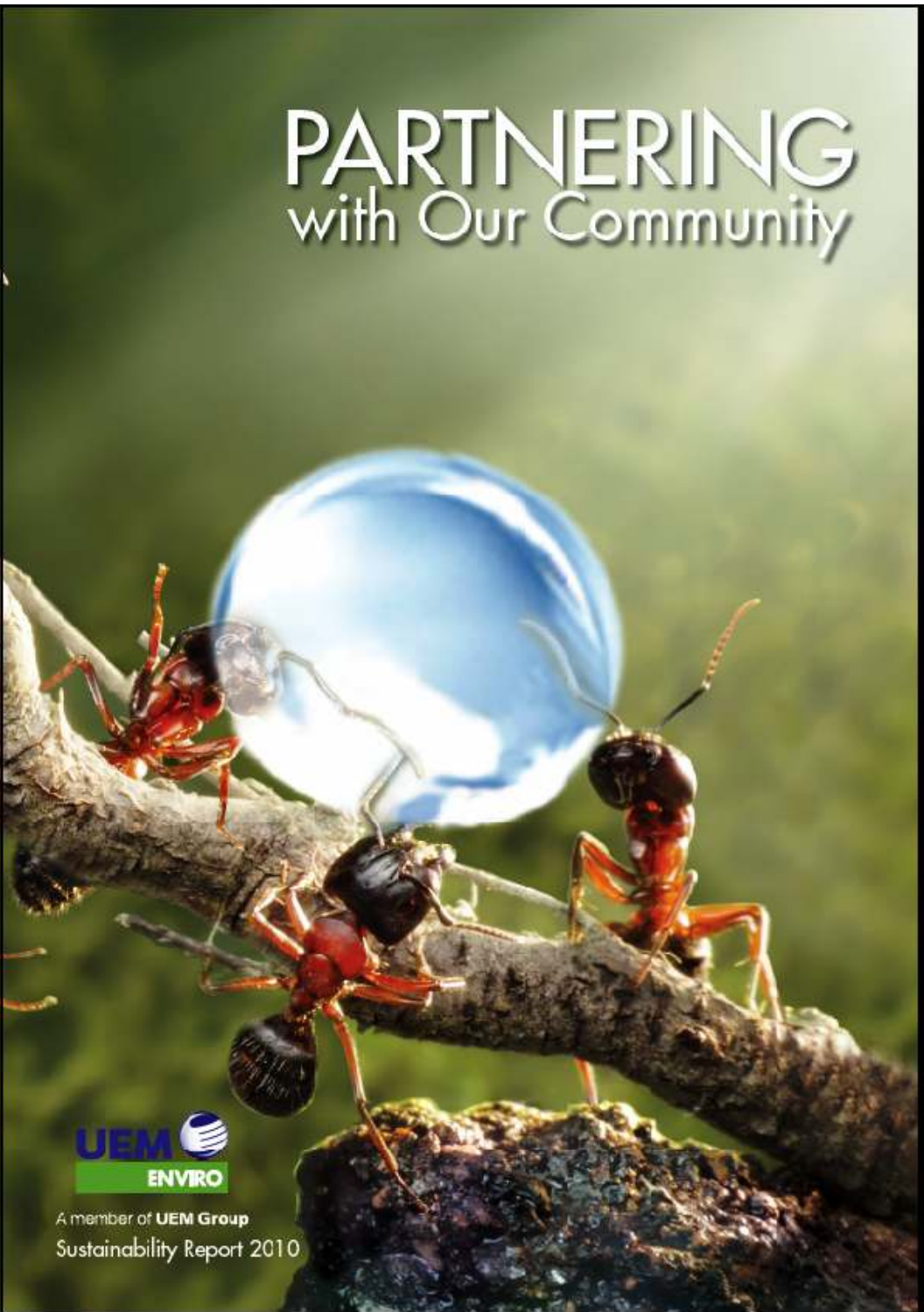




UEM Environment Sdn Bhd

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PARTNERING with Our Community



A member of UEM Group
Sustainability Report 2010

Cover Rationale

Ants are social insects that live and work together as a team to build, preserve and protect their colony. Ants work hard to gather food while at the same time play an important part in the preservation of the ecosystem.

At UEM Environment, we believe that each and every individual is unique and plays a vital role for the success of our organisation. We also believe that by partnering with our community, we are not only able to achieve our vision and mission but at the same time pursue sustainability efforts to preserve the environment for future generations.

The sprouting of spring leaves on the cover symbolises the result of preserving and conserving the environment, while the water droplet signifies the essential element of all living things that must be consumed in a sustainable manner.



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About This Report

Here at UEM Environment, we have been producing a special report on our sustainability performance since 2005. This year, we are taking a step further; by setting aside more space for our people and our interaction with local communities. It is a report about our people, for our people; set against a background of corporate responsibility to drive us forward. Whilst written primarily for an external audience, it also aims to inform our employees of our aspirations and the way forward.

The content and data provided therein have been subjected to independent scrutiny and review, the results of which can be found on page 64. This report covers the period of 1st January 2010 to 31st December 2010. There have been no significant organisational changes or changes in the scope, boundary and measurement methods since 2009.

All financial figures are quoted in Malaysian Ringgit (RM). References to "UEME", "the company", "the organisation", "we" and "our" refer to UEM Environment Sdn. Bhd. and/or our affiliates and subsidiaries.

This Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines (G3) and is consistent with the overall direction of the ISO 26000 draft guidance standard on social responsibility.

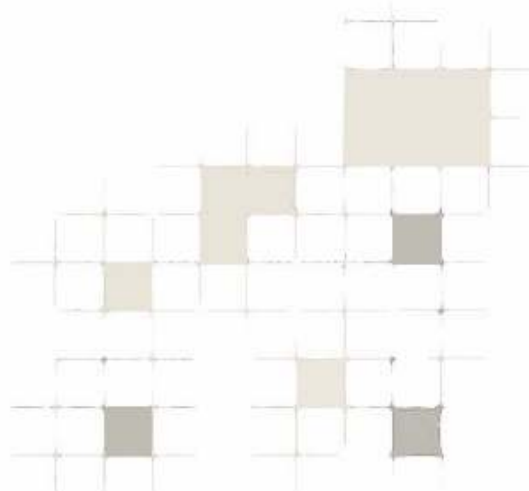
More information can be found in our website at www.kualitiam.com. We also welcome your comments. Please e-mail us at: csd@kualitiam.uemnet.com.

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Managing Director's Review

Azmanuddin Haq Ahmad has been the Managing Director of the UEME Group of Companies since December 2003. Under his leadership, UEME has grown from strength to strength; financially, technologically and strategically. Presented in the following section are his views on how sustainability has impacted UEME Group.

1

What does sustainability mean to you?

Sustainability means doing all that we can for the environment and the greater community; to ensure that the current limited natural resources would remain available to our future generations. Here at UEME, it is more than just a statement or a marketing exercise. We inculcate the culture of sustainability in our businesses – both current and new business ventures; to further pursue our philosophies and ideals. Our employees are taught to be responsible corporate citizens; adhering to laws and acceptable practices, effectively managing resources, efficiently utilising energy, being aware of important environmental issues and, understanding how we impact our communities.

Therefore, the development and implementation of our activities were carefully crafted to meet equilibrium; between preserving the environment, having healthy business growth and strengthening the greater community.

2

How important is sustainability to UEME's strategies? How do you align your sustainability and business strategies?

As a trusted partner in environmental solutions, our business strategies have always been in line with our sustainability strategies. We need to ensure that all our efforts are focused on delivering innovative services and value-added solutions to our customers while managing our risks.

As such, our strategy focuses on ensuring:-

- a. Environment sustainability:-
 - i. Reducing environmental impact through waste management, energy efficiency, life cycle analysis, managing recyclable material and process development.
 - ii. Adopting clean technology principles – to be proactive and preventive.
 - iii. The use of sustainable technology.
- b. Economic sustainability – continuous growth in our business for the benefit of our shareholders.
- c. Community sustainability – managing the needs of our employees and the surrounding communities; and managing our impact on them while fostering good communication and relationships.

3

Does sustainability place any specific demands on companies providing services in such as those which UEME is involved in?

We do not have specific demands placed on us by government agencies apart from those regulated by law. We have been monitoring our impacts on the environment closely over the years and this year's report shows that we take the concerns of our communities seriously. More often than not, we see ourselves playing the role of a facilitator as modernisation approaches these communities.

I strongly believe in leadership by example, therefore, all operating subsidiaries in our Group of Companies must be certified with the Environmental Management System (ISO 14001) and Occupational Health and Safety Management System (OHSAS 18001). This is to ensure that the basic requirements and systems in environment and safety are in place and become part of our day-to-day work culture.

4

What are the main challenges facing you over the next 12 months and why?

For the coming year, my challenge to ensure the sustainability of UEME would be to reduce our Greenhouse Gas (GHG) emissions. Over the past 3 years, UEME have been reporting its GHG emissions and the data collected thus far has enabled us look deeper into our operations and activities, to identify areas for reduction and improvements. We need to find a balance between GHG emissions reduction measures, the cost of investment and the cost of our operations. We would like to be in a position to contribute towards achieving our Prime Minister's vision on reducing Malaysia's carbon emissions by 40% by the year 2020.

It is our vision to be Malaysia's leading waste treatment company and to achieve this, UEME must be competitive in costs, expenditures and most importantly, to be innovative. I am proud to share that we have developed an innovation programme using specialised in-house skills and technologies to increase efficiency.

E-Idaman's subsidiary, Environment-Idaman (ENV-I) has been working with local authorities to establish appropriate waste collection systems. We are also working with the local communities to raise awareness on the necessity to manage solid waste appropriately through 3R campaigns at targeted communities.

5

What recent sustainability initiatives or projects are you most proud of, and why?

I would say the Sludge Destabilisation System (SDS) plant, which has proved to be most efficient in using and recycling energy on site. The SDS was fully developed at our Waste Management Centre (WMC) and like our KAMI plant; this shows that we have the capabilities and capacities to develop green technologies by ourselves.

I am also proud of the fact that Special Builders has successfully decommissioned 45,368 old and no longer roadworthy vehicles (End-of-Life Vehicle (ELV)) in the last 17 months. The recovered materials were decontaminated and sent for recovery, re-use and recycling.

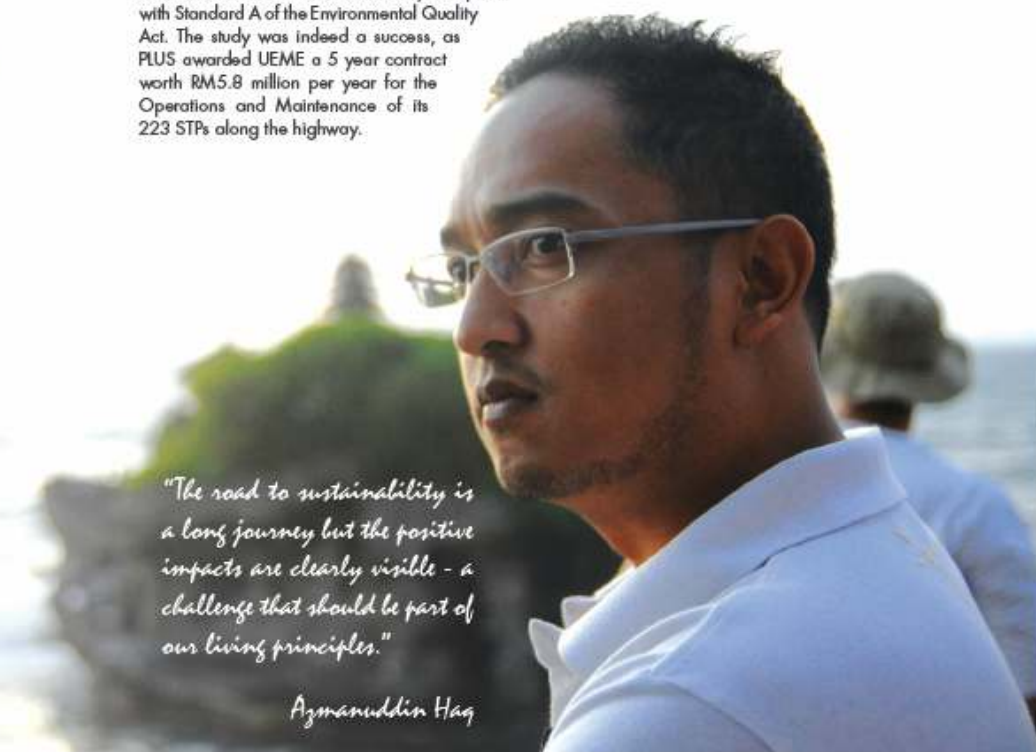
Our EMS team initiated a Sewage Treatment Plant (STP) optimisation study for Projek Lebuhraya Utara Selatan Berhad (PLUS). This pilot study was conducted to ensure that the 3 selected STPs consistently complied with Standard A of the Environmental Quality Act. The study was indeed a success, as PLUS awarded UEME a 5 year contract worth RM5.8 million per year for the Operations and Maintenance of its 223 STPs along the highway.

6

What is the future outlook for UEME?

We are currently working on the first phase of our project in the Middle East which covers industrial audit, management and operation of wastewater lagoon systems, and the development of the Qatar industrial wastewater database. We have also developed a business plan to work with the Gulf Cooperation Council (GCC) countries.

At E-Idaman, work is ongoing towards building a temporary transfer station in Alor Setar to facilitate waste collection and transportation, together with the respective local authorities both in Kedah and Perlis. In addition to the improvement programmes, we have installed underground bins known as Badgers to resolve the current problem of waste collection. These Badgers are capable of storing nearly 9 times more waste compared to conventional systems as well as containing odour.



"The road to sustainability is a long journey but the positive impacts are clearly visible - a challenge that should be part of our living principles."

Azmanuddin Haq

Sustainability Progress

In 2010, our key progress against our Sustainability Policy commitments is presented below.

Sustainability Policy Commitments

To reduce our GHG emissions by meeting our energy efficiency goals, GHG offsets and new renewable energy initiatives through implementation of the Six Sigma programme.

To integrate sustainability consideration into all our decision-making processes and 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, continuously improve 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.

Progress To Date

- ▶ Continually implementing our Six Sigma programmes at the WMC. In 2010, we saved an estimated 392,470 kWh of electricity which translates into 295 MT GHG reduced.
- ▶ Over 16 trees were planted and a total of 775 trees were tagged in our Tree Tagging Initiative.
- ▶ GHG Management programme began, starting with fuel efficiency initiatives for the incinerators at WMC.

- ▶ Expansion of the office recycling initiative to E-Islaman offices. A total of 3.2 MT of waste was recycled through this collective initiative.

- ▶ Community outreach programme in the process of being formalised which will officially commence in 2013.
- ▶ Local community members are continually engaged through dialogue sessions and quarterly newsletters.
- ▶ Efforts are intensified in working together with the Department of Environment (DOE) to create awareness on the importance of proper waste management amongst the public and private sectors.

- ▶ A Burner Management System (BMS) was installed at INC 1 to reduce plant downtime, for easier monitoring and to eliminate all bypass systems at a cost of RM 262,567.
- ▶ Comprehensive training and refresher classes provided for all our drivers to equip them for the task of transporting hazardous waste safely.

- ▶ We updated our Chemical Health Risk Assessment (CHRA) and Chemical Exposure Monitoring at the workplace.
- ▶ Total remuneration per employee increased by 9.0% this year due to higher increment and bonus quantum.

- ▶ We have expanded our coverage of reporting which include the Kualiti Khidmat Alam regional offices.
- ▶ Our reports continually update our progress and sustainability commitments in addition to affirm new initiatives we have made.
- ▶ Won 9 industry recognition awards.

Board of Directors

The current Board of Directors (Board) has 5 members comprised of 1 Independent Non-Executive Director (the Chairman) and 4 Non-Independent Executive Directors. Suhaimi Halim was appointed to the Board as of 10th August 2010.

As of 31st December 2010, the Board consists of:

1. Tan Sri Nuraizah Abdul Hamid, Chairman
2. Azmanuddin Haq Ahmad, Managing Director
3. Suhaimi Halim, Director
4. Annuar Marzuki Abdul Aziz, Director
5. Harman Faiz Habib Muhamad, Director

The Board governs the identification and management of risk, strategic planning and establishes standards of ethical conduct for the Group.



Management Team



- 01 Managing Director
Azmanuddin Haq Ahmad
- 02 Chief Operating Officer
Suhaima Mahdar
- 03 Business Development /
Project & Technical Development
Zaki Abdul Aziz Daud
- 04 Human Resource & Administration (HRA)
Sulaiman Ahmad
- 05 Finance
Wong Mee Kim
- 06 Environment Support Services & Logistics (ESSL)
Nick Chong
- 07 Plant & Operations
Abd Halim Mohd Nor
- 08 KA Mind Innovation (KAMI)
Rosman Shaari
- 09 Environmental Management Services (EMS)
Siti Nadzriah Abd Hamid
- 10 Support Services &
Facilities Management (SSFM)
Rozali Abu Bakar
- 11 Marketing
Sathish Kurup
- 12 Safety, Health & Environment (SHE)
Hamdan Osman
- 13 Management Information System (MIS)
Mohd Zaidi Zakaria
- 14 Customer Account Management (CAM)
Abd Halim Sharif
- 15 Legal
Nurulhuda Faisal
- 16 Purchasing
Abd Rashid Mohamad
- 17 Corporate Communications
Chiew Hai Wah
- 18 Kualiti Kitar Alam (KKI)
Wan Rozina Wan Yusoff
- 19 Industrial Cleaning Services (ICS)
Zafizal Ismail

As at 31st December 2010

Sustainability Overview

Sustainability Cost Overview 2010

Our 2010 sustainability cost overview:

Enhance

To be a truly responsible organisation, UEME recognises that positive contributions to society and the immediate environment need to be conducted; by:

- Improving viability at our business operations and delivering shareholder expectations
- Incorporating the protection and enhancement of biodiversity in site planning and operations
- Encouraging local management involvement within the surrounding communities
- Reducing GHG emissions and utilising renewable energy and green technology

Empowerment

A positively motivated workforce is essential to deliver our business goals:

- Provide a fair and just working environment ensuring that there will be no discrimination in terms of backgrounds or beliefs; as well as no racial, sexual, mental, or physical harassment will be tolerated
- Facilitate the ability of employees to balance family commitments and work responsibilities
- Encourage active dialogue and feedback with employees both individually and collectively at all levels
- Provide training and support to facilitate empowerment.

Working with Others

To achieve our sustainability commitments and to make positive contributions, a close working relationship is required between the company and with those who contribute, those who are being affected by, and those who influence our and societies' activities.



Stakeholders

Government policies influence both society's and the waste industry's response to waste management. It is therefore important for us to promote understanding and stimulate discussions at the highest levels by:

- Commissioning and undertaking studies to understand these policies and contribute to sustainable waste management in Malaysia
- Providing speakers to national fora
- Being an active member of relevant trade bodies, professional institutes and Non-government Organisations (NGOs)
- Participating in active dialogue with regulators and responsible organisations sharing a key interest in sustainable development

Communities

It is our belief that openness and dialogue helps promote understanding and mutual respect between ourselves and the surrounding communities, by:

- Liaising with external groups and organisations
- Producing and providing educational materials and encouraging educational visits to our sites
- Assisting surrounding communities through sponsorship and assistance
- Educating and informing the surrounding communities on our nature of business and activities

Supply Chain

Corporate responsibility in business should extend throughout the supply value chain - from purchase of goods and services, up to delivering services to customers. The business relationship along the value chain would enable us to influence change in our suppliers and customers, by:

- Assessing key suppliers for their environmental performance
- Assisting suppliers and customers to achieve higher environmental standards
- Producing innovative solutions to industry's waste management activities
- Making available recycling and management programmes such as ISO 9001, ISO 14001 and OHSAS 18001.

Department	Activity/Scope	Total Expenditure (RM'000)		
		2008	2009	2010
one Plant & Operations	<ul style="list-style-type: none"> • Raw Material • Fuel • Equipment • Internal Waste Treatment/ Disposal 	36,910	19,059	19,761
two 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 	21,270	11,447	8,258
three Environmental Management Services	<ul style="list-style-type: none"> • Lab Facilities Maintenance & Management • Research & Development • Consultancy • Pollution Prevention • Internal Waste/Disposal 	3,520	5,815	1,425
four Corporate Communications	<ul style="list-style-type: none"> • Social Contribution • Information Disclosure • Outreach/ Awareness Programme 	521	246	607
five Human Resources, Administration & Security	<ul style="list-style-type: none"> • Employee Welfare • Employee Uniform • Laundry Charges • Personnel Development • Employee Amenities • Security 	1,170	1,506	1,792
Grand Total		63,391	38,073	31,843

*Data obtained therein was extracted from our 2010 audited Financial Report.

Performance Review

The table below summarises the progress made in meeting our Key Performance Indicators (KPIs) for the year. It also shows the targets set for the coming year.

■ KPI Exceeded
 ● KPI Met
 ▶▶ KPI in Progress
 ▲ KPI Not Met

Balance Scorecard	Weightage (%)	Actual Score (%)	Status	2010 Achievements	2011 Moving Forward
<div style="font-size: 48px; font-weight: bold; color: green; transform: rotate(-90deg); position: absolute; left: -40px; top: 50%; transform: translateY(-50%);">one</div> Financial	20	15	■	<ul style="list-style-type: none"> Delivered a Return on Equity excluding Exceptional Items (ROE ex-EI) of 30.5% exceeding initial target of 12.0%. 	<ul style="list-style-type: none"> Increase revenue to at least RM265 million. Achieve EBITDA margin of at least 32%
			●	<ul style="list-style-type: none"> Increased revenue of RM 235 million. 	
<div style="font-size: 48px; font-weight: bold; color: green; transform: rotate(-90deg); position: absolute; left: -40px; top: 50%; transform: translateY(-50%);">two</div> Customer	30	23	▶▶	<ul style="list-style-type: none"> Have not secured any overseas project(s) in 2010. 	<ul style="list-style-type: none"> Secure awards/new business contracts (inclusive overseas) worth at least RM 46 million (in aggregate contract sum).
			■	<ul style="list-style-type: none"> Secured 6 new local contracts worth RM12 million (in aggregate contract sum). 	<ul style="list-style-type: none"> Expand active customer base by at least 10.0% of total customers in 2010.
			■	<ul style="list-style-type: none"> Won 9 industry recognition awards. 	
			●	<ul style="list-style-type: none"> Rebranding of Kualiti Alam in conjunction with Asset & Facilities Management (AFM) initiative has been put on hold as it did not obtain directive from UEM Group and may not be a cost effective exercise. However, the working level of the 4th core streamlining exercise has been completed as per milestone. 	

Balance Scorecard	Weightage (%)	Actual Score (%)	Status	2010 Achievements	2011 Moving Forward
<div style="font-size: 48px; font-weight: bold; color: green; transform: rotate(-90deg); position: absolute; left: -40px; top: 50%; transform: translateY(-50%);">three</div> Internal Business Process	30	25	■	<ul style="list-style-type: none"> Achieved an incremental EBITDA percentage of 10.0%. 	<ul style="list-style-type: none"> Achieve a minimum of 3.0% in cost savings of over current operation costs.
			■	<ul style="list-style-type: none"> Achieved 14.0% in cost savings under the Operational Cost Reduction and Improvement programme, surpassing initial target of 3.0%. 	<ul style="list-style-type: none"> Increase plant efficiency by a minimum of 10.0% compared to 2010 figures.
			▲	<ul style="list-style-type: none"> Achieved 2.6% in the amount of waste treated compared to target of 10.0%. 	
<div style="font-size: 48px; font-weight: bold; color: green; transform: rotate(-90deg); position: absolute; left: -40px; top: 50%; transform: translateY(-50%);">four</div> Organisational Learning & Growth	20	15	■	<ul style="list-style-type: none"> Achieved 51.4% in the Staff Competencies and Performance Improvement Plan (PIP), surpassing initial target of 5.0%. 	<ul style="list-style-type: none"> Achieve 70.0% in the Staff Competencies for Quadrant 1 (High Potential) and Quadrant 2 (Potential Employee).
			●	<ul style="list-style-type: none"> Achieved 50% through intervention carried out during the development programme that has been attended by High Potential Talents. 	<ul style="list-style-type: none"> Complete at least 80% of the identified strategic milestones for future expansion.
Total		100	78		

In 2010, we managed to exceed most of our targets for the areas in which our KPIs were assessed, with the exception of amount of waste treated due to delays in our pre-treatment plants start-up and a lower KAMI plant efficiency.

We have exceeded our ROE targets by 18.5% with our innovation programme, which led to cost reductions and reduced resource utilisation in our operations and services. This increased our cost saving target by 11.0%.

Partnering With Our Community



Caring for our Community

Here at UEME, we aim to deliver sustainable long-term benefits that would positively impact the communities we serve. Our community programme focuses on improving the standard of living of the communities around our operations at the WMC. Highlights of the activities undertaken are presented here:

- Community Outreach
- Education



Community Outreach

Our programme focuses on 5 villages:

- Kampung (Kg) Jimah Lama
- Kg Jimah Baru
- Taman Gadong Jaya
- Kg Felda Sendayan
- Ladang (Ldg) Tanah Merah

The total population of these villages is approximately 8,050 with each village having a Village Headman (Ketua Kampung) and Village Development and Security Committee (JKKK). These Village Headmen are appointed by the State and they are responsible for all matters contained in the village. They usually act through the JKKK to assist the district administration in implementing development projects.

Our programme mainly focuses on dialogue sessions, monetary or contributions in kind, support for their activities (especially those organised by the JKKK), providing employment, and business opportunities.

To date, we have employed 60 staff from the surrounding communities; some of whom have been in our employment since our commencement of operations. In fact, we have 4 families with at least 2 generations working with us at WMC.



We actively engage with the communities through monthly "teh-tarik" sessions where our representatives avail themselves for discussions on issues regarding our operations. These sessions are fundamental towards building close relationships with the villagers, as they provide a platform for the locals to open up to our people at times of crisis or issue management. A quarterly newsletter, "Buletin KASB", is published and distributed to these villagers to disseminate and update information on activities at the WMC.

As part of our annual contributions for major festivities, we have been sponsoring gifts and funds to orphans, amounting in excess of RM 60,000, cows for Qurban and RM 10,000 yearly to the villagers in 2010.

We have provided financial support to improve the facilities in the villages. Mandatory steps such as providing a detailed proposal for the types of financial assistance and a show of proof that the contributions provided have been utilised for the stated purpose are required.

Our community efforts also include:-

- Supporting school programmes such as Sports Day and camping activities
- Upgrading of school facilities in terms of building improvement and IT equipment
- Spending RM 21,721 through the Promoting Intelligence, Nurturing Talent and Advocating Responsibility (PINTAR) programme to provide additional tutoring to UPSR students

- Organising an excursion to Forest Research Institute Malaysia (FRIM) in Kepong, Kuala Lumpur for 39 students and 3 teachers from SMK Seri Sendayan
- Gotong-royong at Port Dickson and Taman Rekreasi Titi Hayun, Gunung Jerai.

Additionally, annual dialogues are conducted at these villages and we are pleased to present the outcome of the dialogue for 2010.

We are looking to formalise our community outreach programme and replicate the programmes at our subsidiaries by 2013.

Community Dialogue Session

Apart from the monthly "teh tarik" sessions, a dialogue session is held with the local community annually. This year we had a dialogue on 15th December 2010 at Kg Jimah Lama Community Hall, attended by 25 representatives from Kg Jimah Lama, Kg Jimah Baru, Kg Felda Sendayan, Ldg Tanah Merah and Kualiti Alam. Representatives were briefed on the results of our environmental monitoring programme.

The concerns raised in the last community dialogue in 2009 touched on matters pertaining to air, odour and noise emanating from our operations. Whilst similar concerns were raised this year, the subjects related were of different circumstances.



The concerns raised this year have been addressed accordingly:

Concerns

Since WMC commenced operations, some villagers noticed that their fruit trees have not been bearing fruit and wanted to know if this can be attributed to emissions from Kualiti Alam's operations.

Some of the villagers still use well-water although they have piped-in water supply. They wanted to know if Kualiti Alam's operations have contaminated their source of well-water.

Kg Jimah Lama's representative, En Hanif wanted an explanation regarding "burnt odour" that was detected by some villagers last September/October.

Pn Hanifah who also represented Kg Jimah Lama raised some concerns regarding health. She mentioned that she would get headaches and would eventually fall ill while spending time outdoors at night. Also, she had experienced skin irritation when it drizzles.

UEME's Response

We assured that there was no environmental impact from our operations but nevertheless our representatives advised the villagers to seek consultation from the Department of Agriculture.

As part of our assurance of the air is not polluted, we informed them that we conduct quarterly environmental monitoring on surrounding air and water quality. Results of the monitoring are conveyed to them through our "Buletin KASB".

SHE representative conducted a briefing informing the villagers that the well water is safe for external use.

Our SHE representative explained that Kualiti Alam was treating Mercaptan waste during that period of time but it was an isolated incident and unlikely to occur again.

Our representatives recommended for Pn Hanifah to be referred to the Department of Health and make a request to the local clinic to help her collect data on such incidences which can then be referred to Kualiti Alam's Occupational Safety and Health (OSH) doctor.

Concerns Raised by Community Members

In 2010, there were 4 concerns raised by the community – 2 of which were concerns regarding air quality. All concerns have been investigated thoroughly and necessary corrective actions were taken. The following provides further details of the concerns raised in 2010:

one

Date	Concerns Raised	Description	Corrective Action	Remark
30 th March 2010	Water quality	The Negeri Sembilan DOE received a complaint through Chuah State Assemblyman about a dead cow. The cow was alleged to have died after consuming river water at the Tanah Merah estate.	<ul style="list-style-type: none"> The DOE carried out sampling together with Kualiti Alam laboratory personnel at W2 station for data comparison. The water samples were found to have normal readings when tested on site. 	<ul style="list-style-type: none"> As per the DOE's observation, there was no discharge. Issue closed.

two

Date	Concerns Raised	Description	Corrective Action	Remark
14 th April 2010	Air quality	We received a complaint letter regarding our waste piles emitting foul odours which caused discomfort to the nearby villagers.	<ul style="list-style-type: none"> We sent an explanation letter regarding the said issue to Dato' Mansor, the Secretary of UMNO Bahagian Telok Kemang, Port Dickson. 	<ul style="list-style-type: none"> Issue closed.

three

Date	Concerns Raised	Description	Corrective Action	Remark
13 th July 2010	Other related concerns	Our receptionist received an anonymous phone call, complaining that our contractor's lorry bearing the Kualiti Alam logo, brought waste wood and drums towards Kg Kuala Lukut, Kg Jimah Baru and Kg Chuah. We also received an email on 9 th July from UEM Group regarding alleged illegal dumping by the said contractor's lorry at a villager's land in Kampung Kuala Lukut.	<ul style="list-style-type: none"> We have confirmed that the said contractor's lorry do not carry KA's logo. SHE Team went out to further investigate but was unable to find the alleged dumping site. However, 2 other dump sites for wood chips which we believed was from construction waste were found by SHE personnel: <ol style="list-style-type: none"> 15th July - near the temple, on the main road towards Kuala Lukut 17th July - 107 acre at the Tanah Merah estate. We collected the waste found at the 2 dump sites and dispose off the waste properly as part of our CSR effort for the community. 	<ul style="list-style-type: none"> Even though the complaint is inaccurate, we will continue to improve our procedures for solid waste disposal. For example, SSFM enforced the use of "Borang Kebenaran Membawa Barang Keluar Dari WMC". This is to ensure that all solid waste leaving our premise will end up at the intended disposal site. Issue closed.

four

Date	Concerns Raised	Description	Corrective Action	Remark
19 th July 2010	Air quality	We received a public complaint from SRK Sendayan regarding yellow coloured powder found on teachers' cars.	<ul style="list-style-type: none"> A sample was taken for chemical analysis at the laboratory. 	<ul style="list-style-type: none"> The lab analysis showed that it was not a chemical product. Issue closed.

Feedback from Community Members

▼ **Nazri Bin Jamal, Senior Safety Assistant, Kualiti Alam**

"I still have family living in Kg Chuah where I grew up and since the WMC opened its doors, I have seen the surrounding community expand. Kualiti Alam brought development and job opportunities into this area. I have worked a total of 14 years, starting as a General Worker at the plant and now I am a Senior Safety Assistant. Recently, my supervisors encouraged me to further my education in the field of Health and Safety. I decided to take up their offer and to my surprise, UEM Group agreed to sponsor my studies for an Executive Diploma in Safety and Health at the Open University Malaysia. I am now working and attending classes during the weekend. I am grateful that I have been provided with this opportunity by the company."



▲ **Thangavellu a/l Naranasamy, Village Headman, JKKK Ldg Tanah Merah**

"I was appointed the Village Headman for Ldg Tanah Merah about 10 years ago. When I first started my position as the Village Headman, the WMC had already begun operations for several years. In spite of this, the village folks were still concerned about their health and did not perceive Kualiti Alam well. However, in recent years, I think that they have begun to trust Kualiti Alam due to the company's continuous involvement in the community. Back then, there were a lot of concerns on air quality as we could often detect chemical odours in the air but now, I feel that it has much improved from previous years. Kualiti Alam has been generous in supporting the community needs by providing financial assistance to schools and other institutions. They have also supported the many orphans in our community by generously donating school supplies."

► **Ruslan bin Jamil, Head Driver, Kualiti Khidmat Alam**

"I grew up in the surrounding community of Sendayan and have worked elsewhere before deciding to return home 15 years ago when I found out that there were jobs offer near my hometown. I am very happy with Kualiti Khidmat Alam and the benefits they provide to drivers. They have taken the time to honour good drivers every year in an Annual Dinner and Prize Giving ceremony. Such events help boost morale and improve performances."



▲ **Cikgu Hake bin Mat Tahir, Senior Assistant (Curriculum) of SK Jimah Baru**

"I started teaching at SK Jimah Baru in 2008 and in spite of the short period I have been here, I have noticed that Kualiti Alam has been helping the local communities and schools in terms of providing assistance, both financially and in-kind. Kualiti Alam will participate and support community events such as Hari Raya Qurban, invite needy families and orphans during Hari Raya Aidil Fitri celebrations."



▼ **Azizal Sulaiman, East Coast Regional Manager, Kualiti Khidmat Alam**

"I grew up in Sendayan and I still have my family living there. I worked as a Plant Superintendent before requesting a transfer to the Customer Service Department. I am where I am now because I was given an opportunity."

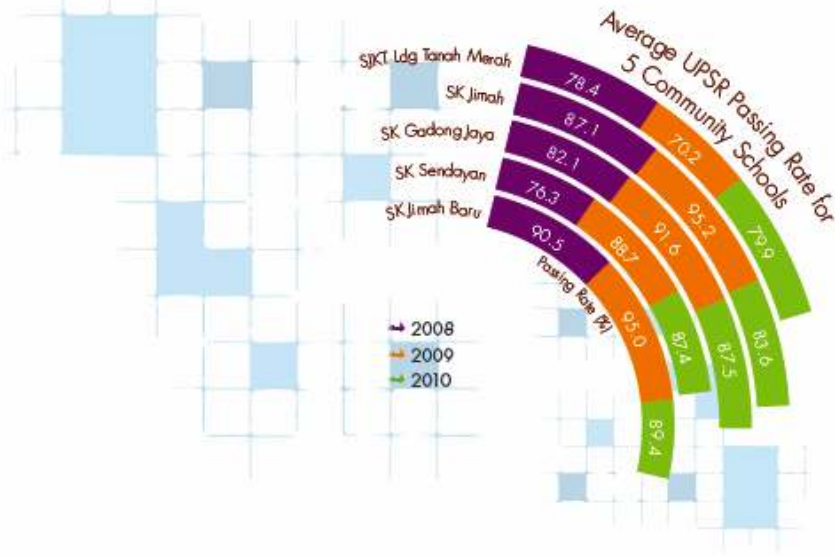


PINTAR Programme

UEME's Group of Companies have contributed a total of RM 21,721 in 2010 towards the betterment of these schools in terms of performance and improving learning conditions.

SJKT Ldg Tanah Merah performed well in 2010, with an increase at passing rate of almost 10.0%, whilst SK Jimah Baru, SK Gadong Jaya and SK Jimah reported a range of 3.0 – 12.0% reduction in their passing rates.

The lower passing rates were due to decreased students' involvement in the academic enhancement programmes. We will continue to monitor their progress and explore other avenues to raise the academic performance of these school children.



Schools	2008	2009	2010
1 SK Jimah Baru	90.5	88.7	89.4
2 SK Sendayan	76.3	88.7	87.4
3 SK Gadong Jaya	82.1	91.6	87.5
4 SK Jimah	87.1	95.2	83.6
5 SJKT Ldg Tanah Merah	78.4	70.2	79.9

Contributions through Business Associations and Government Agencies

As part of our strategy in enhancing our partnership with the community, UEME has maintained its presence in several organisations in 2010 as follows:

Association of Environmental Consultants and Companies of Malaysia (AECCOM)	Business Council for Sustainable Development Malaysia (BCSDM)	Chemical Industries Council of Malaysia (CICM)	Environmental Management and Research Association of Malaysia (ENSEARCH)
Federation of Malaysian Manufacturers (FMM)	Malaysian International Chamber of Commerce and Industry (MICCI)	Malaysian Society for Occupational Safety and Health (MSOSH)	The Association of Scheduled Waste Recyclers, Malaysia (ANSWERS)
The Waste Management Association of Malaysia (WMAM)	Malaysian Danish Business Council (MDBC)	American Malaysian Chamber of Commerce (AMCHAM)	Malaysian Occupational Safety and Health Professional's Association (MOSHPA)

2010 saw us conducting 15 talks, 7 seminars and 24 exhibitions with clients and government agencies. The 7 seminars with the DOE were held in the states of Johor Bahru, Kelantan, Pahang, Perak, Pulau Pinang, Selangor and Terengganu, whilst the exhibitions were held at various schools, government agencies, NGOs and client offices.

UEME has also supported the activities of our business associations such as BCSDM, ENSEARCH, MICCI and MSOSH.

Appreciating Our Employees

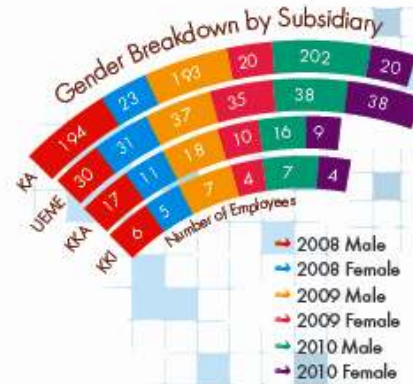
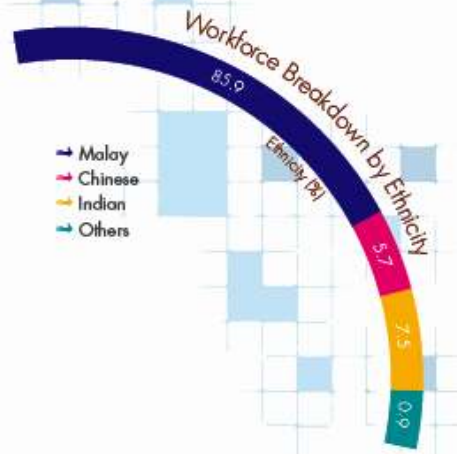
At UEME, we acknowledge that our employees are the driving force behind the success of our business and operations, and they are an integral part of our community. We strive to ensure that their welfare is well taken care of while in service to the company. Our employees are provided with:

- group personal accident insurance
- group term life insurance coverage
- outpatient medical treatment
- hospitalisation benefits
- medical check-up and dental
- maternity benefits
- mandatory rest days and annual leave
- interest subsidy for car loans, computer and study loans
- company uniform and laundry expenses for uniformed staff
- subsistence allowances when they travel outstation

Workforce Demographics

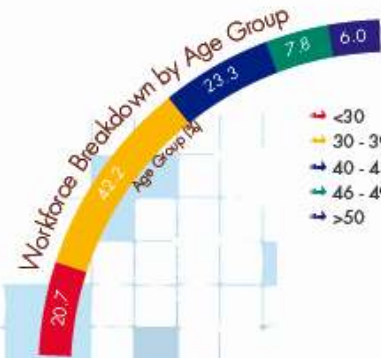
In 2010, the number of employees hired increased to 334 as compared to 324 in 2009 due to business expansion.

The ratio of ethnic groups hired by UEME is similar to 2009. We hire based on merit and skill, regardless of gender on ethnicity and promote deserving employees based on their work performance.



Our workforce gender ratio of 4:1 (men: women) is similar to previous years. Due to the nature of the work, we tend to hire mainly men for operational positions. We do not discriminate between gender when hiring but assess employees based on their suitability for the job position and their skills.

61.7% of our employees are non-executives, working at operational positions at WMC while the remaining 38.3% are either executives or managers, stationed at our various offices around Malaysia. We hire locally wherever possible and continue to hire residents who live close to WMC.

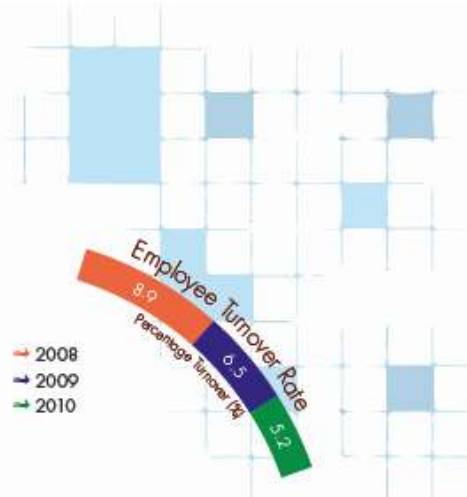


In 2010, the percentage of employees between the ages of 30 to 39 has decreased slightly to 42.2% from 47.0%. Our employees in the 40 to 45 year age group increased from 21.0% in 2009 to 23.3% in 2010, forming the second largest age group in our workforce.

Our employee turnover rate has generally been low but in 2010, we achieved a low record of 5.2% over the last 4 years. This was due to the fact that we have retained our employees by providing adequate benefits in addition to offering avenues for them to enhance and improve their skills at the workplace through various training programmes.

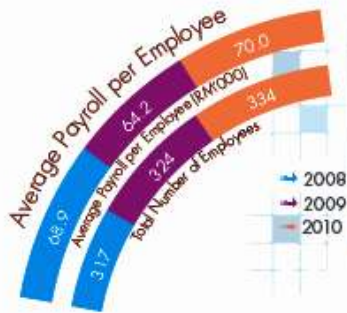
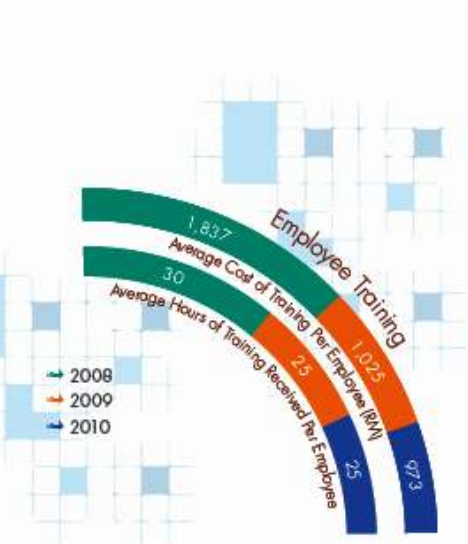
Over the last 3 years, UEME also received a fair number of returning employees, (total of 5) and they were treated as normal new employees by our HRA Department.

Feedback from these employees shows that they were attracted to our Employee Value Proposition (EVP) which is driven by UEM Group. The programme provides opportunities for staff career development through learning, establishes a positive working environment, promotes a culture of teamwork and knowledge sharing via programmes and activities, and employee recognition programmes.



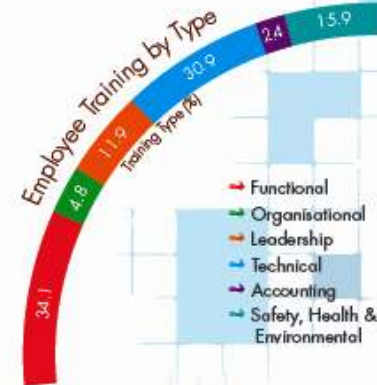
Employee Training

In 2010, UEME invested RM 973 per employee for training. In total, we spent RM 325,083 on training representing a 2.1% reduction in costs from 2009. Each employee received an average of 25 hours of training throughout the year, similar to that in 2009.



Employee Payroll

Our average payroll per employee has increased by approximately 9.0% in 2010 as compared to 2009. This was due to the increase in increment percentage and bonus quantum for all employees. The salary ratio of men to women in the same job category did not differ.



Most of the training conducted in 2010 were functional training at 34.1%, whilst the percentage of technical training increased to 30.9% from 10.0% in 2009. Organisational and accounting training were conducted at 4.8% and 2.4% respectively.

Our training programme also includes:

- Educating our employees on policies and procedures involved in employment of foreign workers in the value chain. This was to ensure that our employees are fully aware of the processes involved in the employment of foreign labour.
- A seminar on Industrial Hygiene and Worker Health Protection that catered specifically to those working in labour intensive operations.
- The Office Ergonomics workshop continued from previous years.
- Approximately 276 hours of training on human rights for our employees to ensure that they are fully aware of their rights.
- Legal Awareness Training for our employees.

Contractor Training

In addition to providing training to our employees, we also take the effort to train our contractors on company workplace policies and on health and safety. In 2010, we conducted training for 469 of our contractors at a cost of RM 2,495. Each contractor received approximately 2 hours of training to ensure that they are familiar with Safety and Health Standards set by UEME.

Developing and Nurturing Our Employees

To ensure our employees are well-versed in their job responsibilities, performance evaluations are conducted twice a year. We provide ample opportunities to expand the knowledge base of our employees and enhance their skills via training programmes to enable them to perform to the best of their abilities while meeting KPIs.



Employee Welfare

All of our employees are represented in Kualiti Alam's Sports and Charity Club (Kelab Sukan dan Kebajikan Kualiti Alam (KESUKA)) to encourage interaction with one another.

In 2010, KESUKA organised and participated in several sporting events which include friendly matches with other organisations and sporting carnivals for games such as badminton, futsal, bowling, volleyball and sepak takraw. Total of 7 outings were organised which include football matches, fishing, mountain climbing and kayaking expeditions.

On Safety, Health, Environment and Quality (SHEQ) Day, our OSH doctor presented a talk on the risks of obesity and coronary heart diseases, in conjunction with "The Biggest Loser" campaign. The campaign was launched on 3rd November 2010 over a period of 3 months to encourage our employees to get fit and lose weight.

PRIDE Foundation was invited to give a Breast Cancer Awareness health talk to our staff. Additionally, we take into account the safety of our female laboratory employees by transferring them out of the laboratory environment to work at the office if they are pregnant.



Workplace Policies and Ethics

As a company, we recognise our employees' rights to join unions and their entitlements as employees are consistent with the Malaysian Employment Act of 1955. We do not hire child labour or forced labour. Our company investments do not include clauses that infringe upon human rights nor do our operations impact the rights of indigenous people. We conduct human rights training for our security personnel once in two years; as such the next training will be conducted in 2011.

We take great care to ensure that our average monthly overtime work are within the limits set by local and international standards. Our employment contracts do not include clauses of mandatory overtime work nor do we limit the ability of our workers to leave their jobs before their contracts expire.

There is no standard policy on the minimum notice period to inform our employees about operational changes but we do take effort to adequately notify our employees if such changes are forthcoming. Additionally, a Sexual Harassment Policy has already been in place since 2005 and we have set up the necessary procedures and facilities for our employees to report such incidences, if any.

Before we enter into agreements with contractors or suppliers, we ensure that they fully comply to internal company policies and with local labour laws. All our employees are aware of our policies on anti-corruption at the workplace. We are pleased to inform our stakeholders that there were no incidences of corruption or discrimination reported by our employees last year.



Promoting Safety & Health at the Workplace

We have an established Safety and Health Committee (SHC) comprising of 50.0% management and 50.0% non-management members that represent all of our employees. SHC is strongly supported by our top management and is chaired by the Chief Operating Officer. This committee was set up to discuss matters exclusive to the safety and well-being of our employees. SHC has been conducting workplace inspections at various areas over the course of the year to ensure safety at the workplace. In November, a plant safety audit was carried out by SHC and internal auditors at INC 2 and INC 3, KAMI, SSFM-Logistic, SDS and Acetylene plants to make sure our operations complied with all safety requirements.

In addition to this, a Personal Protective Equipment (PPE) Inventory Management System was set up in 2010 to enable online tracking of the PPE inventory data for viewing and budgeting purposes.

We also provide fire prevention and fire fighting training to our Emergency Response Team (ERT) members. 4 of our employees were sent to experience actual fire fighting and rescue work with the Negeri Sembilan Fire and Rescue Department at a mock drill near WMC in March 2010. The mock drill was a star rating audit by the Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) covering the

elements of fire fighting, rescuing and fire investigating. The drill scenario consisted of a burning house, a car accident and chemical spillage. This shows our continuous effort together with the Negeri Sembilan Fire and Rescue Department on improving the complete process of emergency response especially in cases of accidents involving chemicals.

Ensuring safety on site requires continuous efforts from all parties operating on our sites. Our employees, contractors and visitors need to take cognisance of the fact that our activities at WMC are inherently unsafe; as we deal with the treatment of waste. Although, we provide all the necessary tools, training and monitoring mechanisms, it is ultimately the responsibility of the individual to ensure their own personal safety when working on site.

2010 was a challenging year for us in terms of workplace safety. There were a total of 36 accidents/incidents that occurred at the workplace, including 3 Lost Time Injury (LTI) incidents. The number of Near Misses, Fires, and Medical Treatment increased whereas other types of incidents decreased. There were also a few incidents of fire at our WMC where our ERT members played an important role in putting out the fires.



Accident/Incident	2002	2003	2004	2005	2006	2007	2008	2009	2010
1 LTI	0	4	9	3	0	0	0	0	3
2 Medical Treatment	5	4	3	6	4	6	8	3	4
3 First Aid	5	2	1	2	7	6	3	1	0
4 Near Miss	7	2	7	16	16	12	12	1	10
5 Property Damage	9	6	12	22	18	19	15	6	5
6 Spillage	20	7	8	8	4	6	10	4	1
7 Fire	6	15	11	16	8	6	6	7	10
8 Dangerous Occurrence	3	2	4	0	0	1	0	0	0
9 Chemical Release	1	6	6	7	6	3	2	4	1
10 Explosion	0	0	1	1	0	1	1	1	0
11 Others	0	0	0	0	0	0	0	0	2
Total	56	48	62	81	63	60	57	27	36

2010 saw our record of over 4.3 million man hours lost due to 3 LTI incidents. As of 31st December 2010, our total man hours with zero LTI stood at 616,158. We aim to maintain a zero LTI incident rate in the coming years, to surpass last year's record figure as it was the best we have achieved thus far.



LTI Incidents

In total, there were 3 LTI incidents which occurred within the months of June and July. A summary of the events can be found in the following table:

Date Occurred	Location	Incident Summary	Corrective Action Taken
8 th June 2010	INC 1	A worker was unloading hydrochloric acid (HCl 33.0%) into drums and the acid splashed into the worker's eye, causing severe pain.	We have provided our employees with full face shield to provide better protection in the event of accidental splashes. We have revised the job safety procedures on unloading chemicals and provided further training on proper chemical handling procedures.
26 th June 2010	INC 1	A contract worker was hit on his back by a loose "body rotary valve" which threw him backwards. There were no serious injuries but he was sent to a nearby clinic for further medical treatment and assessment.	We have reviewed and improved the relevant job safety procedures to ensure that such events will be minimised in the future.
17 th July 2010	INC 4	An employee was severely burnt on the feet by hot water while carrying out cleaning of the chute. Although the victim was wearing safety shoes, he suffered serious burns and was taken to Columbia Asia Hospital for treatment before being given Medical Leave to recuperate.	Recommendations made after the incident include weekly monitoring of the spray nozzle within the "quench chute" to prevent water build-up and to provide Process Safety training for employees who are mainly involved in operational work.

Occupational Noise Level Monitoring

Occupational noise monitoring was conducted at Special Builders to ensure that our employees are not exposed or affected by excessive noise levels which can damage hearing in the long run. The result of our monitoring is shown in the following table:

Work Area	LA-eq dB(A)	Max Level, dB(A)	Peak Level, dB	Daily Dose, %	Limits
De-Pollution Area	78.4	107.9	146.0	20.1	85 dB(A) [Permissible Exposure Limit (PEL)]
Engine Dismantling Area	84.1 88.3	119.6 113.6	144.2 144.2	44.3 79.2	85 dB(A) [Permissible Exposure Limit (PEL)]
Press Area	86.5 85.8	118.9 114.7	146.7 145.0	61.9 55.7	85 dB(A) [Permissible Exposure Limit (PEL)]
All Area	84.8	119.2	136.3	49.0	85 dB(A) [Permissible Exposure Limit (PEL)]

Noise levels were found to be on the high side at the Engine Dismantling Area and the Press Area. We have however, taken pro-active measures by providing our workers with ear muffers/ear plugs to ensure that they are not affected by the noise levels at these work areas, as per Factory and Machinery Act (Noise Exposure) 1989.

At present, noise levels at these areas cannot be reduced because of the nature of our work process. To ensure the safety of our employees, we have provided all the necessary PPE and also, limit the amount of time they spent at these areas to protect our employees from prolonged exposure to high noise levels.



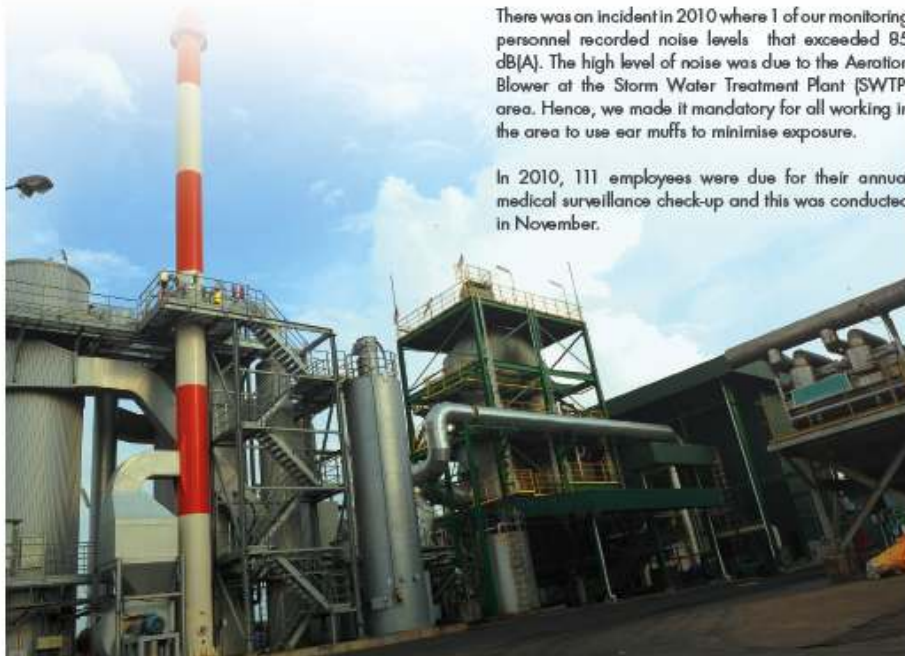
Workplace Concerns

We want to provide a safe working environment for all our employees and thus, we take the well-being of our staff very seriously. Last year, there was an internal concern raised by one of our staff regarding air quality while working at the incinerator control room. The case summary is as follows:

Date	Type of Complaint	Description	Corrective Action	Remark
3 rd May 2010	Air quality	An employee reported dizziness when working during the night shift.	<ul style="list-style-type: none"> SHE and EMS Departments performed indoor air quality monitoring and physical assessments. Investigation/interview was carried out including operation review and waste analysis. The outcome was forwarded to OSH Doctor for further review. 	<ul style="list-style-type: none"> Findings showed that vapour was released from a particular sludge cake waste. The OSH Doctor concluded that it was an isolated case since the effects on the person involved is too small. Issue closed.

There was an incident in 2010 where 1 of our monitoring personnel recorded noise levels that exceeded 85 dB(A). The high level of noise was due to the Aeration Blower at the Storm Water Treatment Plant (SWTP) area. Hence, we made it mandatory for all working in the area to use ear muffs to minimise exposure.

In 2010, 111 employees were due for their annual medical surveillance check-up and this was conducted in November.



Supply Chain Management

In 2010, we started a new procurement system for tendering and outsourcing high value items over RM 100,000. The amount of contracts allocated to e-bidding was 31.5%, tendering at 24.5%, competitive bidding at 34.8% and the remaining 9.2% was for confirmatory and urgent orders.

There were 35 e-bidding events conducted with an initial budgeted amount of RM 14.4 million. Through this tendering process, UEME saved 19.0% of the budget. Although 9.2% of the contracts were for confirmatory and urgent orders, we managed to save 27.2% of the initial budget of RM 9.1 million set aside for this purpose.

We also introduced a new job position of Vendor Development Officer in 2010. This recently created role resulted in a significant improvement on vendor management and vendor compliance to our Purchasing

Policy. Also there was improved monitoring on vendor performance and assessment within the datelines set.

To ensure quality and consistency, all interested suppliers are to conform to our internal standards and code of conduct before being approved as vendors. Potential suppliers are to provide details through a set of questionnaires on Quality, Environment, and Occupational Health and Safety Management System by our Purchasing Department. A yearly assessment is conducted to ensure that all our vendors and suppliers comply with the standards set. There were no suppliers blacklisted by the company in year 2010.

We narrowed down our list of suppliers to 301 from 308 in 2009. However, environmental performance of our suppliers decreased by 4.0% from 76.0% in 2009 to 72.0% in 2010. We are aiming to increase this percentage of compliance in the coming year ahead.

Supplier Management	Unit	Year		
		2008	2009	2010
Cost of all goods, materials, and services purchased	RM Million / Month	6.5	7.9	4.5
Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	%	8.0	29.0	23.0
Supplier breakdown by organisation and country	Total no. of suppliers	1,303 (30 non-local)	308 (12 non-local)	301 (12 non-local)
Performance of suppliers relative to environmental components of programmes and procedures	Rating (%)	68.0	76.0	72.0

Communications with our Customers

We have continued to provide our stakeholders and customers with the Scheduled Waste Management Guide and further engage them through dialogue sessions, seminars and exhibitions. Our customers are also able to reach us via our hotline and through our marketing personnel.

Our yearly customer satisfaction survey which is distributed to all our clients has helped us gauge our performance level as a company. In 2010, we received 52.5% responses. Of these 52.5%, the total satisfaction rate was calculated to be at 95.4%, slightly lower than the 97.3% rating reported in 2009. We hope to improve our customer satisfaction ratings in the coming years ahead. There were no complaints nor were incidences of non-compliance recorded concerning

the services provided. There were no breaches nor complaints related to customer privacy. We adhere to all necessary local regulations. There were also no incidences of non-compliance concerning marketing communications as all materials published (ie. our quarterly newsletter) had all necessary publishing permits via the Home Ministry (KDN).

Additionally, we give our customers a 5% rebate or discount if they are ISO 14001 certified. This programme has saved our customers a total of RM 661,787 over the past 3 years. It is our way of providing incentives to our clients who take the initiative to implement Environmental Management Systems in their companies.

Service Responsibility

The general public, customers and interested parties are encouraged to learn more about our operations and the importance of proper waste management; and in 2010, we had a total of 1,195 visitors. Out of these, 68.5% were students, 16.6% from government agencies, 7.6% were our customers, 4.2% NGOs and the remaining 3.2% were from elsewhere. We advise all interested parties to call our WMC or send a request in advance to ensure that we are able to accommodate all visitors effectively.

We would also like to report, that the environmental footprint of the range of services provided is still in the process of determining the boundaries for our life cycle assessment (LCA). However, priority for this action item has been reduced due to the many plant changes and expansion programmes being undertaken. We cannot conduct the LCA until the final plans for our WMC expansion has been finalised. Nevertheless, the compilation of data for establishment of the National Life Cycle Inventory Analysis database is on-going under the purview of SIRIM Berhad.



Caring For the Environment

Waste treatment and disposal is the core of our business and with that; we want to ensure all of our operations are carried out responsibly with minimal impact on the surrounding environment. Therefore, we carry out comprehensive monitoring of all possible environmental and consumption indicators such as resource use (water, energy and materials), ecological and noise monitoring. The result of our monitoring is presented in this section of our report.

GHG Emissions

Our emissions accounting is based on the GHG Protocol classification of direct and indirect emissions.

Scope 1.

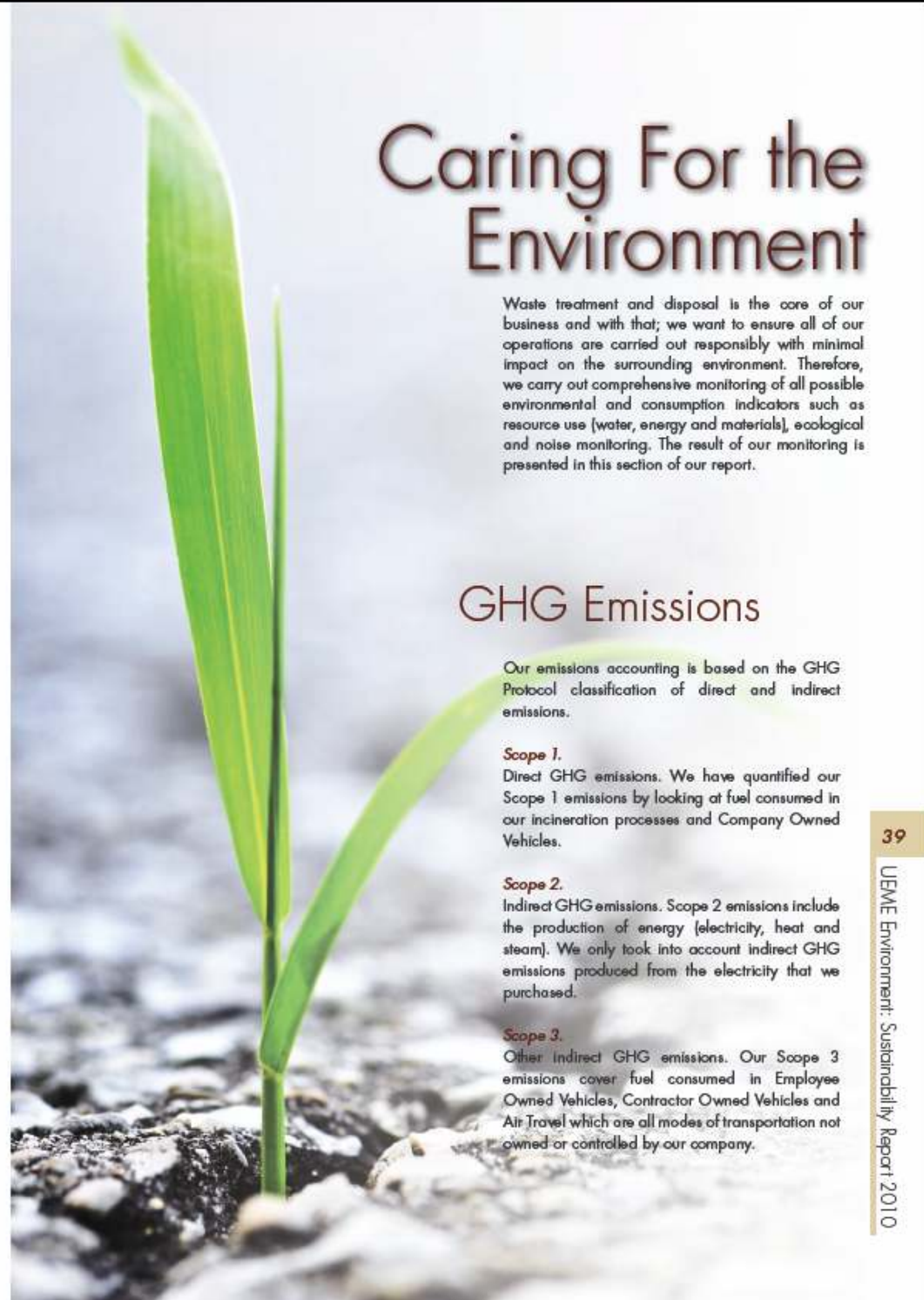
Direct GHG emissions. We have quantified our Scope 1 emissions by looking at fuel consumed in our incineration processes and Company Owned Vehicles.

Scope 2.

Indirect GHG emissions. Scope 2 emissions include the production of energy (electricity, heat and steam). We only took into account indirect GHG emissions produced from the electricity that we purchased.

Scope 3.

Other indirect GHG emissions. Our Scope 3 emissions cover fuel consumed in Employee Owned Vehicles, Contractor Owned Vehicles and Air Travel which are all modes of transportation not owned or controlled by our company.



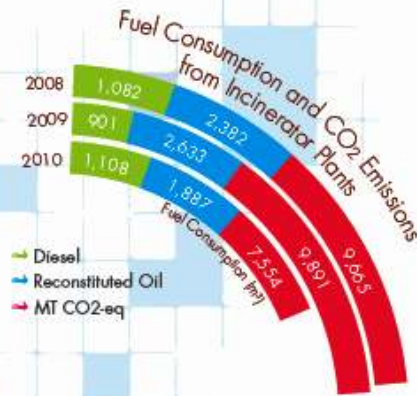
Scope 1 – Direct GHG Emissions

Plant Operations

We conduct most of our waste treatment and disposal through incineration before the remaining slag is landfilled. As a result, our incinerators consume a large amount of energy as they are operated all the time. We also extract oil from waste (known as reconstituted oil [RO]) on site to supplement our diesel use.

In 2010, diesel consumption increased by 23.0%, from 901 m³ to 1,108 m³ and RO consumption decreased by 28.3% to 1,887 m³ from 2,633 m³ compared to the previous year. Overall, the total amount of fuel consumed decreased by 15.3% from 3,534 m³ in 2009 to 2,995 m³ in 2010.

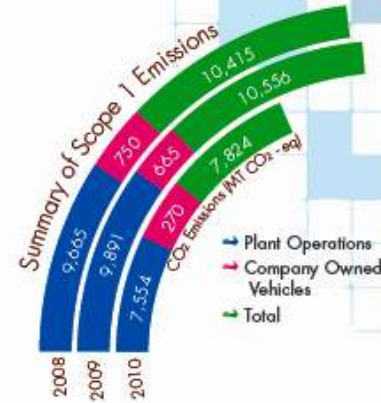
As a result of the reduction in the consumption of fuel at our incinerators, our GHG emissions declined by 23.6% from 9,891 MT CO₂-eq in 2009 to 7,554 MT CO₂-eq in 2010.



Company Owned Vehicles

GHG emissions from company owned vehicles are monitored by tracking and tabulating all fuel purchases used for Company Owned Vehicles such as cars, motorcycles, 4-wheel drives, vans, trucks and other heavy industrial vehicles.

In 2009, the consumption of fuel from Company Owned Vehicles emitted 665 MT of CO₂-eq GHG emissions however, in 2010, this figure was reduced by 59.4% (270 MT of CO₂-eq). The reduction can be attributed to a decrease in the number of vehicles owned.



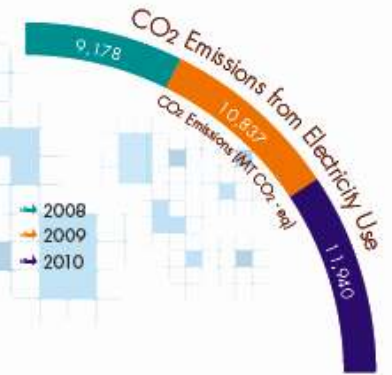
Summary of Scope 1 Emissions

As a result of the decline in the amount of fuel consumed at our incinerators and Company Owned Vehicles, our overall Scope 1 GHG emissions were 25.9% lower than the figures reported in 2009. The diagram illustrates our Scope 1 emissions trend from previous years:

Scope 2 – Indirect GHG Emissions

The emissions arising from our electricity consumption increased from 10,837 MT CO₂-eq in 2009 to 11,940 MT CO₂-eq in 2010. In fact, the trend over the past few years have shown an increase by about 10.2% each year due to the expansion of our operations.

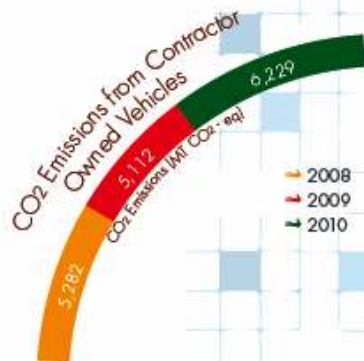
In total, we consumed almost 16 million kWh of electricity in 2010 with 95.6% consumed at the WMC. We are continually looking for ways to improve the efficiency of our plants and processes to ensure GHG emissions are kept as low as possible.



Scope 3 – Other Indirect GHG Emissions

Employee Owned Vehicles

In 2009, emissions from Employee Owned Vehicles rose by almost 90.0% from 2008 figures because a new directive was issued to all sales personnel to enhance customer relationship. Emissions arising from fuel consumed by our employee vehicles increased by 43.1% in 2010 to 345 MT CO₂-eq which is not as steep as the increase recorded from 2008 to 2009.

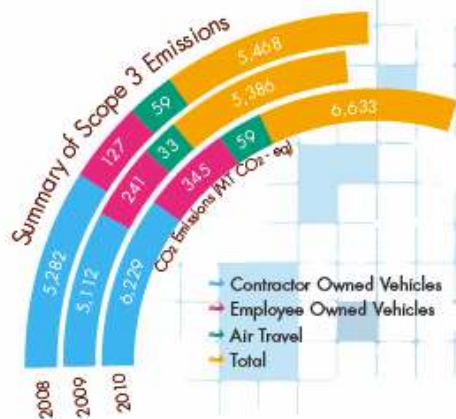
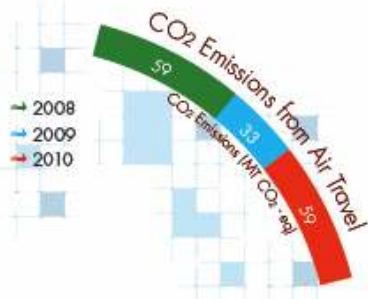


Contractor Owned Vehicles

The vehicles that fall under this category include those listed under Kualiti Alam, Kualiti Khidmat Alam and Kualiti Kitar Alam. Most of the vehicles owned by our contractors are heavy industrial transporters, waste collection vehicles and landfill compactors. GHG emissions arising from the use of Contractor Owned Vehicles increased by 21.9% in 2010 to 6,229 MT CO₂-eq, increased from 5,112 MT CO₂-eq GHG emissions in 2009. Fuel consumption at all 3 subsidiaries showed an increase attributed from the growth in our operations.

Air Travel

The amount of air travel for business increased in 2010 as there were at least 78 different trips organised, whereas in 2009, there were only about 59. There were also more long haul flights in 2010 and this contributed to the 80.7% increase in CO₂-eq emissions from 33 MT in 2009 to 59 MT in 2010. GHG emissions were measured from point to point, including the number of employees on board.



Summary of Scope 3 Emissions

The diagram summarises our total Scope 3 emissions for the year 2010 which shows an increase by 23.2%.

Total Emissions

The following table provides the full breakdown of our emissions and its sources:

Scope	Emission Source	Total Emissions (MT CO ₂ -eq)		
		2008	2009	2010
1	Plant Operations	9,665	9,891	7,554
	Company Owned Vehicles	750	665	270
	Subtotal	10,415	10,556	7,824
2	Electricity Consumption	9,178	10,837	11,940
	Subtotal	9,178	10,837	11,940
3	Employee Owned Vehicles	127	241	345
	Contractor Owned Vehicles	5,282	5,112	6,229
	Air Travel	59	33	59
	Subtotal	5,468	5,386	6,633
Grand Total		25,061	26,779	26,397

The total GHG emissions in 2010 was 26,397 MT CO₂-eq, approximately 1.4% lower than that reported in 2009. This reduction was due to improved efficiency of our operations in spite of increasing volume of waste treated.

In terms of efficiency, our emissions per MT of waste treated declined to 0.1711 MT CO₂-eq, which is 12.9% lower than that reported in 2009.

Year	Total Waste Treated (MT)	Total CO ₂ Emissions (MT CO ₂ -eq)	CO ₂ Emissions per MT of Waste Treated (MT CO ₂ -eq/ MT waste treated)
2008	125,708	25,061	0.1994
2009	136,266	26,779	0.1965
2010	154,241	26,397	0.1711

GHG Management Programme for Our Operations

After quantifying our GHG emissions for the past 4 years, we are embarking on a company-wide project to manage and reduce our emissions. This initiative will be implemented in several stages across all our operations. As a first step, our reduction efforts will focus on monitoring fuel consumption (Scope 1) for all our incinerators at WMC.

For the purposes of reducing GHG emissions, 2007 is used as our baseline year. In that year, our fuel consumed was 3,567m³. From here, we aim to ensure that our current emissions are 3.0% lower than our baseline.



Tree Tagging Project

Since this initiative was started in 2008, a total of 798 trees were tagged. In 2009, we recorded 796 trees but this figure went down to 775 trees in 2010 due to loss from development works. In 2010, we replaced 16 trees and will look into the implementation of a 1 to 1 tree replacement policy in 2011.



Continuous Improvement Programmes

We also conducted numerous projects throughout the year and have highlighted some improvements.

Acetylene Plant

At present, there are no licensed contractors or approved facilities to manage and dispose unused or waste gas cylinders in Malaysia. These unused cylinders are stored and eventually disposed by unlicensed contractors or recyclers who sell these cylinders as scrap metal. These gas cylinders are classified as hazardous waste due to their contents which are flammable as well as toxic. They may also contain asbestos if they are manufactured before the year 1984 which means that these cylinders have to be disposed off in a proper manner. Due to overwhelming requests from various gas manufacturers, a programme to collect and treat these cylinders as part of our hazardous waste treatment services was developed.

We commenced operations in December 2010 at our new Acetylene Plant. The plant is expected to be in full operation by 2011 and is capable of processing 40 cylinders a day. This new plant is expected to generate a savings of RM 532,493 a year.

Oily Sludge Plant (commencing operations in 2011)

This plant is being set up to pre-treat oily sludge by separating the sludge into 2 components, oil and sludge; thereby reducing the need to incinerate oily sludge. The recovered dry sludge will be sent to the landfill and the recovered oil will be recycled. This plant is able to treat a total of 12 MT of oily sludge/day and will be fully operational by 2011 with an expected savings of RM 619,206 a year as compared to the cost of incineration.

Spent Caustic Plant (commencing operations in 2011)

The spent caustic plant is estimated to be completed in 2011 with operations commencing the same year. The plant has been designed to pre-treat 8 MT of spent caustic/day by turning the waste into salt and water instead of being sent for incineration. Spent caustic is usually generated from various industrial processes such as the refining of petroleum and contains the following chemicals – hydrogen sulphide, mercaptans, phenols, cresols and naphthenes. This new plant is expected to generate a savings of approximately RM 848,433 a year as compared to cost of disposal via incineration.



Other Projects

Other projects conducted on site were:

1. Converted the Cyanide Reactor into a Normal Treatment station to improve our capacity in handling neutralisation. We expect this project to generate approximately RM 2.4 million in added value per year.
2. Installation of a BMS was conducted to consolidate our control system at INC 1 for safety and efficiency purposes. Payback expected would be the elimination of bypass systems, minimised plant downtime, reduced troubleshooting time, easier interconnection with the plant monitoring and control system, and easier monitoring of problems when it arises.

Plant-On-Waste (POW) improvement was also conducted at KAMI plant which increased its capacity from 20 MT to 30 MT a day; an improvement from its initial performance during testing and commissioning in 2009. We expect this POW activity to save RM 1.8 million each year.

In addition, Kualiti Kitar Alam reduced the disposal cost of RO residue, with an expected savings of RM 67,228/year in disposal costs.

We continued implementing energy saving measures as part of our Six Sigma programme in 2010. There were a total of 3 initiatives taken as detailed in the table below:

Initiative	kWh/year(Mean)		Savings	
	Before (2009)	After (2010)	kWh/year (Mean)	%
one Utilising electronic ballasts and energy saving fluorescent lighting (670 units) at the Administrative Building.	148,193	35,629	112,564	76.0%
two Installation of an inverter at the motor drum handling conveyor at Unit 5.*	447,984	169,776	278,208	62.0%
three Switching from R22 gas to HC22A coolant in 13 air conditioning units.	72,634	70,936	1,698	2.0%

*Unit 5 is a waste pre-treatment plant at WMC

We estimate our savings to be RM 110,284 through the reduction of electricity consumption of 392,470 kWh/year; with a corresponding reduction in GHG emissions by 295 MT CO₂-eq this year.

Plant Downtime

Our rate of unplanned downtime increased by 4.0% compared to 2009 mainly due to boiler tube failure at INC 1 and prolonged annual maintenance shutdown for INC 2 and INC 3. The increase in downtime hours at the Solidification (Soli) and Physical Chemical Treatment (PCT) plants were mainly due to a shortage of waste.

The overall actual number of hours of downtime was 1,190 hours which is a 31.7% increase compared to 2009. We will continue working towards minimising unplanned downtime of our operations in the coming year.

Year	2009 (Hours)			2010 (Hours)			
	Location	Actual Downtime	Target Running Time	%	Actual Downtime	Target Running Time	%
1	INC 1	442.00	8,760.00	5.1	779.50	8,760.00	8.9
2	INC 2	1,130.00	8,760.00	12.9	2,098.00	8,736.00	24.0
3	INC 3	1,195.00	8,760.00	13.6	1,143.00	8,736.00	13.1
4	SOLI	353.62	1,486.35	23.8	400.00	1,334.55	30.0
5	PCT	628.50	2,655.00	23.7	518.85	2,685.80	19.3
	Total	3,749.12	30,421.35	12.3	4,939.35	30,252.35	16.3



Resource Use

Water

Water consumption at our premises recorded an increase of 21.2% compared to the previous year. This was mainly due to the increase in water usage at our WMC and the opening of 3 E-Idaman new offices in Yan, Langkawi and Kangar.

2010 sees us reporting on our operations at Special Builders and Kualiti Khidmat Alam regional offices. In 2009, we only recorded water usage for Kualiti Khidmat Alam office at Faber Towers.

Our operations at WMC consumed the most amount of water at 114,448 m³ (excluding recycled water). We recycled water from our SWTP and the Leachate

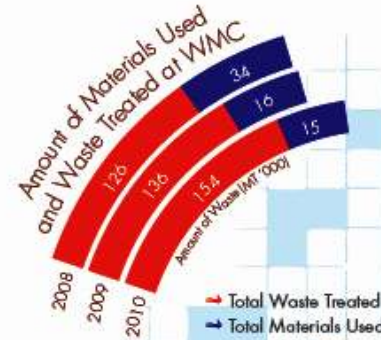
Treatment Plant (LTP). This brings the total volume of water utilised to 382,659 m³ in 2010, a decrease of 29.1%, as compared to 2009.

The volume of recycled water consumed decreased approximately 10% from 2009 to 2010 due to water efficiency improvement works at the quench and cooling towers.

Overall, our water efficiency rate was 2.48 m³ of water per MT of waste treated for 2010. This is an increase of efficiency by 37.4% per MT of waste treated. This was achieved because majority of the waste treated did not require water.

Location	Water Consumption (m ³)	Percentage (%)
ADKA	47	0.04%
2 E-Idaman	3,420	2.81%
3 Special Builders	3,519	2.89%
4 UEME Corporate HQ	138	0.11%
5 WMC (Kualiti Alam+Kualiti Kitar Alam)	114,448	93.98%
6 Kualiti Khidmat Alam (Regional Offices + Faber Towers)	209	0.17%
Total	121,782	100.00%

	Source	Water Consumption (m ³)		
		2008	2009	2010
External Water	JBA	103,765	99,800	114,448
2 Recycled Processed Water	SWTP	278,192	385,612	220,344
	LTP	66,297	54,469	47,867
Total Water Consumption		448,254	539,881	382,659
Percentage Recycled		76.9%	81.5%	70.1%



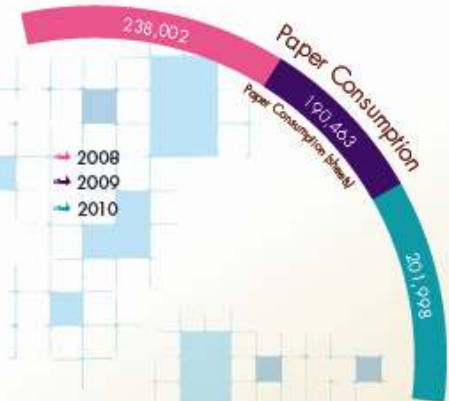
Material Use

We are pleased to report that our efficiency rate increased by 17.2% as we consumed less materials (reduction of 6.3%) to treat more waste (increase of 13.2%). The trend from previous years is shown in the diagram:

Paper

We began charting our paper consumption in 2008 and started implementing a paper recycling programme in 2009. In 2010, we consumed 201,998 sheets of paper (approximate 6.1% increase) as compared to 2009 due to the printing of tender documents and project papers for local and overseas projects.

We are looking into paper reduction programmes to be implemented across our Group of Companies, as well as exploring the potential for creating a paperless environment.



Environmental Performance

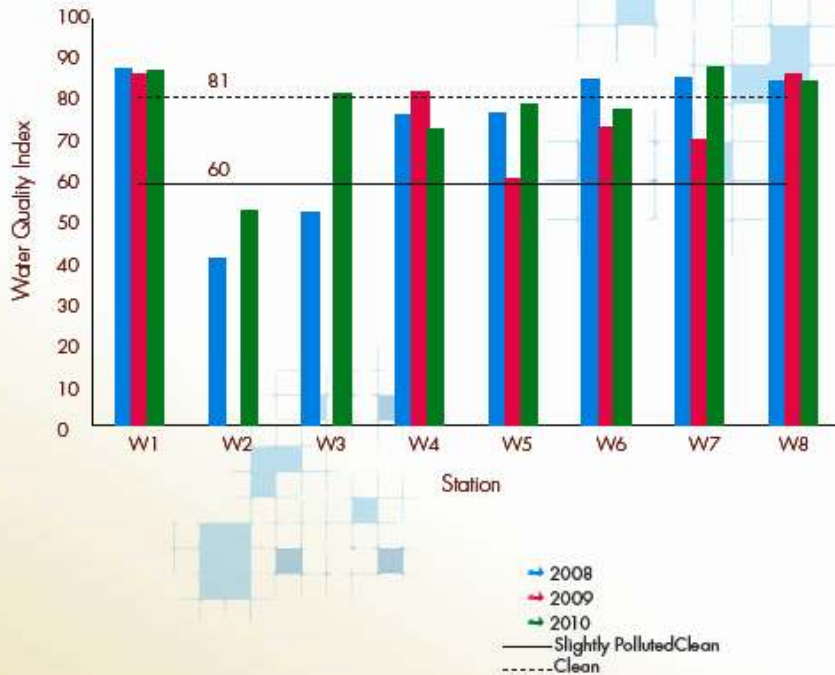
Surface Water Quality

In 2010, our STP was under maintenance. However surface water monitoring was still conducted including desludging works by Indah Water.

The Water Quality Index (WQI) had an average index of 76 in 2010 which means that the surface waters tested falls under the slightly polluted category. The higher the value of the WQI index, the cleaner the water is.

The WQI Index of 76, places the waterways around the vicinity of WMC under Category II, according to the Interim National River Water Quality Standards of Malaysia.

WQI for Surface Water Monitoring



Groundwater Quality

Other than surface water quality monitoring, we continued to carry out groundwater monitoring at 7 locations. Out of these 7, 6 are located around WMC and the remaining is located at Kg Jimoh Lama. We benchmark our results against the National Guidelines for Raw Drinking Water Quality (NGRDWQ) which is a standard used for groundwater. Monitoring was not conducted at Kg Jimoh Lama Station in July due to the malfunction of our equipment. With the exception of Kg Jimoh Lama, other stations were monitored 4 times in 2010.

Parameters	KJL	WW2	WW3	WW4	WW5	WW6	WW7	NGRDWQ
Mean (mg/L)								
1 Lead	0.04	0.04	0.04	<0.02	<0.02	<0.02	0.02	0.01 ^A
2 Copper	0.01	0.02	0.02	0.01	0.03	0.01	0.02	1
3 Zinc	0.79	0.06	0.07	0.07	0.07	0.06	0.14	3
4 Arsenic	<0.01	0.165	0.08	0.06	0.05	0.15	0.1	0.01
5 Cyanide	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	<0.01	-
6 Mercury	<0.001	<0.001	0.001	<0.001	<0.001	<0.001	0.001	0.001

^ANGRDWQ stands for National Guidelines for Raw Drinking Water Quality (Benchmark for groundwater)
^ANote that the Limit of Detection (LOD) is higher than the NGRDWQ Standard and therefore the actual concentration of lead in the water samples cannot be quantified.

We acknowledged that there were several parameters had exceeded NGRDWQ limits. We are planning to conduct borehole washing to prevent screen clogging by the end of 2011.

Air Quality

Ambient Air Quality Monitoring

We conducted monitoring of ambient air quality at both Kualiti Alam and Kualiti Kitar Alam operations. Kualiti Alam monitored a total of 6 sites, 3 of which are located within WMC compound and the remaining 3 located in the surrounding community. Kualiti Kitar Alam monitored a total of 2 sites.

The parameters for Kualiti Alam and Kualiti Kitar Alam vary due to different DOE requirements. In total, there were 12 parameters monitored for Kualiti Alam and 13 parameters for Kualiti Kitar Alam. There were no incidences of non-compliance to set regulatory limits.

Kualiti Alam

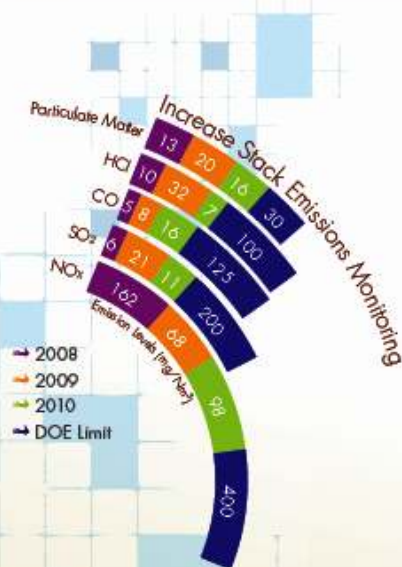
Parameters	2008	2009	2010	Limit (µg/m ³)
1 Arsenic (As)	0.057	0.045	0.012	0.3
2 Chlorine (Cl ₂)	2	<2	3.867	18
3 Chromium (Cr)	0.011	0.047	0.014	1.5
4 Iron (Fe)	1.008	1.020	0.454	4
5 Manganese (Mn)	0.222	0.043	0.014	2.5
6 Hydrogen Chloride (HCl)	2	<2	6.067	32
7 Mercury (Hg)	0.228	0.243	0.010	2
8 Nickel (Ni)	0.045	0.047	0.013	2
9 Nitrogen Oxides (NO _x)	2.233	0.600	<1.0	320
10 Antimony (Sb)	0.048	0.100	0.010	25
11 Sulphur Dioxide (SO ₂)	10.27	<2	10.108	350
12 Zinc (Zn)	1.033	0.133	1.770	120

Kualiti Kitar Alam

	Parameters	2010	Limit ($\mu\text{g}/\text{m}^3$)
1	Total Suspended Particulates (TSP)	71.00	260
2	Particulate Matter (PM10)	33.60	150
3	Sulphur Dioxide (SO ₂)	24.05	350
4	Carbon Monoxide (CO)	<1.0	35
5	Nitrogen Dioxide (NO ₂)	0.88	320
6	Ozone (O ₃)	<0.01	200
7	Lead (Pb)	0.08	1.5
8	Arsenic (As)	0.02	0.3
9	Cadmium (Cd)	<0.01	2
10	Copper (Cu)	0.11	50
11	Antimony (Sb)	<0.01	25
12	Zinc (Zn)	0.07	120
13	Mercury (Hg)	<0.01	2

Stack Emissions Monitoring

The results of our emissions monitoring on all 4 incinerator stacks are as shown in the diagram. There was an overall decrease in the emissions levels across all parameters except for NO_x; despite which are still below the DOE set limits.



We also conducted stack monitoring of the Sludge Dryer and Thermal Oil Heater under the operation of Kualiti Kitar Alam. There were no incidences of non-compliance to set limits.

Parameters	Concentration (mg/Nm ³ or otherwise stated)		Limits*	
	Sludge Dryer	Thermal Oil Heater		
1	Total Particulates	27.367	17.400	400
2	Nitrogen Oxides (expressed as NO ₂)	27.967	13.967	400**
3	Sulphur Dioxide (SO ₂)	7.450	<3.0	200**
4	Carbon Monoxide (CO)	25.800	8.050	125**
5	Hydrogen Sulphide (H ₂ S)	<2.0	1.500	7.6
6	Hydrogen Chloride (HCl)	0.035	0.123	400
7	Chlorine	0.020	0.040	200
8	Sulphuric acid (SO ₃)	0.043	1.433	200
9	TOCs (n-hexane)	0.400	0.055	20
10	Arsenic and its compound	<0.01	<0.01	25
11	Cadmium and its compound	0.010	<0.01	15
12	Chromium and its compound	0.010	0.100	-
13	Lead and its compound	<0.01	0.150	25
14	Mercury (Hg)	<0.01	<0.01	10
15	Copper and its compound	0.010	0.088	100
16	Antimony and its compound	<0.01	<0.01	25
17	Zinc and its compounds	7.600	4.137	100
18	Dioxin-Furan (ng ITEQ***/Nm ³)	0.011	0.008	0.1
19	Smoke Density (Ringelmann Chart)	0	0	1

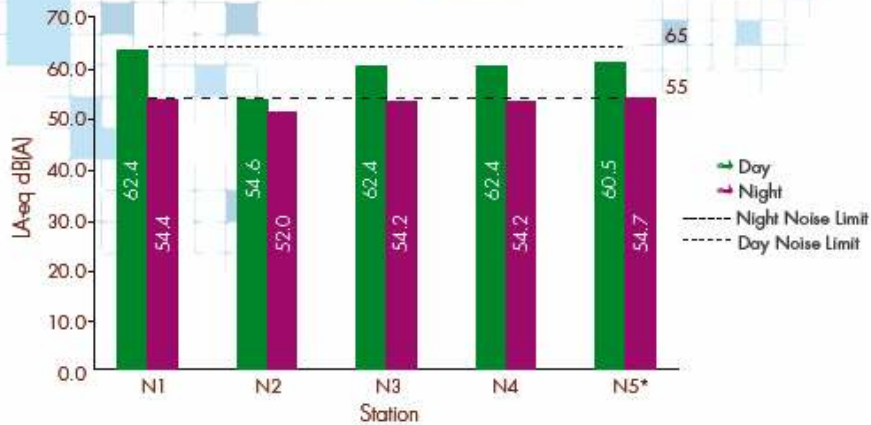
- * Limits as stated in the DOE license
- ** Typical limit imposed by the DOE for incineration processes
- *** ITEQ - International Toxic Equivalent Based on the 2,3,7,8-TCDD congener



Noise Monitoring

Noise monitoring was conducted at the stations N1 to N4, which are situated within WMC compound. The N5 station (which is also located within our WMC) was monitored by Kualiti Kitar Alam from April to December 2010. The noise limit for daytime has been set by the DOE at 65 dB(A) and 55 dB(A) at night time. There were no breaches of the set limits during the monitoring conducted in 2010.

Noise Monitoring Results



* N5 station is located at WMC but monitoring was conducted by Kualiti Kitar Alam



Preserving Biodiversity

We continued to conduct several types of biodiversity monitoring around the vicinity of WMC. This was done to ensure our operations have continued minimum impact on the flora and fauna.

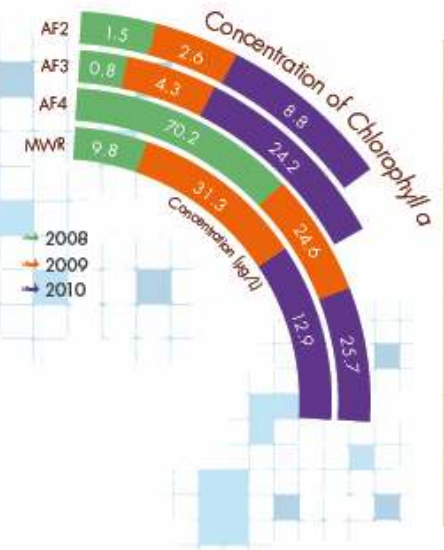
Bio-aquatic Monitoring

Bio-aquatic monitoring is done through random sampling of macro and micro organisms in aquatic areas. This is done to obtain species distribution information of the flora and fauna found in such areas. This type of monitoring is particularly useful to help us gauge the impact of our operations on the species found in the vicinity of WMC. The result from the bio-aquatic monitoring is called a "Diversity Index". This index is a figure used to determine the abundance of species and the variability of species found in the sampled area. The higher the index, the more diverse the species found in the area.



There was an overall increase in the diversity index for Fishes and Invertebrates, Phytoplankton and Zooplankton compared to previous years. All stations showed increased diversity indexes with the exception of AF4 for the monitoring of Zooplankton.

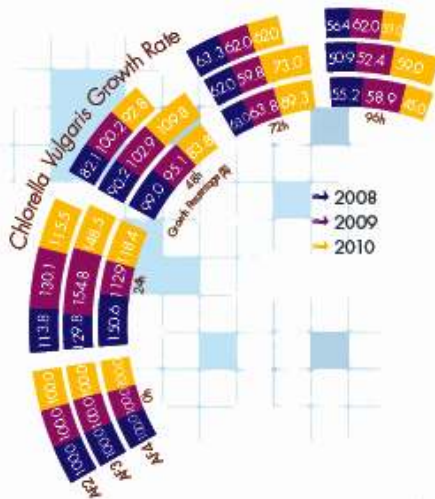
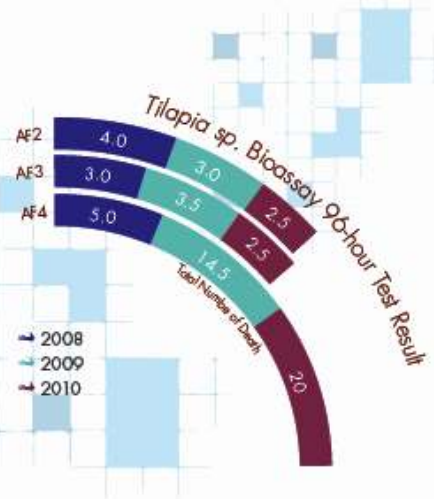
In spite of higher diversity indexes, the concentration of *Chlorophyll a* showed an overall increase from previous figures with the exception of the MWR station. The higher the concentration levels of *Chlorophyll a*, the poorer the water quality. This is because *Chlorophyll a* thrives in high nutrient environment.



Bioassay Testing

In addition to Bio-aquatic monitoring, we also conducted bioassay testing which involved monitoring the mortality rate of various aquatic species in a laboratory setting. This is done by storing these aquatic organisms in water samples to be tested over a period of time. The purpose of this test is to quantify the toxicity of the water that has been sampled from various waterbodies around the WMC. The 3 main species used were *Tilapia sp.*, *Chlorella vulgaris* and *Moina micrura*.

All stations recorded a decrease in the number of *Tilapia sp.* deaths with the exception of AF4. Further analysis will be conducted at station AF4 to evaluate the source of toxicity but in the meantime, desludging work will be carried out at selected silt traps near this station.



Stations AF2 and AF4 recorded a decrease in the growth percentage of *Chlorella vulgaris* but station AF3 recorded an increase. This indicates high levels of nitrogen and phosphorus in the water. We attribute this to various sources such as the accumulation of surface run-off at these stations or batch discharge from our silt traps. In the meantime, we are planning to carry out further studies by end 2011.



There was generally an increase in the mortality rate of *Moina micrura* with station AF4 recording a 100.0% mortality rate. *Moina micrura* is a species of zooplankton that is commonly used in bioassay testing to help gauge toxicity levels. Further analysis will be conducted at stations AF2 and AF4 to evaluate the source of toxicity and, desludging work will be carried out at selected silt traps near these stations.

Flora & Fauna Survey

We continued to carry out the flora and fauna surveys once a year on our property. In 2010, we documented 73 flora species, 12 of which are on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species. We also recorded 48 fauna species, 36 of which are found on the IUCN Red List, 2 on the CITES Appendix II and 1 listed under the Malaysian Wildlife Protection Act of 1972.

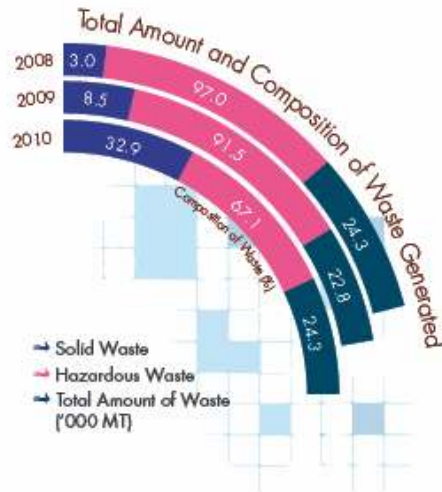
Flora Species				
Type of species	Total species	Listed under IUCN Red List of Threatened Species*	Listed under CITES Appendix II (Convention on International Trade in Endangered Species of Wild Fauna and Flora)	Listed under Malaysian Wildlife Protection Act of 1972
1 Woody Trees	26	7 (2VU+2LC+3CR)	None	None
2 Shrubs & Herbaceous Plants	30	4 (3VU+1LC)	None	None
3 Ferns and Ferns-allies	14	1 (CR)	None	None
4 Palms	3	None	None	None
Fauna Species				
1 Frogs	6	5 (LC)	None	None
2 Mammals	6	5 (LC)	2 (Long-tailed macaque & common treeshrew)	1 (Musang Tenggalong)
3 Birds	29	26 (LC)	None	None
4 Grasshoppers, Dragonflies and Butterflies Species	7	None	None	None

* The IUCN Red List categorises a given species according to the degree to which it is threatened. The categories are as follows: Least Concern (LC), Near Threatened (NT), Vulnerable (VU), Endangered (EN), Critically Endangered (CR), Extinct in the Wild (EW), and Extinct (EX).

Waste Management

The total amount of waste generated in 2010 increased slightly by 6.6% from 22,824 MT in 2009 to 24,323 MT in 2010, taking into account waste generated by operations at Kualiti Alam, Kualiti Kitar Alam and Special Builders. The ratios of solid waste and hazardous waste also changed during this period of time. The amount of hazardous waste decreased from 91.5% of the total waste composition to 67.1%.

The diagram charts the amount of waste generated from our operations over the past 3 years.



End-of-Life Vehicle Programmes

Since the ELV programme commenced in 2009, we have recycled a total of 45,368 cars. In 2010, we collected 21,310 cars and decommissioned 34,262 cars. Our recovery rate in 2010 at 161.0% is due to backlog from previous year.

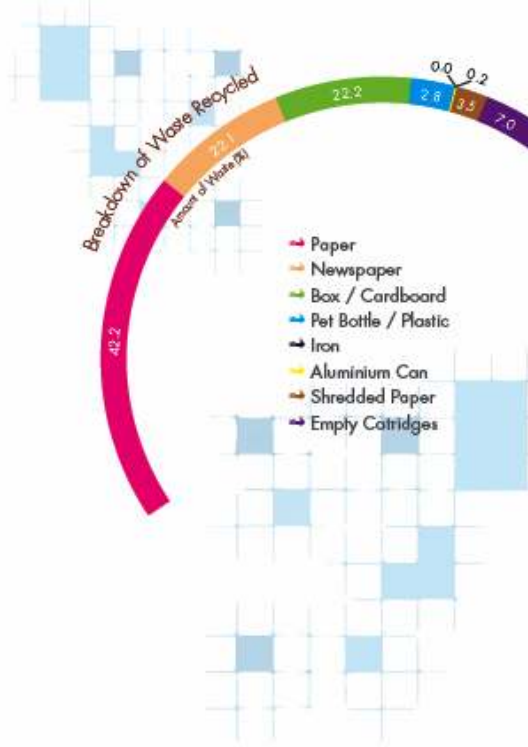
The type of waste recovered is shown in the following table.

Metric Tonnes (MT)	2009	2010
1 Ferrous waste	5,670	20,557
2 Non-ferrous waste	990	2,948
3 Plastic	900	2,680
4 Rubber	450	1,340
5 Batteries*	11	144
6 Oil*	4	128
7 Solid waste	575	6,465

* Hazardous Waste

The amount of solid and hazardous waste collected is fed back into the overall waste stream of our operations, the total of which is shown in the Waste Generation Composition diagram. The rest of the recovered waste such as ferrous waste and rubber is sold and recycled by a third party.

Internal Recycling Programme



We continued implementing the recycling programme at all our offices and expanded our recycling programme to E-Iaman main office. There were in total, 10 types of recyclables which included paper, metals, glass, plastic and printing cartridges. In 2009, we collected 4,181 kg while in 2010 we collected 3,242.5 kg. The decline was due to a reduction in the amount of waste generated. We collected mostly paper and paper products for recycling but in total, we managed to prevent over 3.2 MT of recyclable materials from going into the waste stream.

The diagram provides a breakdown of the types of waste generated.

In addition to our office recycling programme, we also implemented a recycling initiative at our Kualiti Alam operations. There, we collected recyclable plastic waste such as drum bums, drum presses and plastic pails which can then be sold to third party recyclers or reused. In total, we managed to collect almost 3,544 MT of such waste for recycling and reused.



Financial Performance

As the Malaysian economy recovers from the worldwide recession, we are confident that our business strategy will see us through these challenging times. We have been able to maintain our business growth year on year and 2010 was no different.

Our net sales grew by almost 15.7% from RM 202.9 million in 2009 to RM 234.8 million in 2010 in spite of rising fuel costs which means higher costs for our operations. We increased the number of staff working for us and also spent 12.4% more on remuneration for our staff. Our financial performance in detail is shown as below:

	2009 RM '000	2010 RM '000
Value Added:-		
Revenue	202,867	234,837
Purchase of goods and services	(80,370)	(87,025)
Provision for development costs	500	
Specific provision for doubtful debts	80	(1,427)
Other income	1,989	2,742
Admin and sales & marketing	(13,094)	(13,741)
Share of results of associates	(137)	754
Value Distributed:-		
To Employees		
- Salaries & other staff costs	20,808	23,380
To Government		
- Income tax (including deferred tax)	8,892	15,537
To Communities and Others		
- Corporate donations and sponsorships	159	130
To Providers of Capital		
- Dividends to preference shareholders of the Company	2,215	
- Dividends to minority shareholders in subsidiaries		
- Finance costs	1,228	3,753*
Retained for future reinvestment & growth		
- Depreciation & amortisation	45,350	52,009
- Retained profits/(losses)	33,121	41,347
- Minority interests	62	(18)

* Upon the adoption of amendment to FRS132 in 2010, the dividend of RM2.2mil paid to the holder of the Redeemable Cumulative Preference Shares (RCPS) in 2010 is classified as finance costs.

There were no investments made by the company that impacts on human rights. We did not receive any financial assistance in the form of grants or loans from the government, nor did we contribute to any political organisation. We are pleased to report that there were no incidences of legal action taken against the company for anti-competitive behaviour, anti-trust and monopoly practices. We also did not participate in any form of lobbying nor public policy development.

Corporate Governance

To remain successful, all of us at UEME must earn the trust and confidence of the people we deal with every day; our colleagues, customers, regulators and anyone else with an interest in our organisation. We all have a responsibility to safeguard and contribute positively to our people, the environment and the communities around us.

We operate in accordance to the corporate governance requirements of the UEM Group, of which we are a subsidiary. As such we subscribe to the UEM Group's Code of Conduct, which emphasises our corporate values, representing the minimum standard of behaviour and ethical conduct expected of our employees.

Risk Management

Risk management is a vital part of corporate governance. At UEME, it is integrated into the planning and implementation of our business strategies. We manage our risk profile through 7 core activities:

- Common Risks
- UEME as an investment holding
- Overseas ventures
- Kualiti Alam
- UEME's investment in E-Idaman
- Special Builders
- Kualiti Kitar Alam

The risk management policy of UEME aims to put in place adequate and effective management processes. This is to help us achieve our business objectives and also to provide reasonable assurances to the Board and other stakeholders on the state of internal controls. We believe that by mapping out our risks, we are able to increase our shareholders' value and confidence.

We have classified our risks into 9 main categories which are External, Perception, Country, Business and Strategic, Financial and Funding, Customers/Products/Services, People, Internal Processes and Technology.

To effectively manage risks across the UEME Group, risk assessments are conducted to identify:

- Likelihood or probability - the expected frequency of a risk occurring
- Impact - the expected level of effect on the company if a risk occurs
- Effectiveness of the Management Action Plan in place to manage risks

In 2010, the Risk Register of UEME and its Group of Companies was provided for review and discussion to the Risk Management Committee (RMC). The RMC meets to periodically review any changes to the overall risk profile.

As at December 2010, the UEME Group has identified in total, 113 risks of which 22 are rated significant (representing 19.5% of total risks). The identified risks are rated and take into account the effectiveness of current mitigating factors and controls in place. As a whole, the risks faced by UEME Group will be managed based on this existing framework of processes and policies.

We have yet to fully integrate climate change risk into our risk management policy; however, we will seek to do this in the near future.

Our Corporate Achievements Awards

In 2010, a total of 9 awards were received in recognition for our performance; an increase of 2 awards. The following summarises our company's achievements:

Date	Award
1 13 th May 2010	Kualiti Alam and Kualiti Khidmat Alam won the prestigious international 2010 Royal Society for the Prevention of Accidents (RoSPA) Gold Award for the company's Occupational Health and Safety Performance respectively.
2 13 th May 2010	Kualiti Khidmat Alam won a 2010 RoSPA Silver Award for "Managing Occupational Road Risk".
3 30 th July 2010	Kualiti Alam and Kualiti Khidmat Alam won the 2009 MSOSH OSH Gold Class 1 and Class 2 Award respectively from the MSOSH for its OSH record and practice at its WMC.
4 30 th July 2010	Kualiti Alam's innovation "Fluorescent Lamp Dispersant - the Bulb Eater" has won the 2010 UEM Group Sri Cipta Award at Malam Anugerah Kumpulan UEM.
5 7 th August 2010	Kualiti Alam won Best OSH Award in the Environmental category of MOSHPA.
6 8 th November 2010	UEME's 2008 Sustainability Report was named "1st Runner-Up" at the Malaysia Sustainability Reporting Awards 2010 by ACCA-MaSRA.
7 10 th December 2010	Kualiti Alam received its 8th consecutive Institut Kimia Malaysia Excellence Award for excellent laboratory practice and competency.
8 21 st December 2010	Kualiti Alam received the most prestigious award the 2009 National Council for Occupational Safety and Health (NCOSH) Excellence Award in the category of Utility Cleanliness.



Certifications

Special Builders successfully obtained its certification for ISO 9001:2008, ISO 14001:2004 and OHSAS 18000:2007 on 8th December 2010 for the management of used vehicle disassembly, crushing and recycling.

Also, in September 2010, we achieved certification to the Malaysian Standard in Occupational Safety and Health MS 1722: Part 1: 2005.



Assurance Statement

Introduction

Bureau Veritas has been engaged to provide assurance services to UEM Environment Sdn Bhd. This Assurance Statement applies to the Sustainability Report 2010 (the 'Report').

The preparation of the Report and its content is the responsibility of UEM Environment Sdn Bhd. 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 low to mid-level assurance on employment, health and safety and working conditions via information provided.
- > **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 UEM Environment Sdn Bhd records, independent monitoring records, environmental controls, Waste Management Center (WMC) and Eldaman site visits, UEM Environment Sdn Bhd policies & practice implementation, select factual & numerical data analysis.
- > **Community:**
Verification through low to mid-level assurance via UEM Environment Sdn Bhd practices / procedures, training records, limited financial data, attendance records, UEM Environment Sdn Bhd management / inspection records, etc.

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

UEM Environment Sdn Bhd aims to provide the A+ Application level which requires reporting on the Standard Disclosures which include on all criteria for G3 Profile disclosures, management approach for each indicator category.

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.

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Basis of our opinion

In conducting this engagement we have considered the following guiding principles:

- ❑ The principles of materiality, stakeholder inclusiveness, sustainability context, completeness, 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 Sdn Bhd personnel and the audited income statement 2010 by Ernst & Young.

Where we have provided assurance over numeric information, this has been achieved through review of consolidation processes and databases held at the Headquarters, UEM Environment Sdn Bhd, 13-1, Mercuri UEM, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

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 and displays such as awards, photos and pictures, minutes of meeting, correspondences, circulars, receipts, Production Monthly consumables expenditure 2010, Shell supercard annual statement, Petronas Smartpay statement, plant consumable record, daily process operations, waste water management plant monthly, Environmental monitoring programme for Malaysian integrated scheduled waste collection, treatment and disposal project, monthly diesel consumption, inventory record of waste, TNB bill., electricity monthly report summary, water bil monthly, General ledger, Tracking of accident /incident corrective & preventive action, Safety and health committee 2010 chart, Plant safety audit report, noise exposure monitoring report by Aziz EHS consultant, training calendar record, Google map, Notification of accident/incident, Environmental safety and health Inquiry/suggestion/complaint form, invoice from Cangih Pesaka, Invoice from travel agency, Summary report from operation, Lembaga Air Perak water bill, Diesel & vehicle management report monthly, summary payment water billing, risk management report, Buletin KASB, Intouch Kualiti Alam, etc.
- ❑ 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 Waste Management Center (WMC) office and Eldaman HQ office 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.

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During our investigation we discussed the necessary changes in the Report with UEM Environment Sdn Bhd 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 based on UEM Environment Sdn Bhd presented data.
- ❑ The Report provides a fair representation of UEM Environment Sdn Bhd's sustainability reporting activity for the period from 1st January 2010 up to the data collection deadline on 31st December 2010.

Areas for ongoing improvement

UEM Environment Sdn Bhd to consider highlighting more of the Eldaman's achievements.

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.



21st June 2011

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.

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Glossary

AECCOM	Association of Environmental Consultants and Companies of Malaysia
AFM	Asset & Facilities Management
AMCHAM	American Malaysian Chamber of Commerce
ANSWERS	The Association of Scheduled Waste Recyclers, Malaysia
BCSDM	Business Council for Sustainable Development Malaysia
BMS	Burner Management System
CAM	Customer Account Management
CHRA	Chemical Health Risk Assessment
CICM	Chemical Industries Council of Malaysia
CITES	Convention on International Trade in Endangered Species
CO ₂	Carbon Dioxide
DOE	Department of Environment
ELV	End of life Vehicle
EMS	Environmental Management Services
ENSEARCH	Environmental Management and Research Association of Malaysia
ENV-I	EnvironmentIldaman
ERT	Emergency Response Team
ESSL	Environment Support Services and Logistics
EVP	Employee Value Proposition
FMM	Federation of Malaysian Manufacturers
FRIM	Forest Research Institute Malaysia
GCC	Gulf Cooperation Council
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
HRA	Human Resource & Administration
ICS	Industrial Cleaning Services
ITEQ	International Toxic Equivalent
IUCN	International Union for Conservation of Nature
JBA	Jabatan Bekalan Air
JKKK	Village Development and Security Committee
KA	Kualiti Alam
KAMI	Kualiti Alam Mind Innovation
KDN	Home Ministry
KESUKA	Kualiti Alam's Sports and Charity Club
KKA	Kualiti Khidmat Alam
KKJ	Kualiti Kitar Alam
KPI	Key Performance Indicator
LCA	Life Cycle Assessment
LOD	Limit of Detection

LTI	Last Time Injury
LTP	Leachate Treatment Plant
MAMPU	Malaysian Administrative Modernisation and Management Planning Unit
MDBC	Malaysian Danish Business Council
MCCI	Malaysian International Chamber of Commerce and Industry
MIS	Management Information Systems
MOSHPA	Malaysian Occupational Safety and Health Professional's Association
MSOSH	Malaysian Society for Occupational Safety and Health
MT	Metric Tonnes
NCOSH	National Council for Occupational Safety and Health
NGOs	Non-government Organisations
NGRDWQ	National Guidelines for Raw Drinking Water Quality
NOx	Nitrogen Oxides
OHSAS	Occupational Health and Safety Management Systems
OSH	Occupational Safety and Health
PCT	Physical Chemical Treatment
PEL	Permissible Exposure Limits
PINTAR	Promoting Intelligence, Nurturing Talent and Advocating Responsibility
PIP	Performance Improvement Plan
PLUS	Projek Lebuhraya Utara Selatan Berhad
POW	Plant-On-Waste
PPE	Personal Protective Equipment
RCPS	Redeemable Cumulative Preference Shares
RM	Ringgit Malaysia
RMC	Risk Management Committee
RO	Reconstituted Oil
ROE ex-El	Return on Equity excluding Exceptional Items
RoSPA	Royal Society for the Prevention of Accidents
SDS	Sludge Destabilisation System
SHC	Safety and Health Committee
SHE	Safety, Health & Environment
SHEQ	Safety, Health, Environment and Quality
SSFM	Support Services and Facilities Management
STP	Sewage Treatment Plant
SWTP	Storm Water Treatment Plant
UEM	UEM Environment Sdn. Bhd.
WMAM	The Waste Management Association of Malaysia
WMC	Waste Management Centre
WQI	Water Quality Index

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Feedback Form for Sustainability Report 2010

We welcome your feedback on our Sustainability Report 2010 and other suggestions in general for future improvement. Please complete this feedback form and return it via fax, post or email to the following:

Ahmed Norhafiz Dahalan
Corporate Communication Department
 Fax No.: 03-2727 2100
 Email: norhafiz@kualitilam.uemnet.com

An electronic version of this form is also available at our website www.kualitilam.com.

- How would you rate the quality of the report?
 Excellent Good Satisfactory Poor
- How do you find the information presented in the reports?
 Comprehensive and clear Satisfactory Incomprehensible

If you find it incomprehensible, please elaborate:

- Do you think this report covered all of the important issues relating to sustainability?
 Yes No
- What issues do you feel have been left out of our 2010 Report? Why do you consider these issues to be important?

Please tick the following 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)

Your name and address (optional) _____
 Organisation _____
 Telephone number (home/office) _____
 Email address _____

REQUEST FOR A PRINTED COPY OF THE UEM ENVIRONMENT SUSTAINABILITY REPORT 2010 – "PARTNERING WITH OUR COMMUNITY"

Name _____
 Telephone number (home/office) _____
 Email address _____
 Address _____

stamp

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2010 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 besides the management team on pages 10 and 11 that have been helpful in contributing towards the successful publication of this Sustainability Report.