policies. The module is based on the Code which outlined no form of bribery, including improper offers or payment to or from employees will be tolerated. All employees are expected to avoid contacts that might lead to, or suggest conflict of interest between their personal activities and the business of UEM Environment and all employees are expected to avoid accepting hospitality or gifts that might appear to place them under an obligation. The audit from the UEM Group level ensures the level of integrity of each department is maintained yearly.

UEM Environment has outlined that in such cases, an enquiry to the case will be made and panel appointed. The action taken will be in compliance to the legislation and we reserve the rights to dismiss an employee after due inquiry.

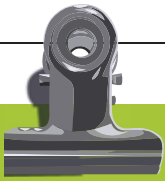




Committees

The **Safety, Health, Environment & Quality (SHEQ) Committee** is responsible for approving SHEQ strategies and programmes, maintaining industry standard and legislation and monitors safety, health, environment and quality performance. It comprises 50:50 ratio of senior management and representatives of employee from WMC. 80.76% employees are represented through the Committee which are responsible for ensuring the operations are conducted in environmentally responsible manner and maintaining the SHEQ policies.

The **Risk Management Committee** is headed by our Managing Director supported by seven members. The Committee is to assess business risk as well as update and maintain the risk registrar framework that lists all risks related to the business decisions.



External Recognition

Over the last few years, our performance in terms of safety and service quality has been recognised by a number of different external agencies and institutions. This recognition is important because it provides UEM Environment with guidelines for further improvement and can help enhance our reputation.

Royal Society for the Prevention of Accidents (RoSPA) Gold Award Occupational Health and Safety Performance

We were honoured to receive the Gold Award in Occupational Health and Safety Performance on 15 May 2008 from the RoSPA. The award honours companies that have achieved a very high level of performance, demonstrated well developed occupational health and safety management systems and culture, outstanding control of risk and very low levels of error, harm and loss.

RoSPA, a charitable organisation registered in England and Wales, is committed with the mission to save lives and reduce injuries at the workplace, has been conducting the award since 1956.

Silver Award in UEM Group Continual Improvement Competition

UEM Environment won four silver awards in four categories at the debut of the award. The event was held in 18 April 2008 at Gemilang Auditorium, UEM Academy in Petaling Jaya. This annual event serves as a platform to reward continuous improvement within UEM Group subsidiaries. The first team that won was from Carbon Turn-Around-Time (TAT) team of Kualiti Alam by improving Customer Satisfaction for improving total organic carbon analysis efficiency and turn-around time.

The second team, which was Inspector Gadget of Kualiti Alam, garnered a silver award for increasing waste treatment capacity of Incineration Plant No.2. Next, the Super 5S team won for engineering a new process in pre-treating silicon waste. Lastly, Team Improvement Agent won the silver award for setting up storm water treatment facilities in Kualiti Alam.

Malaysian Society for Occupational Safety and Health (MSOSH) Award

Kualiti Alam received the MSOSH Grand Award on 4 August 2008 for its occupational safety and health record and practices at WMC.

At the same event, our marketing and logistics subsidiary, Kualiti Khidmat Alam won the MSOSH Silver Award for its Occupational Safety and Health record in their first attempt.

Institute Kimia Malaysia Excellence Award

Kualiti Alam received, for the sixth consecutive time, the coveted award for excellence in laboratory practice and competency on 19 December 2008. The award was received in the testing of solid and sludge waste, liquid waste and water and wastewater testing.

Top Marks from Department of Occupational Safety and Health (DOSH)

Kualiti Alam was categorised under Excellence Category (Grade A) following an audit by Negeri Sembilan State DOSH by achieving 98% on 23 March 2008.



UEM Group Sri Cipta Award for Best Innovation

In line with UEM Group's value creating strategy, the award is to recognise the most innovative product and services created or developed by an employee or a team. It serves as an incentive to employees to be continually inventive and innovative to ensure new ideas are constantly developed for the betterment of the Group.

We won the award for converting an unused slag bunker into a Chromate Waste Bunker to treat chromate waste. This innovation has positive impact in terms of financial, productivity and environment.

Chromate waste which is highly corrosive used to be treated at the Physical Chemical Treatment (PCT) Plant, requires a lengthy reduction process. With the long treatment cycle, the corrosive nature of the waste caused damage to the reactor's wall. The Chromate Waste Bunker which is lined with Polyvinylidene Fluoride(PVDF) coating could endure waste and free the PCT Plant reactor for other waste treatment. This helps to reduce backlog of chromate waste at warehouse and stop property damage caused by the corrosive nature of the waste.

Best Sustainability Report by ACCA- MaSRA

On 13 August 2009, we received the Best Sustainability Report from ACCA Malaysia Sustainability Reporting Awards 2009 for our 2007 Sustainability Report. The award demonstrates the ethical concerns of a company and their efforts to innovate in the economic, social and environmental spheres. It rewards innovative attempts to communicate corporate performance and practice transparency. It proves that our company in the quality of information provided, have seen significant improvements in the level of information disclosed during the reporting period. Ultimately, however, our sustainability review helps us to underline key issues and business case for sustainable practices and development.

The report was also one of the three which received special mention for its Assurance Approach for having its report verified by third party.

“In the judges’ report, UEM Environment was also credited with being the only shortlisted entrant to report on its carbon footprint audit in its Sustainability Report 2007. Other reasons for the win was assurance by a third party and its transparency in discussing its challenges and areas for improvement”

– Quoted from The Edge





Employee Built UEM Environment

UEM Environment provides a dynamic environment in which employees can grow - professionally and personally and make a positive impact on the business and community. We are committed in investing in our employees to provide challenging opportunities to shape their careers. The aim is to strengthen UEM Environment's competitive advantage in the market by capitalising on our human resources strategy and culture that would help our employees accomplish company goals.

Creating Inclusive Workplace

UEM Environment has 317 employees with 80% of our employees located at WMC and 20% spread across Malaysia and Abu Dhabi. In 2008, UEM Environment recruited 39 new people and 28 employees left us. As of December 2008, 62% of the open positions were filled in the company as an effort to build capacity and attract new talents. 92.1% of our employees are permanent and 7.9% are on contract subject to renewal annually.

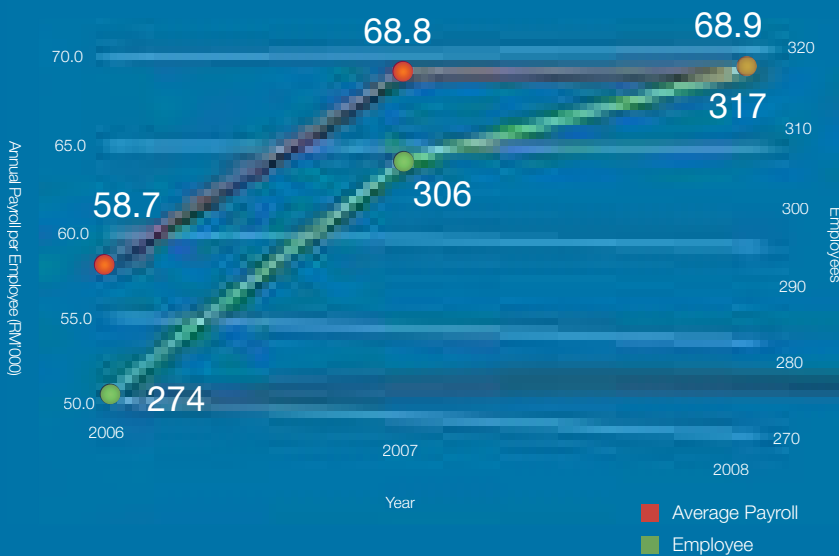


Figure 8 : UEM Environment Employment



Our senior management is fully local and UEM Environment prefers hiring internally to provide growth and career advancement within the Company. The annual salary per employee remains relatively the same from 2007 to 2008 due to hiring more non - executive positions in 2008 (Figure 9).

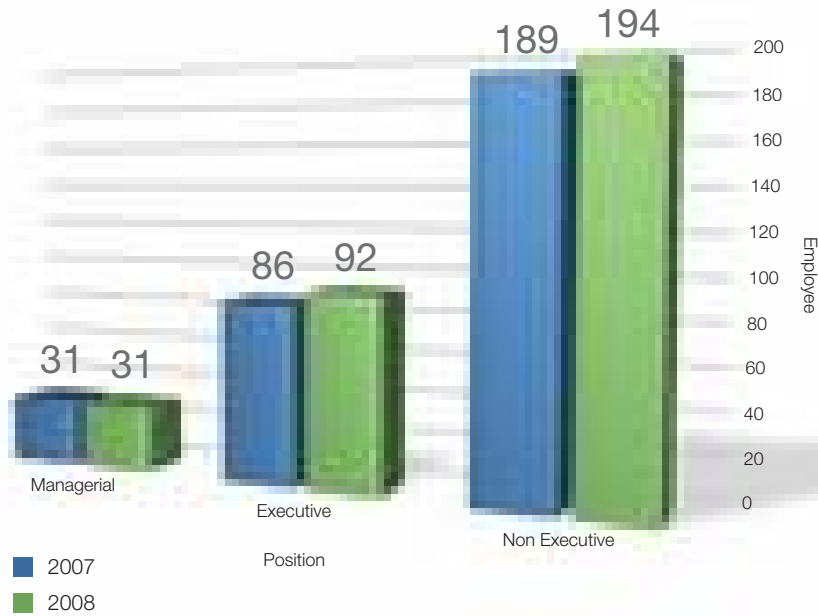


Figure 9: Employee distribution by position

Diversity

UEM Environment values the difference each individual brings and regards these differences as an asset. We encourage our employees to think differently, be themselves and to contribute their individual skills.

It is our policy to provide equal employment opportunities to all qualified employees and applicants. We have a policy prohibiting discrimination, inclusive of harassment. We have developed an accompanying set of policies establishing procedures for reporting and investigating complaints on discrimination and harassment and to date, we have received no complaints. Our number of female employees in 2008 increased by 11% compared to 2007 (Figure 10).

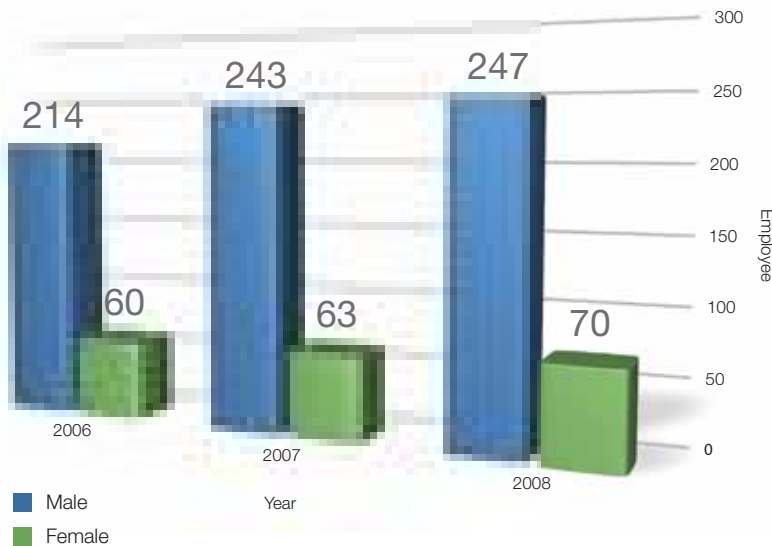


Figure 10 : Gender equality

Proportion of female to male is even in all subsidiaries except Kualiti Alam as the nature of the job contributed to the skewed effect. UEM Environment has no preference in job advertisement and neither do we differentiate the salary between men and women.

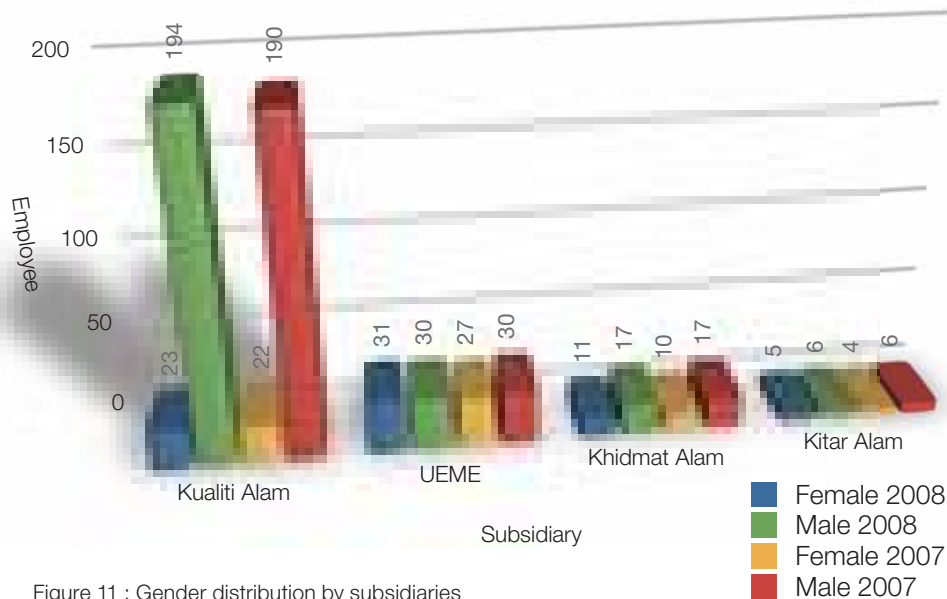


Figure 11 : Gender distribution by subsidiaries

UEM Environment is committed to bring up the proportion of female to male employees in the future by establishing relationships with various colleges as recruiting grounds for our employees and will seek to be more aggressive in ensuring a good diversity of applicants and employees.

Diversity in UEM Environment goes beyond gender as it is about recognising, respecting and valuing the difference in people with different ethnicity, interest and age.

Age Group	Percentage
< 30	22.1
30- 39	47.0
40-45	17.4
46-49	6.9
>50	6.6

Table 2 : Age distribution in UEM Environment (2008)

Investing in Growth and Development

UEM Environment strives to create top-performing teams by creating a culture based on action-based learning and they are evaluated by the management to fulfil potential management position. The evaluation provides a baseline of professional growth of our employees, through counselling and goal setting. The managers are responsible for ensuring the contingency of talented employees in UEM Environment. Assessments are carried out twice a year, in January and July for all employees by their supervisors.

Figure 12 illustrates that although the average number of training hours per employee has decreased; the training cost per employee increased by 43.4%.

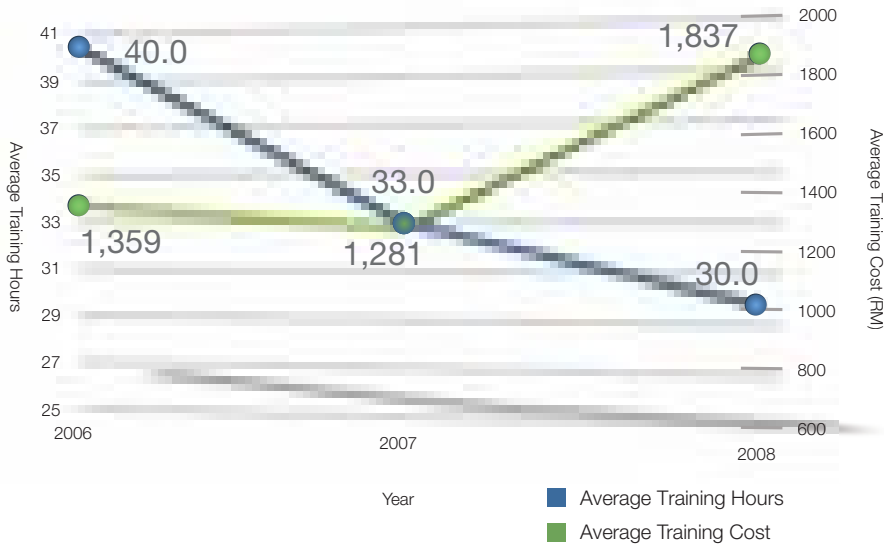
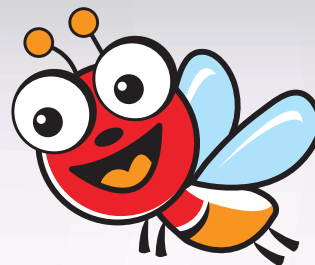


Figure 12 : Average training hours and cost per employee

The training expenditure increased for 2008 because a few of our training activities were conducted overseas with Asia Institute Management in Indonesia and we also sent our employees to attend the IBC Second Water Summit in Singapore in February 2008. The Water Summit was particularly important as the summit introduced latest water reuse and treatment technologies and identified potentially feasible investment for water projects.

We believe that UEM Environment’s culture of performance, talent and mobility is an important differentiator in the waste industry. Our performance culture encourages accountability for results and recognises outstanding performance. In 2008, UEM Leadership Centre (ULC) launched a programme called “Development of Leader Rated ‘A’ “. The programme’s objective is to identify and groom potential leaders systematically. Potential employees from managerial level were earmarked to attend a tailored Management Programme at ULC. As of December 2008, 91% managers have attended this programme. UEM Environment spent 31% of the training expenditure valued at RM179,760 at ULC.



UEM Environment spent

31%

of the training expenditure valued at RM179,760 at ULC.

Providing Competitive Benefits

We believe a great workplace is about rewarding our employees with competitive benefits and compensation to help them stay healthy and support their families. Like many other companies, we are concerned with our employees' healthcare. Therefore, we cover employees and their dependents for hospitalisation, medical treatment and medical examination. In 2008, we expanded the term life insurance coverage to all employees.

In response to 2007 Employee Satisfaction Survey, we increased the hospitalisation limit coverage for executive position to RM50,000 and for non-executive position regardless of their grade the coverage limit is RM30,000. For our employee's dependent we cover children until the age of 18 or 23 if they are still studying. Although we do not have an internal retirement programme, we contribute 15% as compared to the mandatory 12% Employee Provident Fund contribution for employees with more than 2 years of service.

UEM Environment provides flexibility to employees who are pursuing their studies. They are eligible for nine leave days annually for study and examination purposes. In fact, when our employees pursue their study part time, we sponsor 70% of the course fees. Should the course fees exceed, RM10,000, the employee is bonded for one year.

With regards to employee relocations, management will inform and discuss with the respective employee if there is a need to relocate and possible

changes in his job function. A formal letter will be issued upon confirmation of this change.

Our Work Environment

The high level of growth that we have experienced over the past year continually brings challenges to our efforts to ensure the safety of our employees. We would like to change the general perception that the waste industry is unsafe and we would like to be known as a responsible employer. Thus, we have taken the safety of our employees as a main priority in UEM Environment from the beginning of our operations. Our safety record is impeccable and we are proud to have maintained high safety standards in our operations.

We have successfully maintained our certifications for ISO9001:2000, ISO14001:2004 and ISO/IEC 17025 Laboratory accreditation for Kualiti Alam. We have also successfully upgraded OHSAS 18001:2007 for Kualiti Khidmat Alam and triple Integrated Management System (IMS) certification for Kualiti Kitar Alam.

The rate of incidence and accidents at UEM Environment remains the same throughout 2008. There was no significant spillage affecting biodiversity and public health in the period. In 2008, the requirement for first aid was reduced by 50% within the company. We are pleased to report that our rate of first aid requirement is already low at 3 incidences per year. Our incidences of property damage are reduced by 36.2%.

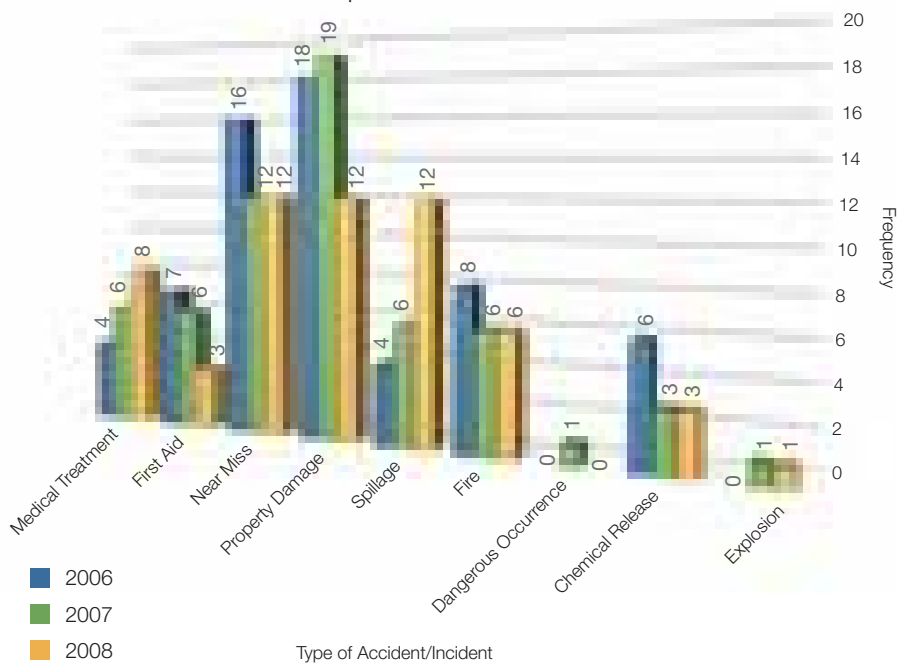


Figure 13 : Accident and Incident Data

Integrated Management System (IMS)

We implemented the IMS at Kualiti Khidmat Alam in 2007, Kualiti Kitar Alam in 2008 while Kualiti Alam is in the process of implementation, scheduled for completion in 2009. The key function of the IMS is to develop, coordinate and orchestrate the objectives, operation control procedures and policies. Through our IMS we are able to identify risk, monitor the status of corrective/preventive measures initiated and evaluate emergency preparedness in cases of accidents and incidents. It allows us to review the result of audit and assess the performance of our suppliers and vendors.

The IMS management structure differs according to our subsidiaries however it is generally composed of the Managing Director, Chief Operating Officer, IMS Manager and a representative for each department.

Lost Time Injury (LTI) Index

For 3 successive years, we maintained a zero LTI Index as illustrated (Figure 1). As of 31 December 2008, we are proud to announce that we have reached 3.4 million hours free of an employee suffering a period of absence due to incapacity or ill health arising out of incidences within 24 hours of incidences. It is a 36% improvement compared to 2007.

Although we do not have collective bargaining and union within UEM Environment, we are accountable for our employees' welfare. We require all our employees at the WMC to undergo our mandatory health monitoring programme held at Columbia Hospital in Seremban annually. The Health Monitoring Programme is part of our SHEQ management programme requiring UEM Environment to ensure that our employees are not necessarily exposed to toxic environments. We are pleased to report for 2008, we have no incidences of such exposures. We provide free medical check up for all our management employees annually as well.

36%

LTI improvement compared to 2007

Employee Satisfaction

Studies show that the success of companies is strongly related to employees' motivation levels. A satisfied and motivated employee performs better and produces better results. They are less likely to be absent from work, stay with their employers longer and enjoy themselves more. In other words, UEM Environment achieves its success with highly motivated employees who are proud to work for us.

From September to October 2008, we conducted Employee Climate Survey with the participation of 96.9% of our employees; of which 85.5% reported being satisfied with their current job. The survey measured employee's satisfaction in terms of company general view, communication, policies, employee interaction, work environment, promotion and careers among others. The survey highlighted that there are communication issues between the management and employees. UEM Environment has acted upon the survey result by increasing the frequency of orientation programmes, "kopitiam" sessions and briefings by the Head of Department.

The survey proved to be a positive communication channel between us and the employees. From 2009 and onwards, the survey will be conducted every 2 years to guide us in refining our plan and set new priorities for our employees.

Human Rights

In compliance with Employment Act 1955, we do not hire forced or child labour in all our subsidiaries. UEM Environment upholds the rights and complies with regulations and standards in Malaysia. As the majority of our subsidiaries are operating in Malaysia, the employees' rights are as the labour laws in Malaysia. We recognise the rights of our employees to join trade unions or similar external representative organisation in compliance with Malaysia's legal regulations.

Our security personnel are trained on ethical ways to approach trespassers. Our permanent security personnel, constituting 12.3% of our total employees, was trained for 58.5 hours on human rights in 2008. The location of the WMC does not encroach on indigenous land or people.

Focus on Our Community

At UEM Environment the key to our business is by defining our stakeholders and their expectations :

- **Customers** - Customer focus is a crucial element of UEM Environment's growth strategy as we continually strive to identify and meet customer needs
- **Suppliers** - Our vision extends to our direct suppliers and UEM Environment endeavours to ensure that standards are maintained
- **Local Communities** – UEM Environment is committed to making a tangible contribution to societies in which we are active and aims to promote our local community welfare
- **Employees** - UEM Environment also strives to offer its employees an inclusive environment where their passion is recognised and nurtured by the company
- **Government** - We will continue to work with the government to build relationships that positively serve the pursuits of both business and government. UEM Environment is continuously engaged through direct contact with government officials, participation and membership in associations and coalitions, and through seminars

Responsible growth requires carefully designed and effective processes for risk management, governance and compliance. We are convinced that if managed professionally and proactively, these functions truly help improve the quality of our businesses and allow us to make balanced, well informed decisions.

Our key focus in engaging with different stakeholders for 2008 is described below.

Sustainable Procurement

As a waste management company, UEM Environment's impact is direct through the services we provide to other companies within the different parts of our businesses. The issues that we face are not bounded by a single part of a chain, instead in many cases, part of a long value chain by themselves.

Realising the necessity to evaluate our supply chain, the Purchasing Department first took the initiative to manage our suppliers in 2006 by registering the entire supply chain using the Vendor Business Profile form. As of 31 December 2008, we have 322 major and active registered suppliers for Kualiti Alam and Kualiti Kitar Alam. The initiative was based on the April 2006 Guidelines for National Development - Procurement and Best Practices for Government Linked Companies (GLC).

Our suppliers are required to fill a form that assesses the quality of their Occupational, Health and Safety (OHS) management based on criteria below :

Compliance to any current standard of Environment, Quality or OHS in Malaysia.

Existence of Quality, Environmental and OHS representative in the company.

Future goals in obtaining any Quality, Environment or OHS system verification.

Equipment and plant maintenance frequency.

Training programme and work procedures.

Quality, Environment and OHS record documentation.

Inspection check including safety checks produce on materials and works done.

Implementation of recycling efforts within the company.

Consents or authorisation procedure for waste disposal.

Any legal proceedings concerning environmental matters.



We also require vendors to declare any familial relationship with any UEM Environment's employees to avoid conflict of interest and ensure transparency. In 2008, we moved one step further by developing the Vendor Registration Programme into a formal Vendor Management Programme. The objectives of the programme are to :

- Create a list consisting of 300 preferable vendors based on top 20% of the current vendor list in terms of quantum and value
- Use greener products as an alternative to current products
- Commit our suppliers to achieve excellent environmental performance

In June 2008, we introduced Electronic Purchase Order (e-PO) and Electronic Purchase Requisition (e-PR) system to reduce paper trails within the organisation as part of the Integrated Financial Management System (IFMS). Using the Six Sigma process, the efficiency of the process has been improved as shown below :

Description	Previously	Improvement
Reducing procurement and billing average cycle	In 2007, the average cycle time is 30 days and the delay affected the good and service delivery from suppliers	To decrease the cycle time, procurement was done electronically since 7 June 2008. Additionally, the paperless process has produced savings estimated at RM22,304 per year

Table 3 : Improving the procurement time cycle

The Administration and Purchasing Departments have developed a two-way communication system to recommend products that fulfil our sustainability criteria. For example, we purchased IK paper as the manufacturer is ISO 14001 certified and the tissues were from Kimberly Clark as it is bio-degradable. In supporting our vendors to be environmentally friendly, we are looking into helping the suppliers in our verification process.

In supporting local industries, we have ensured that 97.6% of our vendors have local contents. Our total purchases in terms of goods, materials and services for 2008 amounted to RM78M.

Sustainable and Responsible Services

Our customers are crucial to our businesses and responding to their feedback in a timely and appropriate manner is of great importance to us. All customers' complaints are recorded in the Corrective Action Request Form and channelled to respective Department Heads. It is the responsibility of the relevant Department Head to investigate the cause of the complaint. After investigation, the result will be reviewed to determine if the complaint is substantial and only then will be categorised as a valid complaint. Corrective actions are then developed and implemented by the process owner. The efficacy of the implementation is reviewed to ensure adequate action is taken to address the matter. This system is adopted both by Kualiti Khidmat Alam and the subsidiaries working with the IMS.

In 2008, we received 4 valid complaints from our

customers and each of the complaint was resolved within 2 weeks and each complaint is listed as a non-conformance in our ISO 9001 quality system. However, none of the complaints are related to breaches in customer's privacy. UEM Environment maintained the integrity of our practices and services and there is no legal action against us for anti-competitive behaviour, anti-trust and monopoly practices. We have not received any fines and/or non monetary sanction for non compliance behaviour.

We distributed our Customer Satisfaction Survey to 2020 customers and 75% customers responded with 96.7% approval rate compared to last year at 83%. The survey rates our service in terms of response from our customer service personnel, drivers' competency, support services and the ability to meet customer needs and expectations.

Product Information

UEM Environment provides copies of our Scheduled Waste Management Guide to customers during meetings, public during exhibitions, online through our website and upon request. The Guide provides information on substances that produce an environmental impact, describes the safe use of the services and details the various safe disposal method of the waste collected. There was no incidence regarding product and services labelling in 2008.

Currently, life cycle assessments are being conducted for our services in conformance with the GRI Guidelines.

Marketing Communications

UEM Environment does not have a specific programme governing marketing communications. However, all employees are required to comply with our Code of Conduct and through this process; we ensure that our employees are providing the best quality of services. We do not engage in selling banned or controversial products and services in the countries we operate.

Customer Service Department is established to address concerns raised by customers. In fact, our Managing Director and Chief Operating Officer conduct rounds of meeting with customers on one-to-one basis to address issues that requires attention. Our Customer Service Department is reachable by calling directly or sending an email to csd@kualitalam.com.

In 2008, there were no incidence of non compliance concerning marketing communications and we have not received any fines regarding non compliance with laws and regulation concerning provision and use of products and services.

Community Involvement and Sponsorship

UEM Environment values the communication between society and us. Throughout 2008, we organised activities where employees from different subsidiaries of the company and our nearby communities interact.

Kualiti Alam Sports Club (KESUKA)

KESUKA was registered on 5 June 2007 with the Registrar of Societies to enable employees in UEM Environment to participate in informal organised activities.



Date	Activity	Description
2 February 2008	Street Soccer TM, Seremban	16 employees from UEM Environment participated in a match organised by TM Seremban.
16 February 2008	Volunteer Clean-up at SMK Seri Sendayan	30 Kualiti Alam's employees involved in cleaning up the school's premise.
10 – 24 May 2008	UEM Sports Carnival	100 employees participated in activities such as badminton, futsal and bowling.
23 August 2008	KA/Department of Environment (DOE) Sports Carnival 2008	More than 30 employees participated in activities such as golf, badminton, futsal and karaoke against DOE's staff from various states
1 – 4 November 2008	Gunung Kinabalu Climbing Expedition	8 employees consisting both male and female successfully climbed the mountain

Table 4 : KESUKA activities in 2008



SHEQ Carnival 2008

The health, safety and well being of our employees is a priority to us and the standard established by national legislation is applied through out UEM Environment as a minimum, but our goal is for each of our operating companies to achieve the best for both employees and company.

The SHEQ Carnival held throughout April with the main event on SHEQ Day consisted of a talk given on occupational health, blood donations and First Aid Training for 21 of our employees. We rewarded two of our employees, Mazni Abd Malek and Gunalan a/l Sk Francnes for having the best safety practices. We tried to increase our employees' awareness on their environmental impact by showing the famous documentary "An Inconvenient Truth" narrated by Al Gore. Furthermore, 17 employees committed to a week of carpooling as part of our Carpooling Campaign.

We had 11 exhibitors such as from Department of Occupational Safety and Health (DOSH) and DOE. We offered free reflexology and iridology to our interested employees.

River Cleaning Programme

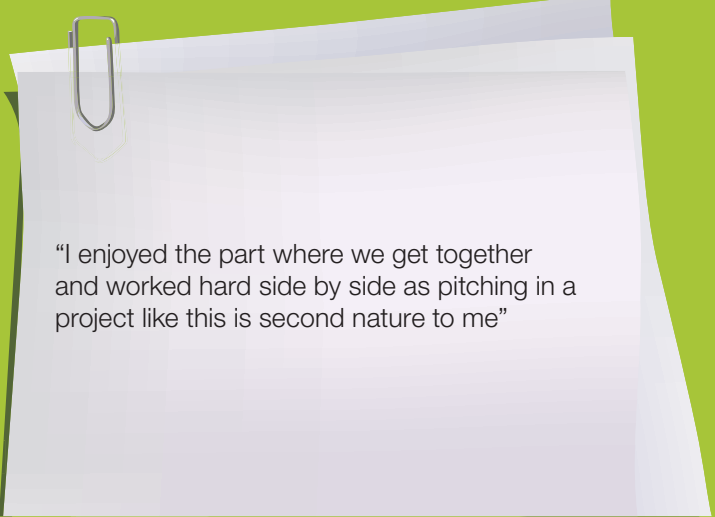
We have launched the River Cleaning programme to clean up the surrounding environment around Sungai Unyai located west of WMC. Sungai Unyai is approximately 5.5 km in length.

On 19 April 2008, 47 employees removed the shrubs from the riverbank. Through observation; we proposed slope protection mechanism to be built in future. To ensure that we minimise our own impact on the environment, we limited our activities to 10 m on either side of the riverbanks.





Muhammad Hazman Slow



"I enjoyed the part where we get together and worked hard side by side as pitching in a project like this is second nature to me"



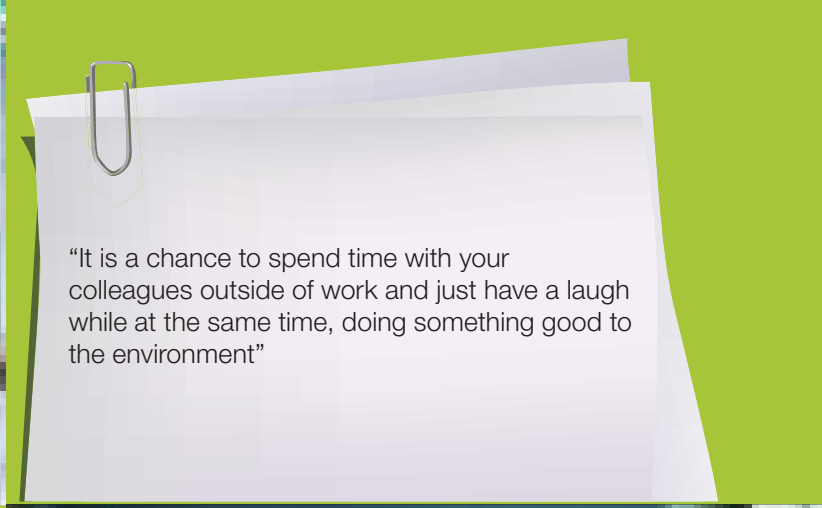
"I enjoy organising staff's activity. It is one of various ways of meeting my colleagues from WMC"



Azman Yusof



Normalis Ali



"It is a chance to spend time with your colleagues outside of work and just have a laugh while at the same time, doing something good to the environment"



"To me, it is the responsibility of an organisation to keep its community informed. In the dialogue we had with the nearby communities, it was extremely helpful to obtain feedback on our performance and how we could improve ourselves"



Wan Azree Alias

Dialogues with Local Community

UEM Environment believes in taking an active role and responsibility in helping the local communities. We work closely with our nearby community as we realise and acknowledge that the nature of our industry is often misunderstood due to lack of understanding of the business nature.

In December 2008, a dialogue session with the local communities from Kampung Jimah Baru, Kampung Jimah Lama, Felda Sendayan, Tanah Merah Estate and Kampung Gadong Jaya was held in Dewan Orang Ramai at Kampung Jimah Baru. The dialogue session allowed an open discussion that addressed public concerns regarding our operations and general environmental issues. We were represented by Kualiti Alam Senior Manager of Plant and Operations, En Mohd Norsuradi Man and Safety, Health & Environment Manager, En Hamdan Osman among others.

The issues raised as described below;

Issues	Action Plan
Gender balance in Kualiti Alam and female worker access to health education	The suggestion is accepted and will be incorporated in 2009
Emission produced frequently from KA induced negative perception from communities	The quality of emission is measured every 9 seconds to ensure legal compliance and thus far, there is no non compliance recorded
Submission of water quality report to Kampung Jimah Committee	Suggestion of sending a copy of the report to the committee is accepted and will be further planned in 2009

Table 5 : Issues raised by local communities

Ketua Kampung Jimah Baru, Tuan Haji Musa B. Haji Ishak suggested that such dialogues should be organised on annual basis and we have taken this suggestion on board.



Giving Back to Society

UEM Environment continued its policy of prudence on corporate contribution and sponsorship in 2008 with a focus on education, environment and the community. We sponsored and donated approximately RM 304,638 to 95 organisations. It is part of our policy that we refrain from donating towards political parties. UEM does not allocate a specific budget but base it on necessities and causes. For example, we donated to building school's facilities, sponsored local communities' event, and supported the annual Waste Management Conference and Exhibition series organised by ENSEARCH since 2004. We have also maintained the same association as last year with an addition of The Waste Management Association of Malaysia (WMAM) in May 2008.



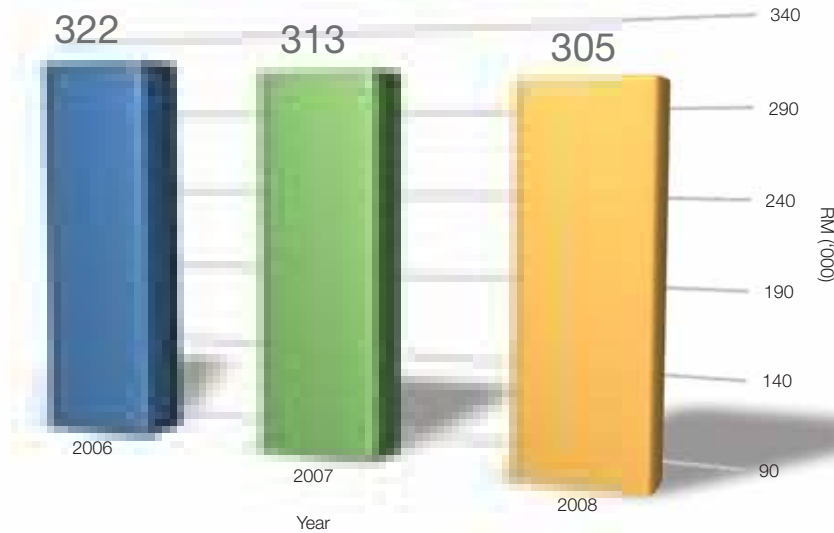


Figure 14 : Corporate donation and sponsorship

Some of the donations and sponsorship which have been made are listed below :

- Environmental Management and Research Association of Malaysia (ENSEARCH)
- Business Council for Sustainable Development in Malaysia (BCSDM)
- Associated of Chartered Certified Accountants Malaysia (ACCA Malaysia)
- Federation of Malaysian Manufacturers (FMM)
- Malaysia Society For Occupational Safety & Health
- Sekolah Kebangsaan Sendayan
- Sekolah Kebangsaan Jimah Lama
- Sekolah Rendah Jenis Kebangsaan Tanah Merah
- JKKK Felda Sendayan
- Pusat Jagaan Anak- Anak Istimewa Harapan

Although UEM Environment does not directly engage in lobbying, we support the National CSR Agenda. In education, the company provided tuition to Ujian Penilaian Sekolah Rendah (UPSR) students from five neighbouring primary schools under the project Promoting Intelligence, Nurturing Talents, Advocating Responsibility (PINTAR). The number of students who passed UPSR have increased steadily since 2006 despite the change in the language of instruction.

School	2006	2007	2008
SK Jimah Baru	15	30	18
SK Sendayan	40	48	52
SK Gadong Jaya	44	51	64
SK Jimah	10	10	13
SJKT Ladang Tanah Merah	22	17	27
Number of students passed	131	156	174

Table 6 : Number of students passed UPSR

Siti Nadzriah Abd Hamid

Senior Manager,
Environmental Management Services

We support the waste industry through active involvement in seminars organised by FMM and DOE to create awareness on waste management and environment protection. One of our employees, Siti Nadzriah Abd Hamid sat on the National Life Cycle Assessment (LCA) Project. UEM Environment provides information on our landfill for the database of National Life Cycle Inventory (LCI). The DOE also asks for feedback from time to time on improving the waste industry.



Caring for Our Environment

We have always focused on the areas which we have the most significant opportunities to make a difference – waste management, sustainable disposal, energy management and climate protection. For 2008, we recognised the need to reach within our company to consolidate our sustainability programme into our management system; we further recognised that we need to ensure our activities contribute towards sustainability.

Whilst we realised that we have made much progress in each of these areas, we believe that we must spend time and effort in ensuring that our sustainability efforts are further embedded into our company's DNA. However, we still need to report on our performances to date. An area which we are traditionally strong in is environmental management and monitoring. This section described the progress in the environment commitments in ensuring the best environmental management processes and programmes within UEM Environment.



Resource Use

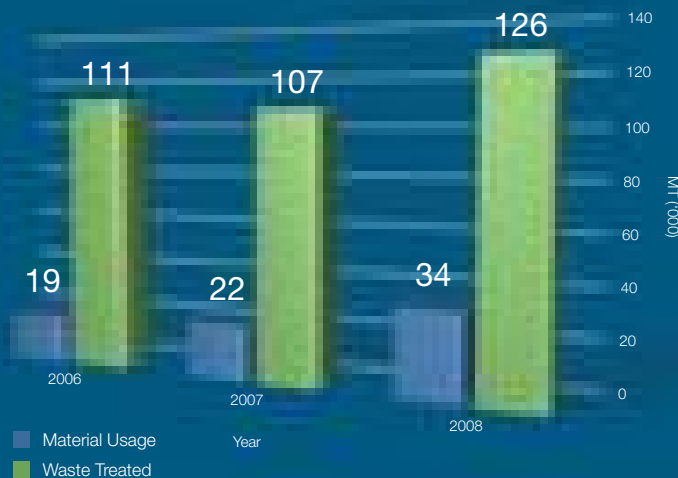


Figure 15 : Material consumption and waste treated at WMC

In 2008, we treated 91.38% from 137,561.12 MT of hazardous waste collected. Cement, sand, lime, caustic soda, nitrogen, water and a wide range of chemicals were used in hazardous waste treatment activities. The materials used in operations are 81% non-renewable materials and 11% direct materials. In 2008, the raw material consumption increased by 52.3% as the waste volume treated increased by 17%.

Our water usage encompasses (i) water drawn from Jabatan Bekalan Air (JBA); (ii) surface water runoff treated by Storm Water Treatment System and; (iii) treated water from Leachate Treatment Plant (LTP). The water usage from each source is illustrated in table below.

Table 7 : Total water usage by sources and percentage recycled water

Source	Water usage (m ³)		
	2006	2007	2008
JBA	82,250	76,565	103,765
Storm Water Treatment Plant	207,862	227,005	277,976
LTP	114,035*	41,325	66,297
Total Water Usage	404,147	344,895	448,038
Percentage Recycled	80%	77%	76%

* Comprising mixture of leachate and storm water due to LTP start up

In 2008, we recycled 76% of our water used continuously throughout our plant operations. Water usage increased primarily due to the increase in operational activities with Kualiti Kitar Alam plant operating on a full scale, construction of KAMI, and the total water recovered from surface water runoff and leachate increased by 28%.

We hope to reduce our water consumption by locating and minimising leakages, eliminating unnecessary usage and to use treated water in our operations without compromising on quality.



Waste Management

In 2008, we generated approximately 24,319 MT comprised of 97% hazardous waste and 3% solid waste from our daily activities; representing an increase of 14.3% compared to 2007 as shown in Figure 16.

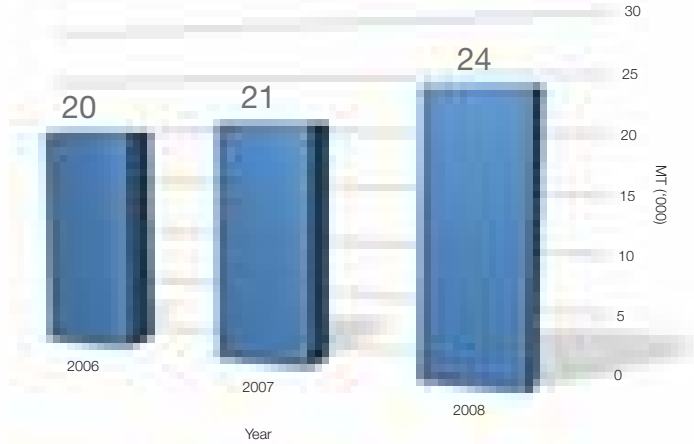


Figure 16 : Waste generated

The increase in waste generation is proportional to the 17% increase in the waste UEM Environment treated for 2008.

UEM Environment has implemented waste management tracking and conducted waste handling training programmes for employees to help them achieve better waste recovery and to meet regulatory requirements. We tried to minimise the amount of our waste from operations by finding beneficial ways to reuse waste by-products such as recovering oil sludge.



Environmental Monitoring and Compliance

Every quarter, WMC conduct ambient air, stacks, waste water, surface water, ground water analysis to monitor the quality of our surrounding environment. We also have in place biodiversity and bioassay monitoring to monitor the impact on flora and fauna. WMC has no bodies of water inside the perimeter as shown below. The locations of our monitoring stations are illustrated in Figure 17.



Figure 17 : Location of monitoring stations

Ambient Air Quality Performance

UEM Environment is authorised by the DOE to release controlled quantities of prescribed substance and we do not release any ozone depleting substance. Increment in SO₂ and Zn were observed due to the types of waste treated at WMC. Table 8 illustrates parameters monitored in WMC were within stipulated limits.

Parameters	As	Cl ₂	Cr	Fe	Mn	HCl	Hg	Ni	NO _x	Sb	SO ₂	Zn
Limit (ug/m ³)	0.3	18	1.5	4	2.5	32	2	2	320	25	350	120
2006	0.008	2	0.035	0.293	0.015	2	0.003	0.012	3.13	0.012	2	0.234
2007	0.086	2	0.028	1.069	1.116	2	0.01	0.058	2.75	0.01	2	0.235
2008	0.057	2	0.011	1.008	0.222	2	0.228	0.045	2.233	0.048	10.27	1.033

Table 8 : Ambient air monitoring

Stack Emission Quality Performance

The stack emissions monitoring programmes cover our three incinerators only. There were significant increase of NO₂ compared to 2007 but it is still well below the stipulated limits. Currently, we are still unable to quantify the emission in terms of weight but we are looking into possible option to measure it. The increment was largely due to the types of wastes treated at our incineration plants.

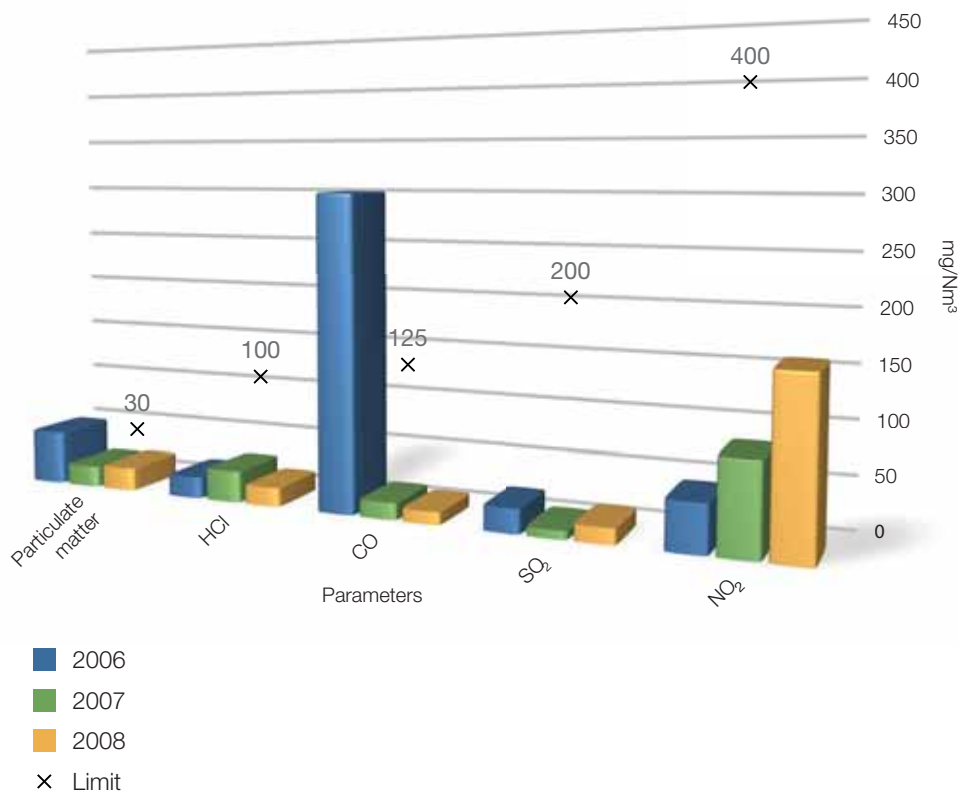


Figure 18 : Stack emission monitoring

Water Quality Regulatory Compliance

Landfill leachate is produced by the percolation of rainwater through the deposited waste materials and is invariably polluting in nature. Leachate must be managed prior to discharge and as the operator of Malaysia's most advanced operating LTP, we follow strict protocols. Water from the LTP has a zero - discharge rate as per DOE requirement and is reused only for plant operations. The treated leachate effluent is tested twice a month for internal monitoring purposes only.

Wastewater Quality Performance

Wastewaters at the WMC are treated sewage and surface water runoff. The sewage water is treated at our septic tank and surface water treated at Waste Water Treatment Plant (WWTP). All surface drains within the WMC are channelled to our WWTP. If the treated wastewater discharged does not meet with the required discharge limits, it is re-circulated back into the system. In 2008, we discharged 145,252 m³ of water after treating surface water runoff. Figure 19 shows that Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD) and Total Suspended Solid (TSS) for storm water discharges are below the stipulated limit. Thus, no non-compliance issue was raised.

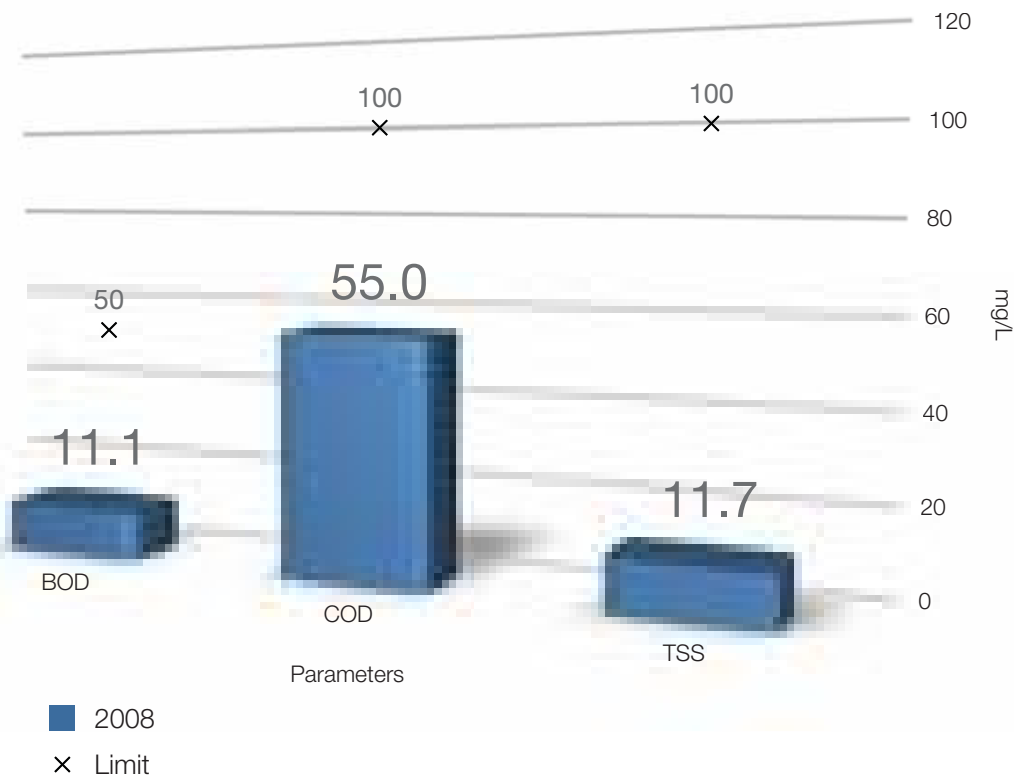


Figure 19 : Effluent Monitoring

Surface Water Quality Performance

The surface water monitoring programme is based on the Water Quality Index (WQI) and National Index Water Quality Standards for Malaysia (NIWQSM) in accordance with the DOE requirements. The WQI is used to assess a wide range of criteria such as pH, BOD and TSS amongst others. With the exception of stations W2 and W3, the water quality range defined by WQI quality scale is good water quality.

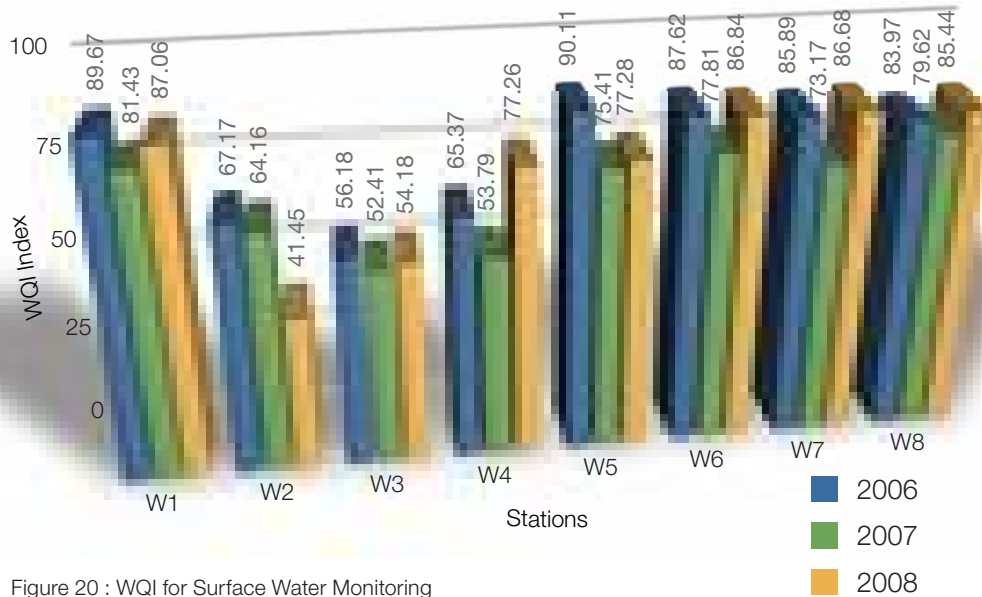


Figure 20 : WQI for Surface Water Monitoring

Groundwater Quality Performance

The groundwater monitoring was conducted at seven locations of which six (WW2, WW3, WW4, WW5, WW6 and WW7) surrounding WMC while the seventh, designated as Kampung Jimah Lama (KJL), is located at Kampung Jimah Lama which is a nearby community.

Parameter (mg/l)	KJL	WW2	WW3	WW4	WW5	WW6	WW7	DIV
Lead	<0.005	<0.05	0.035	<0.005	<0.005	<0.005	<0.005	0.075
Copper	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	<0.001	0.075
Zinc	0.12	0.0675	0.0475	0.051	0.061	0.048	0.04	0.800
Arsenic	<0.002	<0.002	<0.002	<0.002	<0.002	<0.002	<0.002	0.060
Cyanide	<0.1	<0.1	<0.1	0.1	<0.1	<0.1	<0.1	1.500
Mercury	<0.002	<0.002	<0.002	<0.002	<0.002	<0.002	<0.002	0.0003

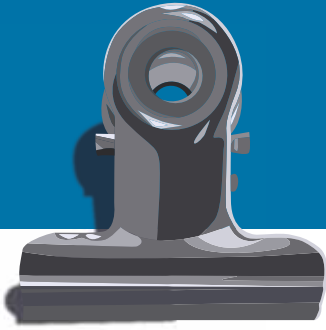
Table 9 : Groundwater Monitoring

In this Report and as previously, the groundwater monitoring data was compared against the Dutch Intervention Values (DIV) as a general reference as currently there are no legislative requirements in Malaysia for soil and groundwater monitoring.

The Environmental Monitoring Team is currently looking at the methodology and procedures applied for a more depth reading of mercury.

Studies in 2008 concluded that there is no deterioration in toxic substance and iron is the only element fluctuating which is a typical occurrence associated with soil. The Volatile Organic Compound (VOC) and Polychlorinated Biphenyls (PCB) were far below detection range. The rest of toxic metals such as Arsenic, Barium, Cadmium, Cyanide and Mercury were not within the detection range.





Biodiversity

Resulting from increased human activity, the world is losing biodiversity at an ever increasing rate. We have a responsibility to ensure we manage our operations with minimal impact on the environment and in many cases we are pleased to be able to make a positive contribution to local ecology.

Although WMC is not located in a protected area, we have monitored the biodiversity around the WMC since we began business, and to date, we have recorded no significant loss of biodiversity. In 2008, a total of 49 species of the plants from various families were recorded. 23 higher plants species and 26 cover plants species were identified and divided accordingly. 82 species of terrestrial animals from various groups and families were recorded consisting of 44 species of birds, 24 species of insects, 8 species of mammals and 6 species of frogs.

In fact as stated in our previous reports, we have found rare and endangered plant species which are flourishing in our surrounding. We are keen to ensure that this remains the case and have embarked on a tree tagging programme. With the implementation of this programme, we hope to ensure the survivability of these trees within the WMC compound till maturity and contribute to the enrichment of biodiversity.

Bio-aquatic monitoring

At WMC, we conduct bio-aquatic monitoring twice a year to quantify the bio-aquatic species relative abundance and diversity index. The diversity index is used to assess the diversity of any population in which each member belongs to a unique species. Thus, the higher the diversity index, the more diverse the species population. We monitor for main ecological indicators, such as fishes, zooplankton, phytoplankton and Chlorophyll A.



Bio-aquatic Monitoring Result

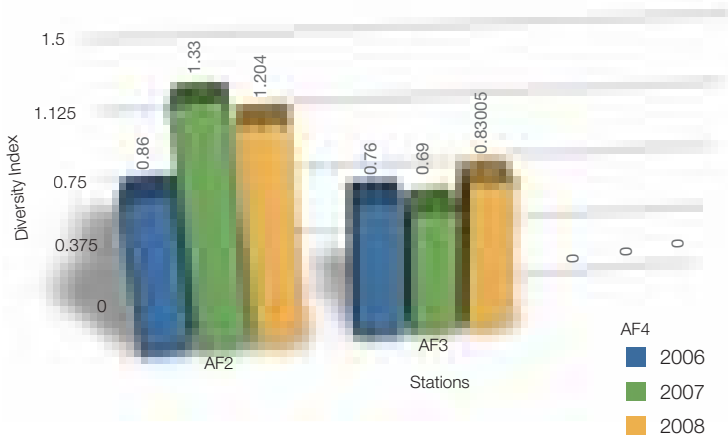


Figure 21 : Diversity index for fishes and invertebrates

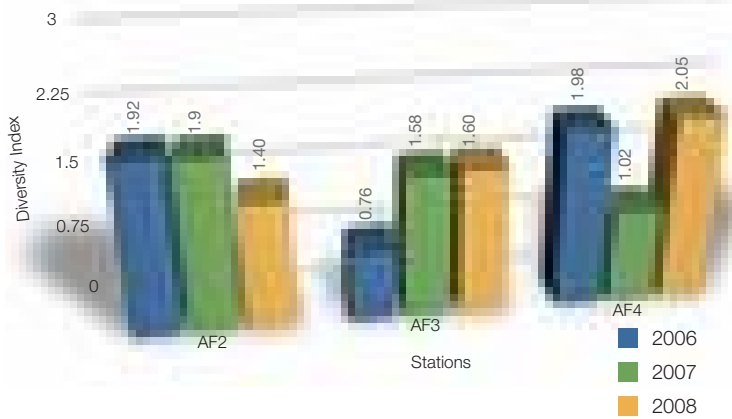


Figure 22 : Diversity Index for Zooplankton

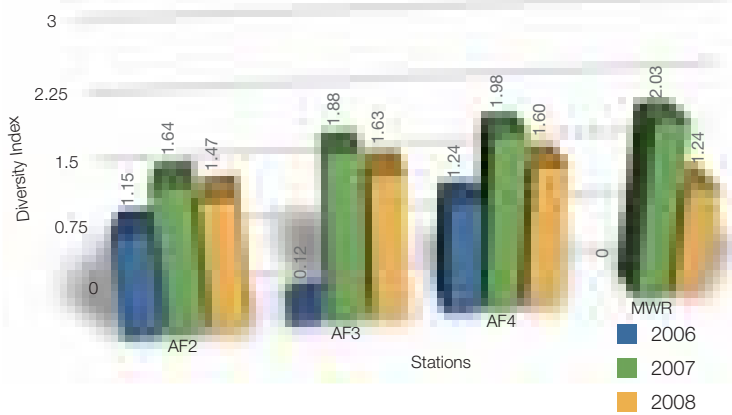


Figure 23 : Concentration of Phytoplankton

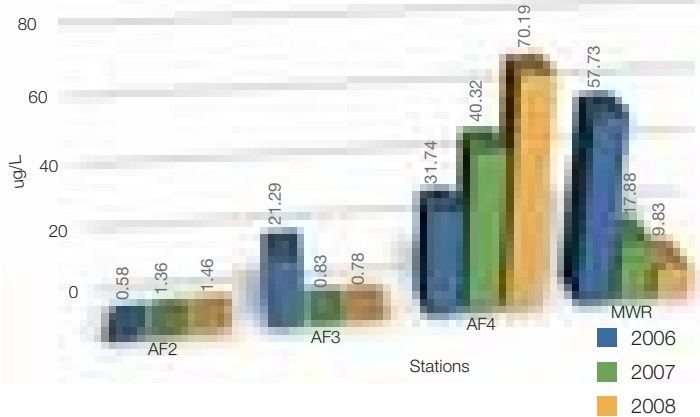


Figure 24 : Concentration of Chlorophyll A

The land next to the WMC is currently being cleared for development and it might affect our biodiversity in coming years. We noticed that the diversity index and Chlorophyll A concentration has decreased in some stations but the rest were all within normal parameters and satisfactory levels in terms of diversity and concentration.

Bioassay Monitoring

Bioassay monitoring is a monitoring programme to quantify toxicity of water through the usage of bioassay species indicators. The bioassay monitoring at WMC was conducted through three main species indicators, which are Tilapia, Chlorella Vulgaris and Moina Micura at stations AF2, AF3 and AF4 located outside the premises of WMC.

Water sample from AF2, AF3 and AF4 were found to be non toxic and stimulates growth of Chlorella A. These indicate high content of nutrients such as nitrogen and phosphorus.

Two Tilapia deaths at station AF2, and one death for station AF3 were recorded after 96 hours where none previously occurred. In comparison with AF4, the number of deaths recorded was five which was half the number from previous years.

This could be due to the silt trap condition that has not undergone de-silting yet, which caused increment of TSS in the water. Our team had remediated it by de-silting it immediately.



Bioassay Monitoring Result

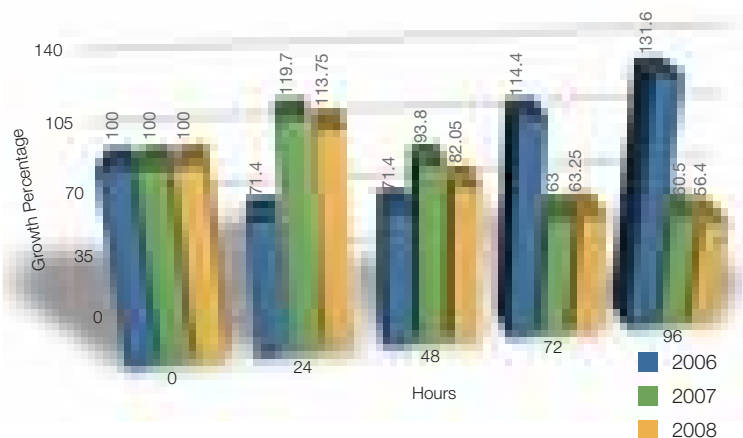


Figure 25 : Chlorella Vulgaris growth at AF2

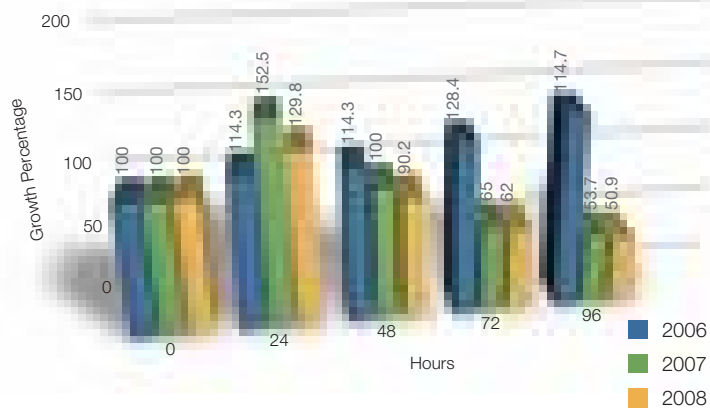


Figure 26 : Chlorella Vulgaris growth at AF3

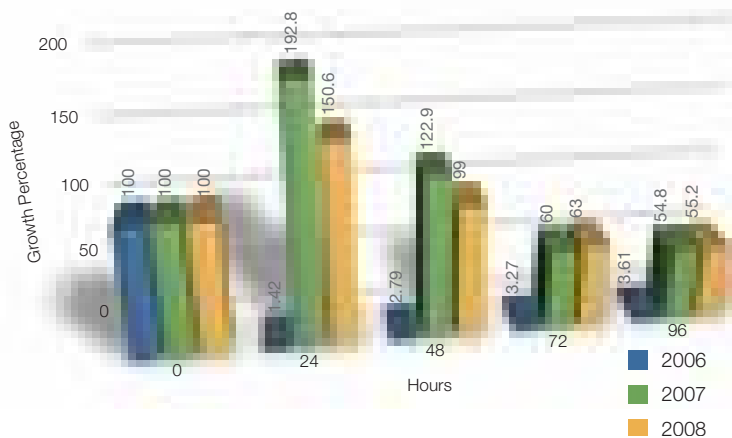


Figure 27 : Chlorella Vulgaris at AF4

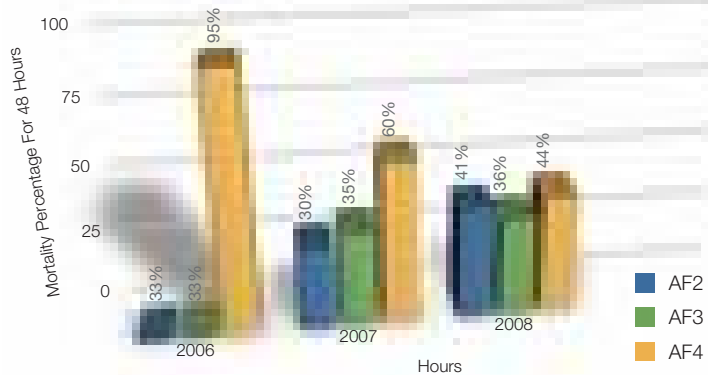


Figure 28 : Moina Micura mortality rate

Our Report thus far has discussed our environmental performance for 2008. We acknowledge that we need to improve in terms of maintenance and monitoring of equipment as well as improve our communications between departments. However, we have improved in terms of recovering water and we are looking forward to report more improvement in future.

Our Scorecard measures the system and processes improvement and we are going to adhere to the goal set by UEM Environment. The weakness identified in 2008 will be the baseline in laying out plans to improve our performance for next year and we wish to reinforce our commitment to reducing environmental impact to the community. We have not recorded any non-compliance against existing environmental laws and regulations in Malaysia. However, we conduct internal audits to closely monitor our overall performance. As such, we work with each department to bring improvements in environmental management and monitoring performance.

Carbon Footprint

Climate change is probably one of the most crucial challenges the world faces today and this challenge comes with high risks for the future that needs to be taken on board by everyone in every society. UEM Environment in fulfillment of our obligation as an industry leader and environmental steward has identified our company carbon footprint and has voluntarily reduced our GHG emissions, and are looking to help our customers and vendors do the same.

We emit GHG from a variety of sources :

- Direct CO₂ emission from combustion of fossil fuel in our vehicles and at our facilities (for offices of Kualiti Alam, Kualiti Khidmat Alam and UEM Environment located at Faber Towers, E-Idaman in Kota Damansara, the WMC at Bukit Nenas and ADKA at Abu Dhabi)
- Indirect CO₂ emissions from our use of electricity
- Indirect transportation impact from contractors and our employee business travelling

Since 2007, we have reported annually our CO₂ emission from fuel consumption and waste combustion. This includes CO₂ from combustion of fuel in our collection vehicles and stationary facility.

For 2008, our Carbon Footprint Survey comprised information obtained from company documents such as fuel records, employees' claim records, company invoices, utility bills and schematic diagrams.

The Carbon Footprint Survey excludes :

- Impact from contractors, suppliers, and vendors
- Impact from leased assets and outsourcing activities
- Volume of waste generated and disposal method by waste contractors
- Commuting of employee to and from the work place



We adhered to the standard GHG Protocol from World Resources Institute (WRI) to estimate our CO₂ emission. The CO₂ emission factor was obtained from sources below.

Type	Emission Factors (EF)	Source
Electricity	<ul style="list-style-type: none"> 0.75202 kg CO₂ / kWh 	PE INTERNATIONAL GmbH's Life Carbon Inventory and the Malaysia Powergrid Mix (2005-2012)
Travel	<ul style="list-style-type: none"> Petrol-based vehicle <ul style="list-style-type: none"> 0.000207 MT CO₂ / km 0.002315 MT CO₂ / litre Diesel vehicle <ul style="list-style-type: none"> 0.000197 MT CO₂ / km 0.002639 MT CO₂ / litre Domestic flight Short haul flight Long haul flight 	2008 Guidelines to DEFRA GHG Conversion Factors
Plant Fuel	<ul style="list-style-type: none"> Diesel oil Reconstituted oil 	2006 IPCC Guidelines for National Greenhouse Gas Inventories

Table 10 : CO₂ emission factor

CO₂ Emissions from Electricity Use

Data was obtained from monthly electricity invoices issued to offices of Kualiti Alam, Kualiti Khidmat Alam and UEM Environment which are located at Faber Towers, WMC in Bukit Nenas, E-Idaman in Kota Damansara and ADKA in Abu Dhabi. All data inputs, January to December 2008, are in kWh.

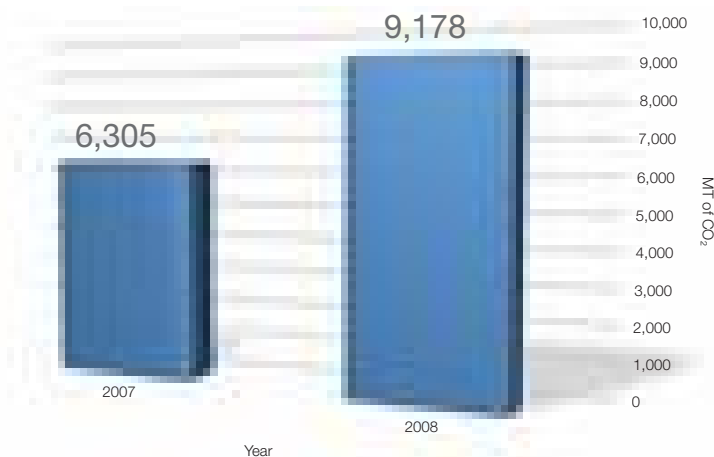


Figure 29 : CO₂ emission from electricity usage

The overall CO₂ emission from electricity usage for UEM Environment for 2008 is 9,178 MT, an increase of 45.6%. 98% of the total 12,204,787kWh (43,937 GJ) of electricity usage is used to incinerate hazardous waste. The higher energy usage was contributed by the 17% increase in tonnage of waste treated and Kualiti Kitar Alam plant located in WMC which started operations in 2008 also contributed to the higher energy usage. Nonetheless, energy used per waste treated improved by 12.9%.

The 43% increment was also contributed by the increase in Grid Emission Factor for Malaysia as it increased by 26.6% from 0.594 kg CO₂/kWh to 0.75202 kg CO₂/kWh from PE INTERNATIONAL GmbH's Life Carbon Inventory and the Malaysia Powergrid Mix (2005-2012).

Part of our ongoing Six Sigma programme was to reduce energy usage and although our CO₂ emission from electricity has increased compared to 2007, it does not deter us from trying to reduce our emission through the plan below. However, we are still unable to quantify the savings in term of kWh yet.

Description	Solutions	Savings
Decreasing cost on plant's lighting	By using Electronic Ballast to save lighting cost	The project is still ongoing and while it is unquantifiable in terms of kWh, based on early calculation the estimated cost savings is RM59K per year
Reducing cost of electrical motor and air conditioning	By using inverter for electrical motor and for Air Cond R22-Substitute Refrigerant or Oil additives	The projected savings is RM100K per year and the project is still on going

Table 11 : Six Sigma programme to reduce energy consumption

CO₂ Emissions from Transportation

UEM Environment operates a fleet of vehicle including cars, vans, heavy goods vehicles and earthmoving equipment. The fuel is a significant cost to our operations aside from the CO₂ exhaust emission. Data was collected for the following transport modes :

- Employee owned vehicles
- Company owned vehicles
- Contractor owned transporters
- Air travel

Employee Owned Vehicle

The CO₂ emission from each vehicle differs according to model type and fuel efficiency. For the purposes of calculations we have assumed all cars use petrol as their fuel and their size is typical of a petrol car. The data is given in distance travelled and the factor used to estimate average car CO₂ emission is listed in Table 10. The emission from employee owned vehicle claim is 127.07 MT of CO₂. The data was extracted from the employees' travel claims.

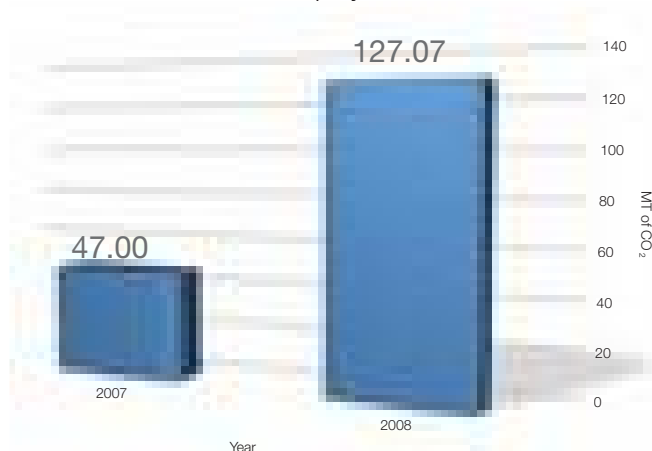


Figure 30 : CO₂ emission from employee owned vehicle



The increase was due to more travel done by the employees from UEM Environment and Kualiti Alam.

Company Owned Vehicle

The company owned vehicle consist of cars and pickup trucks to forklifts that are used in our operations. The CO₂ emission factor differs by type of transportation and since the emission factor is not readily available for each type of transportation, we standardised the factor based on fuel type as listed in Table 10. The data extracted was total fuel used throughout 2008.

Company-owned vehicles emitted 22.4% less CO₂ compared to 2007 as per Figure 31. The decrease was because Plant Operations Team 1's vehicles consumed 52.2% less fuel in 2008.

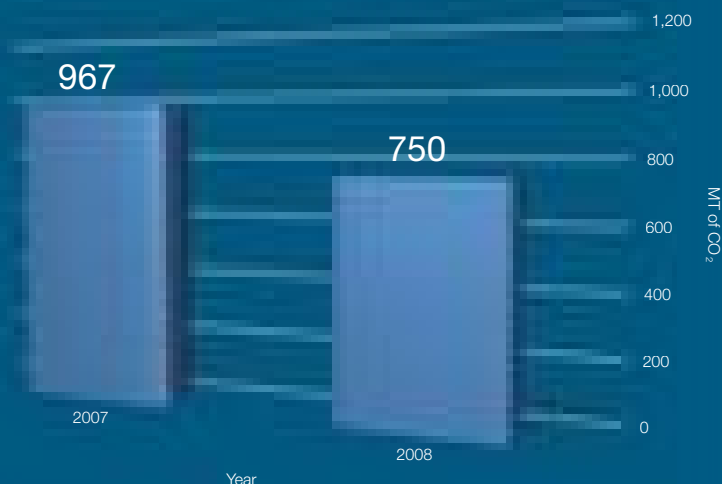


Figure 31 : CO₂ emission from company owned vehicle

Contractor Owned Transporters

Analysis was conducted for the CO₂ emission of our contractor owned transporters. These transporters consist of trucks ranging from 3 tonners to 20 tonners. Data was extracted from GPS monitoring record measuring the distance and the total fuel used using CO₂ emission factor in Table 10.

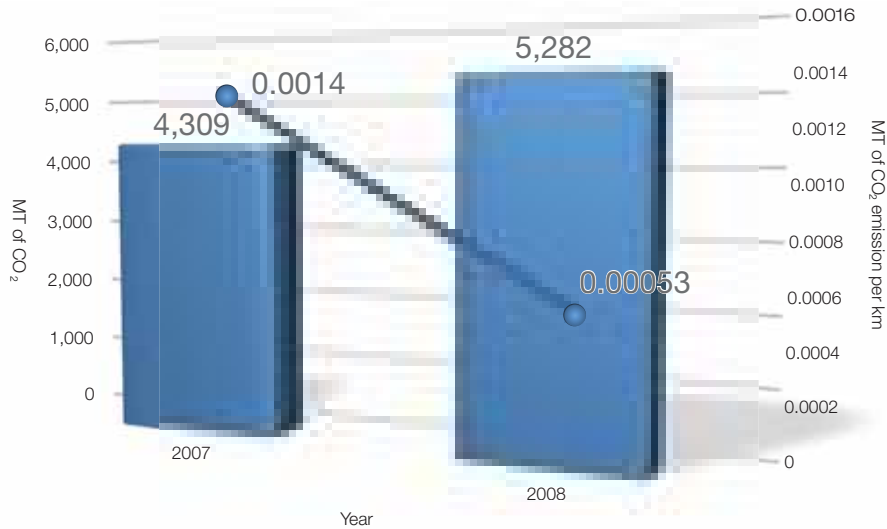


Figure 32 : CO₂ emission from contractor owned transporters

The CO₂ emission has increased by 22.6% compared to 2007 due to increased waste collection in Kualiti Khidmat Alam which is the logistic part of UEM Environment. We have begun monitoring the idle hours to further analyse the operation's efficiency and estimating the CO₂ impact from distance travelled. However, in 2008 CO₂ emitted per km travelled has decreased to 0.00053 MT per km, a 62% improvement as compared to 2007.

Air Travel

The CO₂ emission for the air travel is based on information on the start and end point locations obtained from employees' claim from January 2007 to December 2008 for subsidiaries in the UEM Environment. The CO₂ emission is calculated based on emission factor in Table 10. Figure 33 illustrates CO₂ emission increased by 9 MT compared to 2007 because of the increased frequency of long haul international flights between Kuala Lumpur and our other offices in Abu Dhabi and Doha.

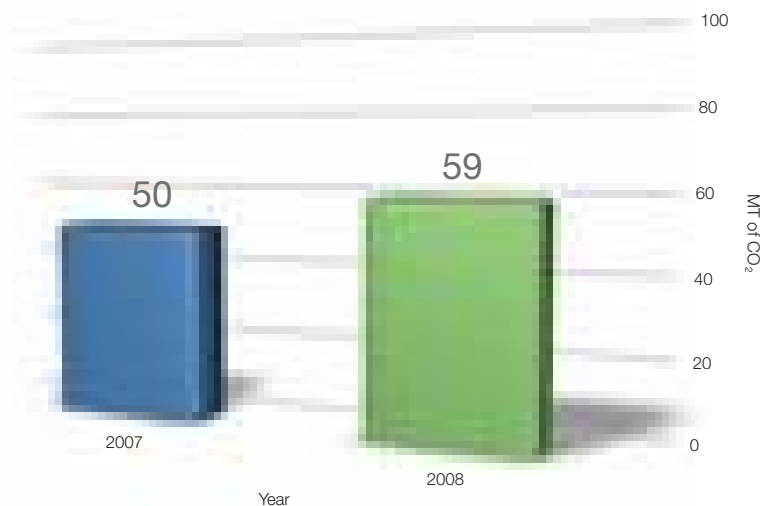


Figure 33 : CO₂ emission from employee air travel

Plant Operations

About 30% of hazardous waste is treated by incineration. In 2006, we began using reconstituted oil instead diesel for Incinerator 1 (INC 1) and continuously expanded it to Incinerator 2 (INC 2) and Incinerator 3 (INC 3). Through the substitution UEM Environment saved RM30,68.51 which translated into energy, a saving of 8.38 GJ. Data was obtained from records of diesel and reconstituted fuel used in incinerator for 2008. The diesel consumption decreased from 2007 by 17.4% while our incinerator used 5.4% more of reconstituted oil compared to 2007.

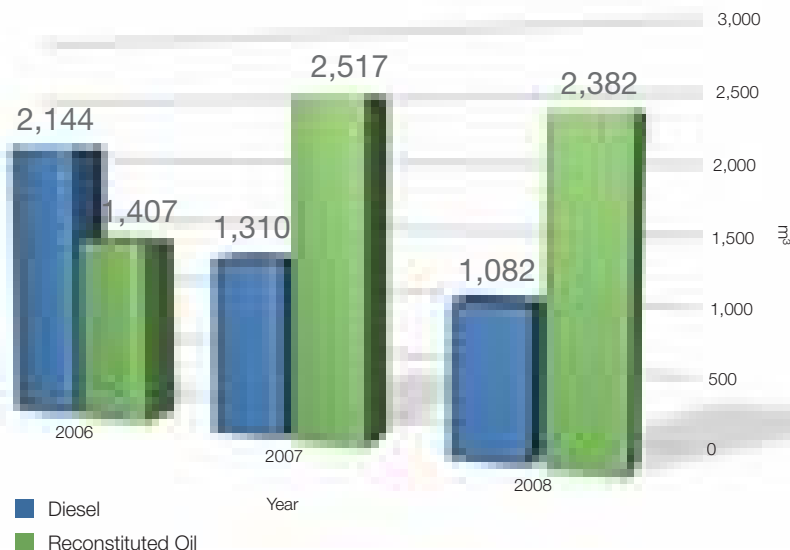


Figure 34 : Fuel consumption by incineration

The fuel consumption decreased due to the modification works conducted at our incinerators to improve efficiency; fuel consumption also depends on the type of waste treated. Liquid waste used less fuel during incineration while solid required more. The decrease in fuel consumption caused the CO₂ emission to decrease by 9.33% which was estimated using Emission Factor in Table 10.

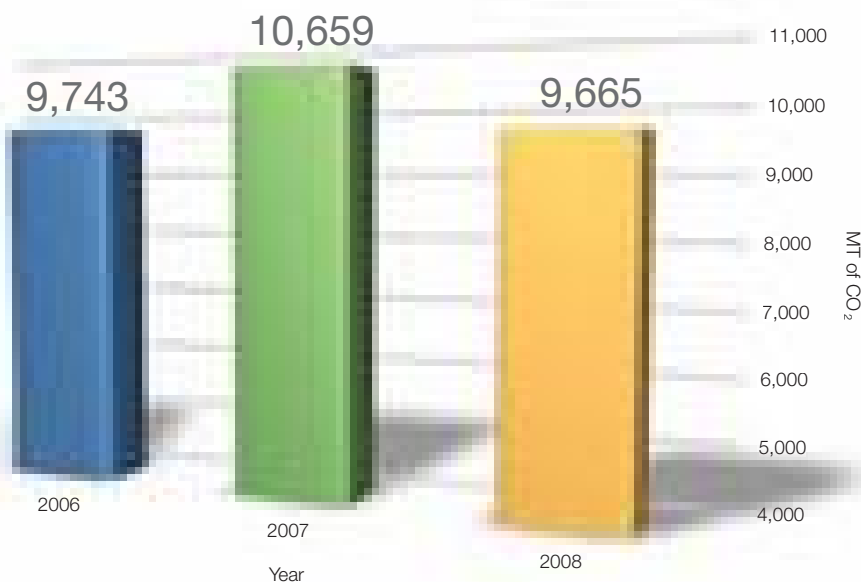


Figure 35 : CO₂ emission from incinerator plants

Based on the data provided, we have estimated that the CO₂ emission from our plant operations at UEM Environment for 2008 is 9,665 MT.

Total CO₂ Emissions

The annual CO₂ emissions from UEM Environment activities are presented in Table 12 below.

Emission Source	Annual CO ₂ Emissions (MT)	
	2007	2008
Direct		
Plant Operations	10,659.00	9,665.00
Company Owned Vehicle	967.00	749.63
Sub Total	11,626.00	10,414.63
Indirect		
Electricity Usage	6,305	9,178.56
Employee Owned Vehicle	47.00	127.07
Air Travel	50	59
Contractor Transporters	4,309.00	5,282.00
Sub Total	10,711.00	14,646.64
Total	22,337	25,061.26

Table 12 : The annual CO₂ emission for UEM Environment

From the Table 12, the direct emission has decreased by 10.4% from the reduction of fuel usage in the plant operations, while the indirect emission has increased by 36.7%. The significant increment was contributed by the electricity usage from the increased Grid Emission Factor and increased waste collection activity from the transporters. Compared to 2007, our overall CO₂ emission has increased by 12.1%.



Breakdown of CO₂ Emission

36%

electricity consumption

39%

plant operations

25%

transportation

Carbon Management Programme

Although UEM Environment has a long way to reach carbon neutrality, we are responding to the challenge and reaffirm our commitment to reduce our CO₂ emission. Hence, we have created our Carbon Management Plan and setting a reduction target by the end of 2009.

We plan to reach carbon neutrality by steps illustrates below :

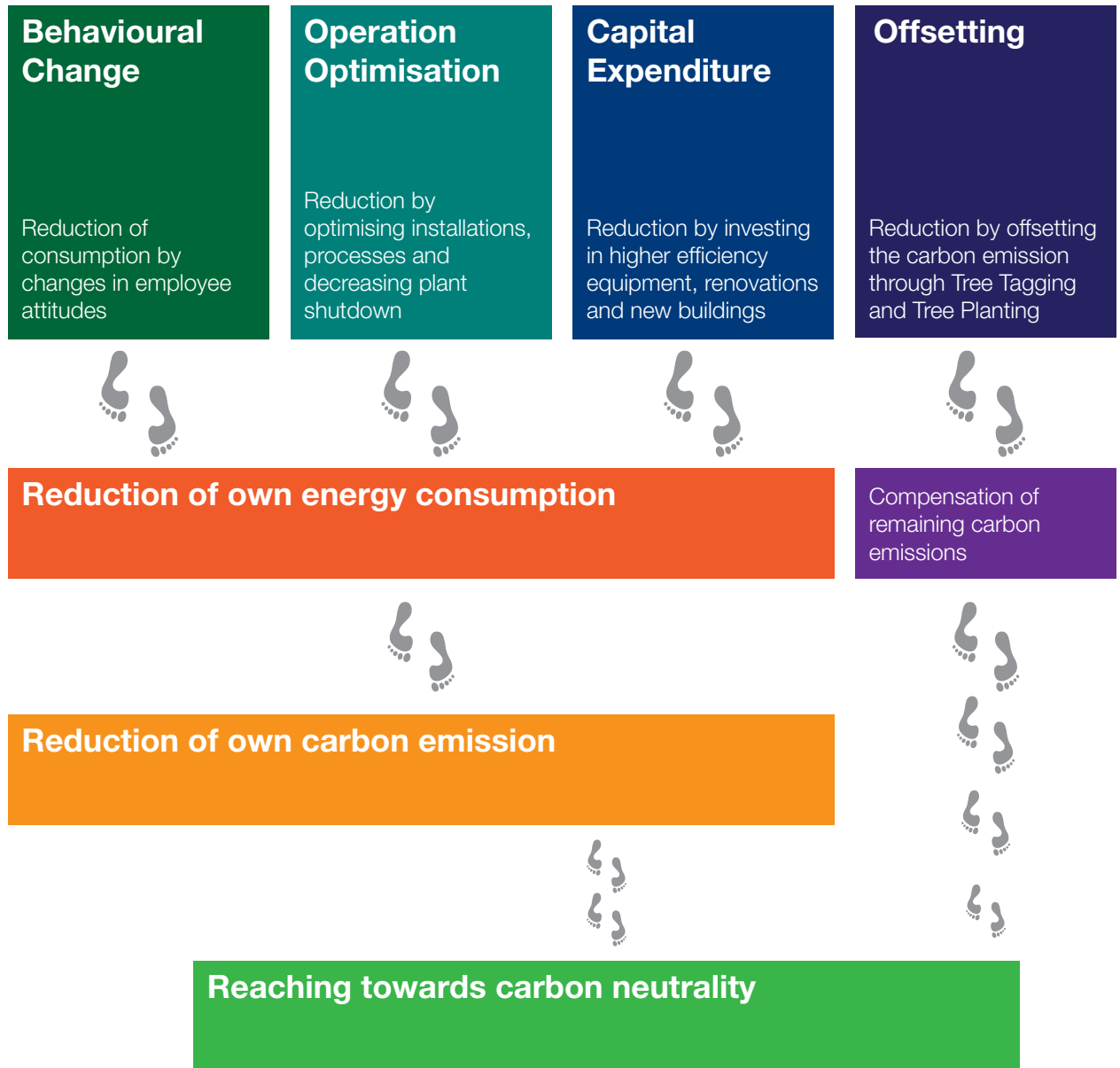


Figure 36 : Carbon Management Plan at UEM Environment

Tree Tagging Plan and Tree Planting

While we have established a synergy programme on the utilisation of waste as alternative fuel, we started to think on neutralising the effect of our CO₂ emission. That is why we engaged in tree planting and tagging in the surrounding areas at WMC.

We have tagged 798 and planted 23 trees around the WMC as part of our Carbon Management Programme. Our criteria were set for trees at least 1.4 m above the ground. The tagging was completed in June 2008. We estimated the trees will absorb 17.4 MT of CO₂ per year. The tree tagging areas are shown in the Figure 37.

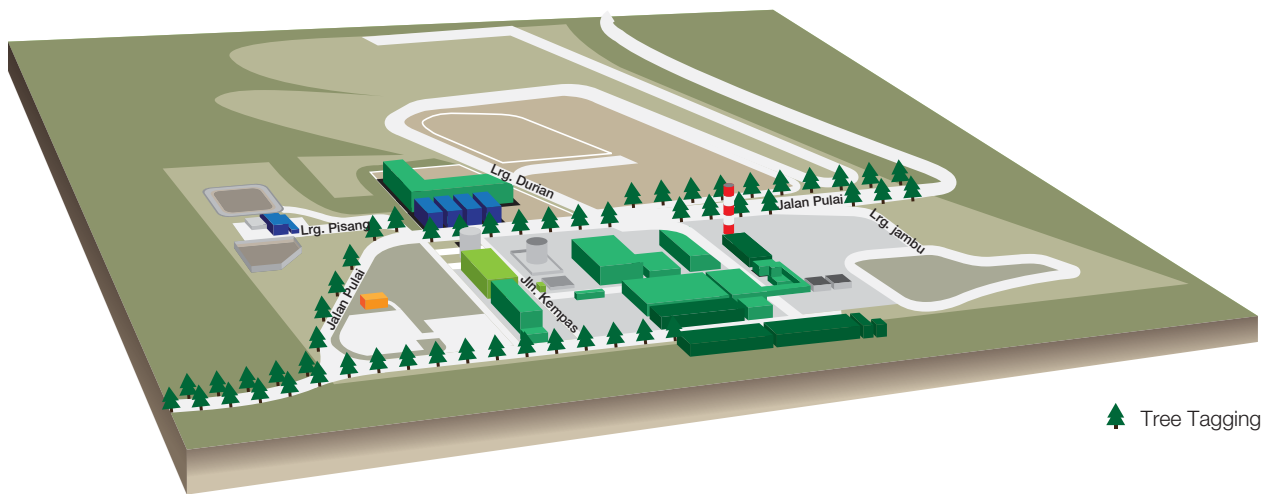


Figure 37: Tree tagging activities layout

Managing Resources

We have always sought to ensure the most optimum utilisation of our materials within the UEM Environment Group since our initial beginnings. Descriptions of such programmes are described in this section.

01 Increasing Process Efficiency

Six Sigma programmes are aimed at increasing process efficiency by reducing unplanned downtime. The unplanned downtime has decreased by an average of 36.2% as compared to 2007 as described below.

Objective	Description	Progress
Decreasing downtime reduction on boiler tube failure at INC 1	The boiler tube failure contributed about 37% of failure downtime and the project is expected to reduce it to 30%	Important mechanism that led to failure was improved and the savings is estimated at RM872K per year

Table 13 : Decreasing process downtime

02 Increasing Incinerator Capacity

In June 2008, Kualiti Alam allocated RM6.35M for the upgrade of INC 1 by modifying the flue gas cleaning system to increase the capacity from 33,000 to 40,000 tonnes per year. This has resulted in a reduction of backlog waste.

03 Recycling and Sustainability within the Company

In 2008, the Administration Department at WMC had begun carrying out separation of office waste for recycling. Collected papers, plastic and aluminium were separated and sent for recycling.

Type of Item Recycled	Weight (kg) / Quantity
Paper and Cardboard	464
Plastic	17
Aluminium	5
Empty Toner Cartridge	110 pieces

Table 14 : Total material collected for recycle in 2008

It is our practice to use both sides of papers. At WMC, we reduced our plastic consumption by providing RO water dispenser instead of purchasing mineral water bottles. We have also installed a piped in filtered water dispenser to ensure that our employees in plant have access to safe and clean drinking water.

04 Developing renewable energy sources

• Pre-Treatment Method to Reduce Total of Carbon (TOC) and Oil and Grease (O&G)

As mentioned in our 2007 Report, we are collaborating with the Faculty of Chemical and Natural Resources Engineering, Universiti Teknologi Malaysia (UTM) on a pre-treatment method for the reduction of TOC and O&G from sludge wastes to meet solidification or landfill criteria.

As of December 2008, the pilot plant has been utilised as a research centre on the development of alternative, non-incineration technologies for application to destabilise hazardous organic waste to lower the capital and operating cost while meeting the secured landfill criteria. UEM Environment is hoping that through this pilot plant we will be able to develop a cleaner and more effective technology in treating suitable type of waste at a lower cost than incineration and giving more value-added services to the customers which in turn provide more attractive treatment fee structures. We have allocated RM3.5M for the development of sludge de-stabilisation plant.

• Silicon Oil Recovery Plant

The oil pre-treatment project is aimed at maximising oil recovery from incoming waste to be used as a fuel source at the incineration plants. By the end of 2008, a total of 736 tonnes of oily sludge waste have been pre-treated to recover 272m³ oil; a 37% recovery rate. The oil recovered constituted 6% of the total material used for plant operations.



View on Corporate Social Responsibility (CSR)

Malini Sailin

Manager,
Environmental Monitoring & Analytical
Testing / Quality System and Accreditation

Q: How do you feel about the company's drive at CSR?

A: Our Company is really active in preserving the environment and we have initiated many CSR activities thanks to the great support, commitment and involvement from our top management

Q: Do you feel that the current activities are sufficient and if not, what would you suggest?

A: It does not matter if it is sufficient or not but the most important thing is we are moving towards the right direction as our motto goes "the Greener Environmental Solution". This directly and indirectly instills awareness and interest in our people at UEM Environment to preserve the environment. Perhaps we can look at educating the younger

generations at schools on the importance of preserving the environment as currently; there is a lack of understanding that homes too generate hazardous waste from paints, solvents and lamp bulbs.

Q: Currently, UEM Environment is trying to initiate recycling efforts within the subsidiaries. Do you carry the same practices at home as well?

A: I do a fair bit at home when it comes to recycling such as old newspapers which are collected by recyclers and clothes/books which I donate to the needy. I try not to collect so many plastic bags during shopping. Apart from recycling, I maintain a green environment at home by planting trees and flowers and, switch off all electrical items when not in use.



Economic Dimension

The year 2008 started with increasing costs due to the rising prices of crude oil. This has added significantly to our operating costs. Nonetheless, this has not deterred us from investing in the exploration of renewable energy potentials on site, as well as the use of recycled fuels in an effort to lower our consumption of diesel. We also worked hard to improve our existing customer base. These strategies paid off as we recorded a revenue of approximately RM158M, an 18.4% increase from 2007.

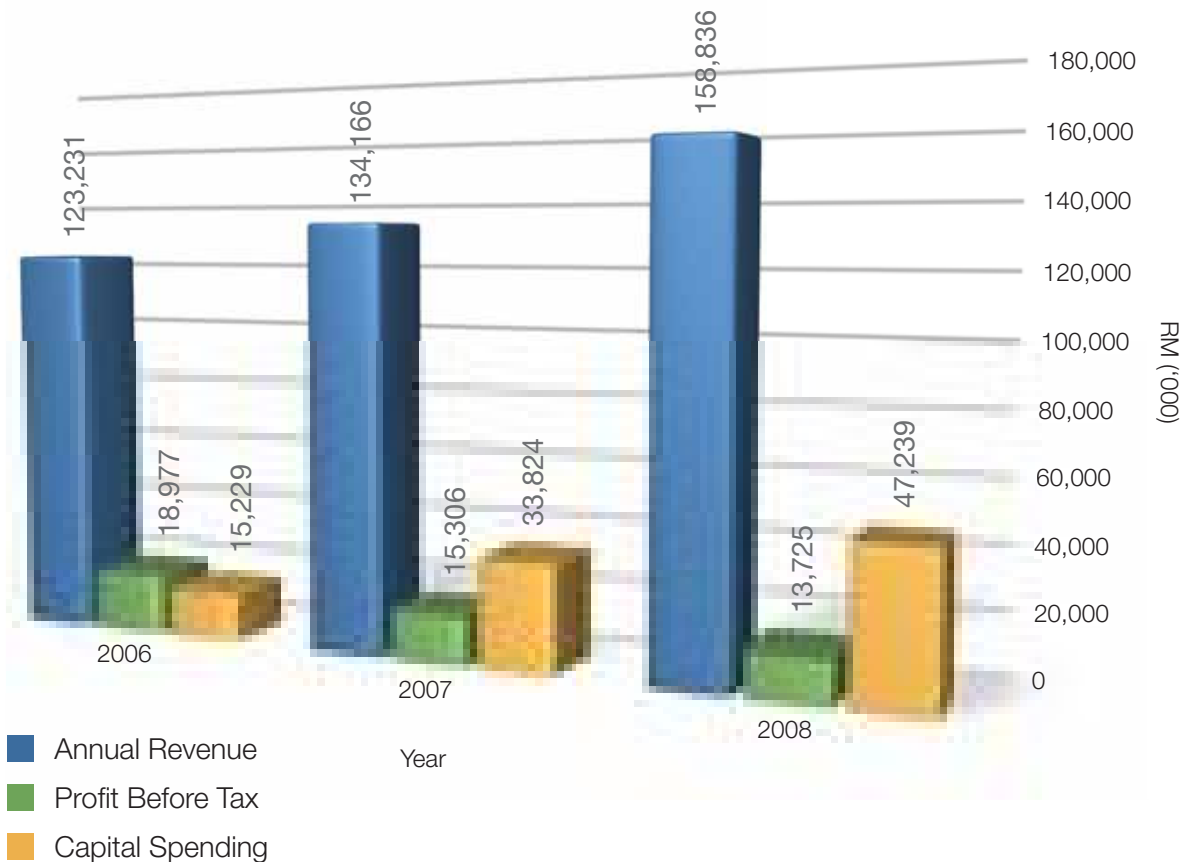


Figure 38: Audited financial performance

The 2006 data illustrated in Figure 38 above is the audited financial performance of UEM Environment, Kualiti Alam, Kualiti Khidmat Alam, Kualiti Kitar Alam and E-Idaman, while 2007 and 2008 data were derived from the additional financial performance data of ADKA.

Economic Benefits

UEM Environment is a private limited company and we are proud to add value to the local economy through our operating expenses and distributions.

Economic Distribution	RM ('000)	
	2007	2008
Operating costs	12,469	13,615
Payment and benefits to employees	21,062	21,847
Payment to provider of capital	8,382	764
Taxes paid/payable to government	8,537	7,138
Community investment	313	304

Table 15 : Distribution of economic value added

We believe in providing capital expenditure through the provision of new technology and in research and development projects such as Optimising Oil Recovery Process and Pre - treatment of Organic Sludge and upgrading our incinerator plant, which would enable us to provide more efficient and effective treatment of hazardous waste and while at the same time, reduce our environmental impact. We are still unable to quantify the indirect economic impact of our operations currently. We do not receive any financial assistance or grants from the government.

The Scorecard has encouraged our employees to increase our customer base and the Customer Satisfaction Survey rating improved by 13.7% compared to 2007. UEM Environment company perception was done in the middle of 2007 and the result published in 2008 noted that our rating had increased by 9 points.

This rating would not have been achieved without the coming together of our entire workforce in providing the best quality and services to our customers as well as helping to brand UEM Environment as a leading hazardous waste service provider in Malaysia. This effort has to be attributed to great teamwork achieved through an in depth understanding of our businesses, customer needs and working together to meet the needs of our community at large.



Assurance Statement

Introduction

Bureau Veritas has been engaged to provide assurance services to UEM Environment Sdn Bhd (UEM Environment). This Assurance Statement applies to the UEM Environment Sustainability Report 2008 (the 'Report').

The preparation of the Report and its content is the responsibility of UEM Environment. Our responsibility is to provide assurance over the Report and underlying processes within the scope set out below:

- **Workplace: Governance**
Verification through low to mid-level assurance via information provided.
- **Workplace: Employment**
Verification through mid-level Assurance on employment, working and living conditions via compliance against internationally recognized standards.

Low to mid-level assurance on health & safety via the Organisation's management / inspection records
- **Workplace: Awards & Accreditation**
Verification through low to mid-level assurance via information provided.
- **Marketplace:**
Verification through low to mid-level assurance via information provided.
- **Environment:**
Verification through low to mid-level assurance via the Organisation's records, purchase & importation data, independent assessment records, environmental controls, stock data, select site visits, the Organisation's policies & practice implementation, KPI/GRI data transposition (internal), select factual & numerical data analysis (KPI / GRI verification will not be traced to source unless local and accessible)
- **Community:**
Verification through low to mid-level Assurance via the Organisation's practices / procedures, training records, limited financial data, lands deeds / disputes procedures, third party studies, impact analysis, the Organisation's management / inspection records, etc.

It is agreed that UEM Environment expects to be able to provide a response to each of the GRI-G3 Guideline Protocols.

UEM Environment aims to provide the + or Advance Application Level which requires reporting or responding on each core GRI-G3 indicators, with due regard to the materiality Principle, by reporting on the indicator or explaining the reason for its omission.

Exclusions from the scope of our work

Excluded from the scope of our work is information relating to:

- Statements of commitment to, or intention to, undertake action in the future;
- Statements of opinion, belief and / or aspiration;
- Our assurance does not extend to the information hyper linked from the Report.



Basis of our opinion

In conducting this engagement we have considered following guiding principles:

- The principles of balance, comparability, accuracy, timeliness, clarity, relevance and reliability as per Sustainable Reporting Guideline version 3.0 (GRI-G3).

Our work was planned and carried out to provide reasonable, rather than absolute, assurance and we believe that the work conducted as described in the scope of work above provides a reasonable basis for our conclusions.

We relied on the representations made to us during the course of our assurance work by UEM Environment personnel.

Where we have provided assurance over numeric information, this has been achieved through review of consolidation processes and databases held at the:

1. 13th Floor, Mercu UEM, Jalan Stesen Sentral 5, Kuala Lumpur.
2. 15th Floor, Menara 2, Faber Towers, Taman Desa, Jalan Kelang Lama, Kuala Lumpur and
3. Kualiti Alam Waste Management Center in Tanah Merah, Negeri Sembilan.

This work is not considered sufficient for us to identify all misstatements.

Our review included the following activities:

- Interviewed with relevant staff at corporate and operation levels responsible for the information in the Report;
- A review of internal and external documentation such as minutes of meetings, internal newsletters(In Touch and "Buletin KASB"), Sustainability Report 1996-2005, Sustainability Report 2006 , Sustainability Report 2007 , Certificates, Safety, Health and Environment (SHE) Report 2006-2007, Health Monitoring Report, Security Procedures, e-mails, receipts, Management Report, Quarterly Inventory Report to DOE, DOE approval letters, monthly electricity bills, Air-travel invoices, fuel receipts, invoices, checklists, maintenance logs, memos, UEM Environment Employee Handbook Rev. 2005, magazines, newspaper clips, photos, pictures, Letter of Appointments, Association & NGOs memberships, guidelines, Red Book Guideline, Guest Book, Company and Club Registration Certificates, schedules, survey reports, environmental monitoring & testing reports, Bio-aquatic monitoring report, training records, Annual Transporter Audit report, Mileage Claim report, Quarterly Transporters Assessment reports, brochures, Job advertisements, Monthly Training objective, Training Calendar, Human Resources Monthly reports and Customer Satisfaction Report 2007.
- A review of information technology information from fleet Global Positioning System (GPS) tracking, e-Purchase Requisition system, e-Purchase Order system, www.kualitalam.com website, Google Earth , www.defra.gov.uk and intranet sources;
- Observed related facilities and areas including notice boards, awards display areas, laboratories, cafeterias, LTI free display board, chimneys, waste segregation, treatment and disposal facilities;
- A review of the underlying systems and procedures used to collect and process the reported information, including the aggregation of data into the information in the Report;
- A review of the reliability of the quantitative and qualitative information in the Report based on sampling;
- Visited Kualiti Alam Waste Management Center to review the data collection process and implementation evidence on reported statements in the Report;
- Challenged the related statements and claims made in the Report.

During our investigation we discussed the necessary changes in the Report with UEM Environment and determined that these changes have been adequately incorporated into the final version.



Conclusions

- ❑ In our opinion, the Report fulfills the A+ requirements of the GRI 2006 Sustainability Reporting Guidelines (Version 3.0).
- ❑ During the course of our review nothing came to our attention to indicate that there was any material error, omission or misstatement. It is Bureau Veritas' opinion that the statements in the Report are accurate and reliable.
- ❑ The Report provides a fair representation of UEM Environment's social accounting and reporting activity for the period from 1st January 2008 up to the data collection deadline on 31st December 2008.
- ❑ UEM Environment has processes in place for identifying, understanding and managing its social issues and for capturing, understanding and responding to stakeholder views.

Areas for ongoing improvement

- The increased use of performance indicators and relevant sector supplement indicators such as from Logistic and Transportation should feature in subsequent reporting.
- Effective ongoing monitoring, measurement and reporting of UEM Environment against selected indicators and targets to demonstrate ongoing commitment to the reporting process and stakeholder interest.
- UEM Environment to continue inviting Bureau Veritas to witness any stakeholders' engagement in the future.

Considerations and limitations

In relation to our assurance work and conclusions, the following considerations and limitations should be noted:

- Certain information is excluded from the scope of our assurance work, as stated above;
- Environmental and social data are subject to inherent limitations due to its nature and the methods used for determining, calculating or estimating such data. Therefore this independent assurance statement should not be relied upon to detect all errors, omissions or misstatements in the Report, nor can it guarantee the quality of social accounting and reporting processes. We have provided reasonable assurance as to the quality and accuracy of the report within the scope of our investigations.



9th September 2009

Statement by Bureau Veritas of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with over 180 years history in providing independent assurance services.

Bureau Veritas has implemented a code of ethics across the business that is intended to ensure that all our staffs maintain high ethical standards in their day-to-day business activities; we are particularly vigilant in the prevention of conflicts of interest.

Competence: Our assurance teams completing the work for the Social Report have extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes and an excellent understanding of good practice in Corporate Responsibility reporting and assurance.

GRI index

Profile		
Strategy and Analysis		
1.1	Statement from Managing Director	2-3
1.2	Key Impact, risk and opportunities	4-6,14-15

Organisational Profile		
Organisational Profile		
2.1	Name of organisation	1
2.2	Primary brand, product and or services	12-13
2.3	Operational structure	16-17
2.4	Location of Headquarter	10
2.5	Countries operated	10
2.6	Nature of ownership and legal form	10
2.7	Markets served	10
2.8	Size of operation	10,59
2.9	Organisation changes in reporting period	14-15,18
2.10	Awards received in reporting period	20-21

Report Parameters		
Report Profile		
3.1	Reporting Period	8
3.2	Date of most recent previous report	1
3.3	Reporting cycle	1
3.4	Contact Point	
Report Scope and Boundary		
3.5	Process for defining report content	8-9
3.6	Boundary for report	9
3.7	Limitations on scope, boundary of report	9
3.8	Basis for reporting on joint ventures	9
3.9	Data measure techniques and the bases of the calculations	9,47-53
3.10	Effect of any restatements of information provided in earlier reports and reasons for such restatements	40
3.11	Significant changes from previous reporting period in the scope, boundary or measurement method	9,14-15
GRI Content Index		
3.12	Standard disclosures	64-66
Assurance		
3.13	Policy and current practice with regard to seeking external assurance	1,61-63

GRI index

Governance, Commitments, and Engagements

Governance		
4.1	Governance structure of the organisation	18-19
4.2	Chair of the highest governance body	18-19
4.3	Members of highest governance body that are independent and/or non executive	18-19
4.4	Mechanism for shareholders and employees to provide recommendations or direction to highest governance body	28-35
4.5	Compensation for highest governance body	18
4.6	Processes to ensure conflict of interest are avoided	18
4.7	Expertise of highest governance body	18
4.8	Internally developed statements of mission or values, codes of conduct and principles	10-11
4.9	Procedures of highest governance body for the organisation identification and management	18-19
4.10	Performance of highest governance body	18-19
Commitments to external initiative		
4.11	Precautionary approach	19
4.12	Externally developed principles which the organization endorses	48
4.13	Membership in associations	34
Stakeholder engagement		
4.14	List of stakeholders groups engaged by organisation	28
4.15	Identification and selection of stakeholders	28
4.16	Approaches to stakeholder engagement	28-35
4.17	Key topics through stakeholder engagement	28-35

Economics

Performance Indicators		
EC 1	Direct economic value	59
EC 2	Financial implication due to climate change	55
EC 3	Coverage of the organisation's definite benefit plan obligations	26
EC 4	Financial assistance received from government	60
EC 5	Standard entry level wage	22
EC 6	Locally based suppliers	29
EC 7	Local hiring	23
EC 8	Infrastructure investments	33
EC 9	Significant indirect economic impacts	29,59-60

GRI index

Environment		
Performance Indicators		
EN 1	Weight of materials used	36
EN 2	Recycled input materials	57
EN 3	Direct energy consumption	50,52
EN 4	Indirect energy consumption	48
EN 5	(Add) Energy saved due to conservation and efficiency improvements	49,52
EN 6	(Add) Initiatives on energy efficiency or renewable energy	52
EN 7	(Add) Initiatives to reduce indirect energy consumption	49
EN 8	Total Water Use	37
EN 9	Water sources significantly affected by withdrawal of water	37
EN 10	Percentage and total volume of water recycled and reused	37
EN 11	Location and size of land in protected areas	43
EN 12	Significant impact on biodiversity	43-46
EN 13	Habitats protected or restored	31,38
EN 14	Strategies for managing impacts on biodiversity	31,38,43-46,56-57
EN 15	Number of IUCN Red List Species and national conservation list species	43
EN 16	Total direct and indirect greenhouse gas emission by weight	53
EN 17	Other relevant indirect greenhouse gas emission by weight	53
EN 18	Initiatives to reduce greenhouse gas emissions	55-57
EN 19	Emission of ozone depleting substance by weight	39
EN 20	NOx, SOx and other significant air emission by type and weight	39
EN 21	Total water discharge by quality and destination	40
EN 22	Total weight of waste by type and disposal method	38
EN 23	Total number and volume of significant spills	26
EN 24	Weight of transported imported, exported or treated waste deemed hazardous	36
EN 25	Identify, size, protected status and biodiversity value of water bodies	38
EN 26	Initiatives to mitigate environmental impacts of products and services	38,43,51
EN 27	Percentage of product sold and their packaging materials are reclaimed by category	57
EN 28	Monetary value of significant fines and total number of non monetary sanctions for non compliance with environmental laws and regulations	47
EN 29	Significant environmental impacts of transporting products and other goods and materials used	51
EN 30	Total environmental protection expenditures and investments by type	7

GRI index

Labour Practices

Performance Indicators		
LA 1	Total workforce by employment type, employment contract and region	22
LA 2	Total number and rate of employee turnover by age group, gender and region	22-24
LA 3	Benefits provided to full time employees Labour/ Management Relations	26
LA 4	Percentage of employee covered by collective bargaining periods	27
LA 5	Minimum notice period regarding operational changes, including whether it is specified in collective agreements	26
LA 6	Percentage of total workforce represented in formal joint management worker health and safety committees	19
LA 7	Rates of injury, occupational diseases, lost days and absenteeism	4,27
LA 8	Education, training, counselling, prevention, and risk control programmes regarding serious diseases	27
LA 9	Health and safety topics covered in formal agreements with trade unions	26
LA 10	Average hours of training per year per employee	25
LA 11	Programme for skills management and lifelong learning	25
LA 12	Percentage of employees receiving regular performance and career development reviews	15,25
LA 13	Breakdown of employees according to gender, age group, minority group membership	23-24
LA 14	Ratio of basic salary of men to women by employee category	24

Human Rights

Performance Indicators		
HR 1	Significant investment agreements that include human rights clauses	27
HR 2	Significant suppliers and contractors that have undergone screening on human rights	28
HR 3	Total hours of employee training on policies and procedures concerning human rights	27
HR 4	Incidents of discrimination and action taken	24
HR 5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	27
HR 6	Operations identified as having significant risk for incidents of child labour	27
HR 7	Operations identified as having significant risk for incidents of forced labour	27
HR 8	Percentage of security personnel training in policies concerning human rights	27
HR 9	Total number of incidents of violations involving rights if indigenous people	27

GRI index

Society		
Performance Indicator		
SO1	Programmes that manage the impacts of operations on communities	33
SO2	Percentage and total number of business units analyzed for risks related to corruption	18-19
SO3	Percentage of employee trained in anti corruption policies	18
SO4	Action taken in response to incidents of corruption	18
SO5	Public policy positions and participation in public policy development and lobbying	33
SO6	Total value of financial and in kind contribution to political parties	33
SO7	Total number of legal actions for anti competitive behaviour ,anti trust and monopoly practices	29
SO8	Monetary value of significant fine and total number of non monetary sanctions for non compliance	29

Product Responsibility		
Performance Indicator		
PR1	Lifecycle stages in which health and safety impacts of product and services are assessed for improvement	30
PR2	Total number of incidents of non compliance with regulations concerning health and safety impacts of products and services.	30
PR3	Type of product and service information required by procedures	30
PR4	Total number of incidents and non compliance with regulations concerning product and services labelling	30
PR5	Practices related to customer satisfaction	29-30
PR6	Programme for adherence to laws related to marketing communications	30
PR7	Total number of incidents of non compliance with regulations concerning marketing communications	30
PR8	Total number of substantiated complaints regarding breeches of customer privacy	29
PR9	Monetary value of significant fines for non compliance with laws and regulations concerning the provision and use of produces and services	30

Glossary

ACCA	Association of Chartered Certified Accountants
ADKA	ADKA Enviro Sdn Bhd
As	Arsenic
BCSDM	Business Council for Sustainable Development in Malaysia
BVC	Bureau Veritas Certification Sdn Bhd
Cl ₂	Chlorine
CO	Carbon monoxide
CO ₂	Carbon dioxide
Cr	Chromium
DIV	Dutch Intervention Values
DNA	Deoxyribonucleic acid
DOE	Department of Environment
DOSH	Department of Occupational Safety and Health
ELV	End of Life Vehicle
ENSEARCH	Environmental Management and Research Association of Malaysia
e-PO	e-Purchase Order
e-PR	e- Purchase Requisition
Fe	Ferum
FMM	Federation of Malaysian Manufacturers
GHG	Greenhouse gases
GRI	Global Reporting Initiative
H ₂ S	Hydrogen sulphide
H ₂ SO ₄	Sulphuric acid
HCl	Hydrochloric acid
Hg	Mercury
IFMS	Integrated Financial Management System
IMS	Integrated Management System
INC 1	Incinerator 1
INC 2	Incinerator 2
INC 3	Incinerator 3
IPCC	Intergovernmental Panel on Climate Change
ISO	International Organization for Standardization
JBA	Jabatan Bekalan Air
KA	Kualiti Alam Sdn Bhd
KAMI	Kualiti Alam Modulator Incinerator
Kg	kilogram
KJL	Kampung Jimah Lama
KKA	Kualiti Khidmat Alam Sdn Bhd
KKI	Kualiti Kitar Alam Sdn Bhd
kWh	kilo-Watt hours

Glossary

LCA	Life Cycle Analysis
LCI	Life Cycle Inventory
LTI	Lost Time Injury
LTP	Leachate Treatment Plant
MESRA	Malaysia Environmental and Social Reporting Award
Mn	Manganese
MSOSH	Malaysia Society for Occupational Safety and Health(MSOSH)
ND	Not detectable
Ni	Nickel
NO _x	Nitrogen Oxide
O&G	Oil & Grease
OHSAS	Occupational Health and Safety Assessment Series
OSH	Occupational, Safety & Health
Pb	Lead
PCB	Polychlorinated Biphenyls
P.E.P.S.I	5 values to increase performance and productivity <ul style="list-style-type: none"> • Production of Resources • Expansion and Growth of Business • People and Organisation Development • Systems and Processes Improvement • Image and Perception Improvement
PINTAR	Promoting Intelligence, Nurturing Talents, Advocating Responsibility
RoSPA	Royal Society for the Prevention of Accidents
R&D	Research & Development
Sb	Antimony
SHEQ	Safety, Health, Environment & Quality
SO ₂	Sulphur dioxide
SR	Sustainability Report
TOC	Total Organic Carbon
UEME	UEM Environment Sdn Bhd
ULC	UEM Leadership Centre
UPSR	Ujian Penilaian Sekolah Rendah
UTM	Universiti Teknologi Malaysia
VOCs	Volatile Organic Compound
WMC	Integrated Scheduled Waste Management Centre
WRI	World Resource Institute
WQI	Water Quality Index
Zn	Zinc

List of Figures

Figure 1 : Reached 3.4M man hours with zero Lost Time Injury (LTI) in 2008	4
Figure 2 : 48.5% increase in training expenditure in 2008	4
Figure 3 : Water recovered increased by 28% compared to 2007	5
Figure 4 : Energy efficiency increased by 13% compared to 2007 at WMC	5
Figure 5 : 39.7% increase in UEM Environment capital expenditure	6
Figure 6 : UEM Environment revenue increased by 18.4%	6
Figure 7 : Life cycle of UEM Environment services	12
Figure 8 : UEM Environment Employment	22
Figure 9 : Employee distribution by position	23
Figure 10 : Gender equality	23
Figure 11 : Gender distribution by subsidiaries	24
Figure 12 : Average training hours and cost per employee	25
Figure 13 : Accident and Incident Data	26
Figure 14 : Corporate donation and sponsorship	34
Figure 15 : Material consumption and waste treated at WMC	36
Figure 16 : Waste generated	38
Figure 17 : Location of monitoring stations	38
Figure 18 : Stack emission monitoring	39
Figure 19 : Effluent Monitoring	40
Figure 20 : WQI for Surface Water Monitoring	41
Figure 21 : Diversity index for fishes and invertebrates	44
Figure 22 : Diversity Index for Zooplankton	44
Figure 23 : Concentration of Phytoplankton	44
Figure 24 : Concentration of Chlorophyll A	44
Figure 25 : Chlorella Vulgaris growth at AF2	46
Figure 26 : Chlorella Vulgaris growth at AF3	46
Figure 27 : Chlorella Vulgaris at AF4	46
Figure 28 : Moina Micura mortality rate	46
Figure 29 : CO ₂ emission from electricity usage	48
Figure 30 : CO ₂ emission from employee owned vehicle	49
Figure 31 : CO ₂ emission from company owned vehicle	50
Figure 32 : CO ₂ emission from contractor owned transporters	51
Figure 33 : CO ₂ emission from employee air travel	51
Figure 34 : Fuel consumption by incineration	52
Figure 35 : CO ₂ emission from incinerator plants	52
Figure 36 : Carbon Management Plan at UEM Environment	55
Figure 37 : Layout of tree tagging activities in WMC	56
Figure 38 : Audited financial performance	59

List of Tables

Table 1 : Environmental expenditure by department for 2008	7
Table 2 : Age distribution in UEM Environment (2008)	24
Table 3 : Improving the procurement time cycle	29
Table 4 : KESUKA activities in 2008	30
Table 5 : Issues raised by local communities	33
Table 6 : Number of students passed UPSR	34
Table 7 : Total water usage by sources and percentage recycled water	37
Table 8 : Ambient air monitoring	39
Table 9 : Groundwater Monitoring	41
Table 10 : CO ₂ emission factor	48
Table 11 : Six Sigma programme to reduce energy consumption	49
Table 12 : Annual CO ₂ emission for UEM Environment	53
Table 13 : Decreasing process downtime	56
Table 14 : Total material collected for recycle in 2008	57
Table 15 : Distribution of economic value added	60

Appendix

CO₂ Emission

The CO₂ emission estimation was calculated based on Greenhouse Gas Protocol which was developed by World Business Council for Sustainable Development (WBCSD) and World Resources Institute.

For the estimation, activity data obtained was multiplied by the emission factor to yield an emission value in MT. Emission factor are source specific and vary according to energy content and fuel efficiency.

Efficiency

The energy efficiency to treat material was calculated using the formula below;

$$\text{Efficiency} = \frac{\text{Electricity usage in WMC}}{\text{MT Waste Treated in WMC}}$$

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 answer “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

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2008 Sustainability Report

The report team wishes to thank all the individuals throughout the organisation 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 Sustainability Report.

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