

SUSTAINABILITY REPORT

Economic

SUPPORTING THE SDGs

Goal 8

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- 8.1 Promote local businesses and indirectly the local economy through support on local procurement
- 8.2 Promote economy generation through development of projects that are labour-intensive



The Group ensures the business operations are aligned with all our governance aspects. This is essential to further strengthen the trust and confidence of our diverse stakeholders.



OUR PLAN

- Align to Government's policy to acquire products and services locally first for all our projects and developments
- No discrimination towards suppliers
- Support small and medium-sized suppliers
- Educate local suppliers on new procurement topics such as sustainable supply chain and digital procurement
- All major suppliers need to be of ISO 140001 certified in the future
- Ensure all business operations are aligned with Group's governance aspects

**"Good buildings come from good people,
and all problems are solved by good design."**

– Stephen Gardiner

Sustainability Report

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

(GRI 201-1)

WHY IT MATTERS

(GRI 201-1) (GRI 103-1)

Our financial growth is important for us to continue pursuing our business aspirations especially as a regional physical builder. Through positive performance and effective management, our Group strives to sustain investments through new business opportunities and growing operations. Our continuous growth indirectly promotes stronger contribution to gross domestic product (GDP) of the countries we operate, while directly improving local social conditions.

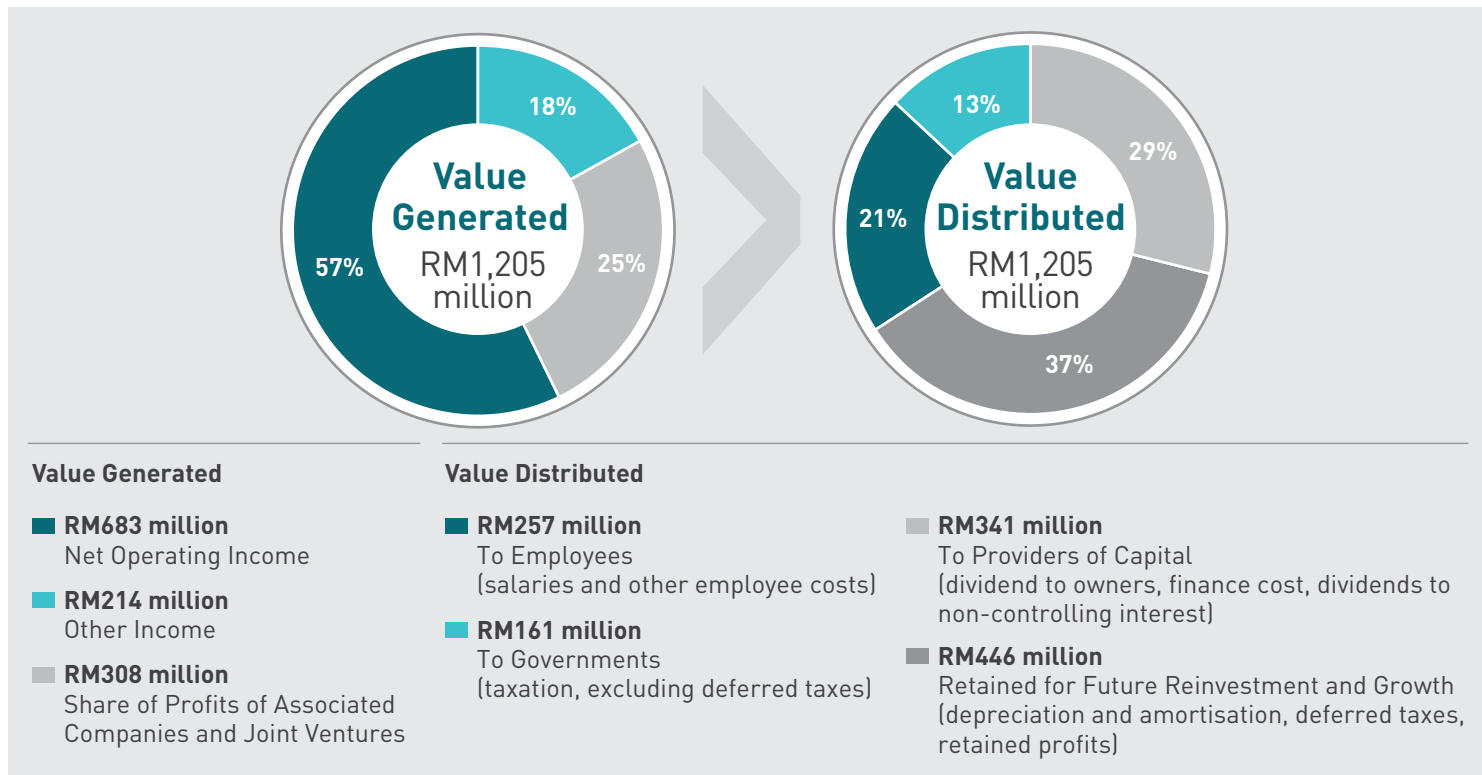


HOW WE APPROACH IT

(GRI 201-1) (GRI 103-2) (GRI 103-3)



As a Group, we are constantly striving towards the achievement of our goals and targets in the realm of economic performance while upholding our commitment to sustainable operations and the highest professional standards. The Group ensures the business operations are aligned with all our governance aspects. This is essential to further strengthen the trust and confidence of our diverse stakeholders. For further details on our corporate governance aspects, kindly refer to page 132 section of this report.



Our direct economic value distributed to stakeholders in FY2020

Further information on our economic performance can be found in:

- Statement from the Group Managing Director on pages 10 to 18
- Five Years Group Financial Highlights on pages 30 to 31
- Group Segmental Performance on page 32
- Statement of Value Added and Distribution on page 35
- Financial Statements on pages 176 to 351



LOCAL PROCUREMENT

(GRI 204-1)

WHY IT MATTERS

(GRI 204-1) (GRI 103-1)

As a leading engineering and construction group in Malaysia, Gamuda was responsible in building some of the nation's most important and strategic infrastructure, including the SMART tunnel, Electrified Double Track Project (Ipoh – Padang Besar) and the Klang Valley Mass Rapid Transit system. As an industry leader and a responsible corporate citizen, we recognise our role in spearheading the advancement of the construction sector by maintaining, nurturing and supporting a vibrant local supply chain. It is crucial for us to ensure that the spillover effect of the country's infrastructure investment properly flows through to medium and smaller contractors and suppliers down the value chain, ultimately achieving the objective of stimulating the local economy.

From the Group's perspective, sourcing locally results in multiple economic benefits. Local procurement contributes to improved risk management as we can secure timely delivery compared to overseas shipment. The Group always proactively engages its local suppliers and that gives us a tighter control over the product quality, as well as the time of delivery, while the total cost is often cheaper to buy local. This helps us to minimise the risk of project delays, cost overrun and ensure quality delivery. Local procurement also allows for more accurate budget forecasting and risk mitigation since many variable factors such as foreign exchange rates, tax implications, shipping and fuel surcharges are more predictable compared to overseas sourcing. Without the need to ship from abroad, we are essentially registering lower carbon footprint by sourcing locally while enabling local supply chain growth.

Gamuda IBS (Industrialised Building System), an end-to-end digital IBS solutions provider, sourced more than 90 percent of its requirements locally. The idea of Gamuda IBS is to mainly serve the local market (Malaysia). The materials sourced are from local suppliers. Even the factory is managed wholly by local talents. Gamuda IBS is a service product that promotes local supply chain while catalysing the local economy.



99%
Spent on local suppliers
in FY2020

- Local suppliers refer to companies registered in Malaysia.
- The percentage include the whole Group procurement value excluding joint ventures and associates (except for MRT Putrajaya Line – included in the percentage).
- Information for the percentage of spent on local suppliers for FY2020 has been assured through Limited Assurance exercise with Ernst and Young.



HOW WE APPROACH IT

(GRI 204-1) (GRI 103-2) (GRI 103-3)



We are aligned with the Government's policy to buy local products and services first for all our projects and developments. Our priority is to always procure through local suppliers, unless specified otherwise by a client, or when local suppliers are unable to meet the specified requirements for a certain product or service. We are open to all vendors and suppliers to submit their proposals without discrimination and in support of small and medium-sized suppliers, supplier companies owned by women or suppliers that are owned by or recruit workers from members of vulnerable, marginalised, and under-represented social groups.

In order to formalise and increase our local procurement, the Group has formed partnerships with local suppliers to customise many parts for the use of digital platforms, thereby reducing the need to import. We continuously engage all of our vendors and suppliers to better align our expectations on topics such as sustainability and quality. The Group also provides training for our suppliers and vendors, especially local service providers on newer areas of deliverables to ensure that they are exposed as the global ones. The most recent training that was conducted primarily focused on e-procurement using digitalised platform. We hope to create strong awareness on sustainable supply chain in the upcoming engagements. In extension of that aspiration, we hope to appoint only ISO 14001 certified suppliers as our major supplier by FY2021.

All matters related to local sourcing are overseen by the respective procurement heads of the projects, with the Group Procurement Director leading the group-wide processes for alignment.

OUR PERFORMANCE

(GRI 204-1)



It is Gamuda's common practice to prioritise domestic sourcing whenever possible, in support of the Malaysian Government's buy local first campaign. This is demonstrated through the 99 percent by value being spent on suppliers in Malaysia throughout FY2020. In a further breakdown, approximately 75 percent of the total amount spent in that year was for suppliers that are based in Greater Kuala Lumpur. The concentration of suppliers on the central region of Peninsular Malaysia reflects our significant locations of operation where most of our ongoing projects are based, which are mostly centred around Greater Kuala Lumpur. The proximity gives us greater assurance in timely delivery of supplies. We will continue striving to maintain at least 95 percent locally sourced product and services for our future projects as a support for our local supply chain.