

# GAINING MOMENTUM

Sustainability Report 2019



### Cover Rationale

In 2019, Malaysia Airports made progress on many fronts with our initiatives and programmes coming to fruition. Bearing testament to this are our results with passenger movements and revenues achieving new records. Also gaining traction was the commercial reset with non-aeronautical revenues on the rise. We assumed a leadership role within the airport community to make strides in the environmental, social and governance spheres. The cranes on the cover of this Sustainability Report are a symbol of how Malaysia Airports has given wings to our vision and mission, enabling our endeavours to take flight and deliver results to stakeholders. Therefore, 'Gaining Momentum' encapsulates our year in 2019.

### Feedback

Malaysia Airports is committed to continuously improve our reporting and we value input from our stakeholders in making these enhancements. Should you have any queries or feedback on this report, please contact us through the below channels:

**Phone:**

+603-8777 7000

**Email:**

CARE@malaysiaairports.com.my

**Address:**

**Malaysia Airports Holdings Berhad**

Malaysia Airports Corporate Office

Persiaran Korporat KLIA, 64000 KLIA, Sepang, Selangor Darul Ehsan, Malaysia



## About This Report

---

- 6 A Joint Message from our Chairman and Group CEO
- 12 2019 Snapshot
- 14 At a Glance
- 16 Where We Operate

## Reporting and Governance

---

- 18 Governance and Accountability
- 21 Materiality Process
- 27 Stakeholders
- 28 Stakeholder Engagement
- 33 How it all works together
- 35 Standards and Certification

## Practising Sensible Economics

---

- 37 Economic Performance
- 38 Airport Capacity
- 41 Regulatory Compliance: Anti- Competition
- 42 Digitalisation
- 44 Cybersecurity
- 46 Procurement Practices
- 48 Market Presence

## Environmental Consciousness

---

- 51 Waste and Effluent Management
- 53 Carbon Emissions
- 55 Water Management
- 56 Energy Efficiency
- 58 Noise

## Creating an Inspiring Workplace

---

- 60 Integrity and Anti-Corruption
- 62 Employee Engagement and Development
- 71 Diversity

## Community-Friendly Organisation

---

- 75 Contributions to Local Community

## Memorable Airport Experience

---

- 80 Airport Safety and Security
- 85 Total Airport Experience
- 90 Transportation and Connectivity

- 91 GRI Content Index
- 98 Independent Assurance Statement

# About This Report

## Introduction

(GRI 102-1, 102-32, 102-46, 102-54)

This Sustainability Report for Malaysia Airports Holdings Berhad (Malaysia Airports) for 2019 is presented in accordance with the GRI Sustainability Reporting Standards (GRI) – Core option and the relevant GRI Airport Operators sector disclosures (AO).

This report highlights the material matters relating to Malaysia Airports' stakeholders as depicted in the Materiality Matrix. This covers the key material matters as determined after internal consultation within Malaysia Airports as well as consultation with external stakeholders. Management has also determined the material matters which have the most impact on stakeholders for inclusion in this report.

This report has been approved by Malaysia Airports' Board of Directors and Management Executive Committee.

## Reporting Suite and Framework

This Sustainability Report forms part of Malaysia Airports' annual reporting suite for the financial year ending 31 December 2019 which comprises the following - Annual Report, Financial Statements, Sustainability Report and Airport Statistics. Together, they provide a comprehensive report of the Group's performance, activities and outlook as well as disclosure of the management of sustainability risks and opportunities within environmental, social and governance (ESG) parameters.

In addition, in line with the Malaysian Code on Corporate Governance and the Listing Rules of Bursa Securities Malaysia Berhad (Bursa Malaysia), we produce an annual Corporate Governance Report which is disclosed to Bursa Malaysia and the Securities Commission of Malaysia. This is a public document and is available through Bursa Malaysia's listing announcements as well as Malaysia Airports' corporate website.

The reports can be found online on our corporate website:  
[www.malaysiaairports.com.my](http://www.malaysiaairports.com.my)

## Scope and Boundary

(GRI 102-45, 102-46)

The consolidated financial statements of Malaysia Airports cover the entities contained in the group structure in the percentages shown in the corporate structure set out on Malaysia Airports' Annual Report for 2019.

Unless otherwise indicated, this Sustainability Report covers Malaysia Airports' operations in Malaysia anchored by its subsidiaries, Malaysia Airports (Sepang) Sdn Bhd (MA Sepang) which manages KLIA KL International Airport (IATA Code: KUL) comprising KLIA Main terminal and klia2, and Malaysia Airports Sdn Bhd (MASB) which manages the other airports in Malaysia apart from KUL. Unless otherwise stated, references to airport statistics, benchmarks, targets and activities refer to KUL being the largest operations hub of Malaysia Airports having the largest impact on stakeholders.

## Reporting Period and Cycle

(GRI 102-50, 102-51, 102-52)

This report covers the period from 1 January 2019 to 31 December 2019 unless otherwise stated. This follows from our previous Sustainability Report for the year ended 31 December 2018. We have been producing an annual Sustainability Report since 2009.

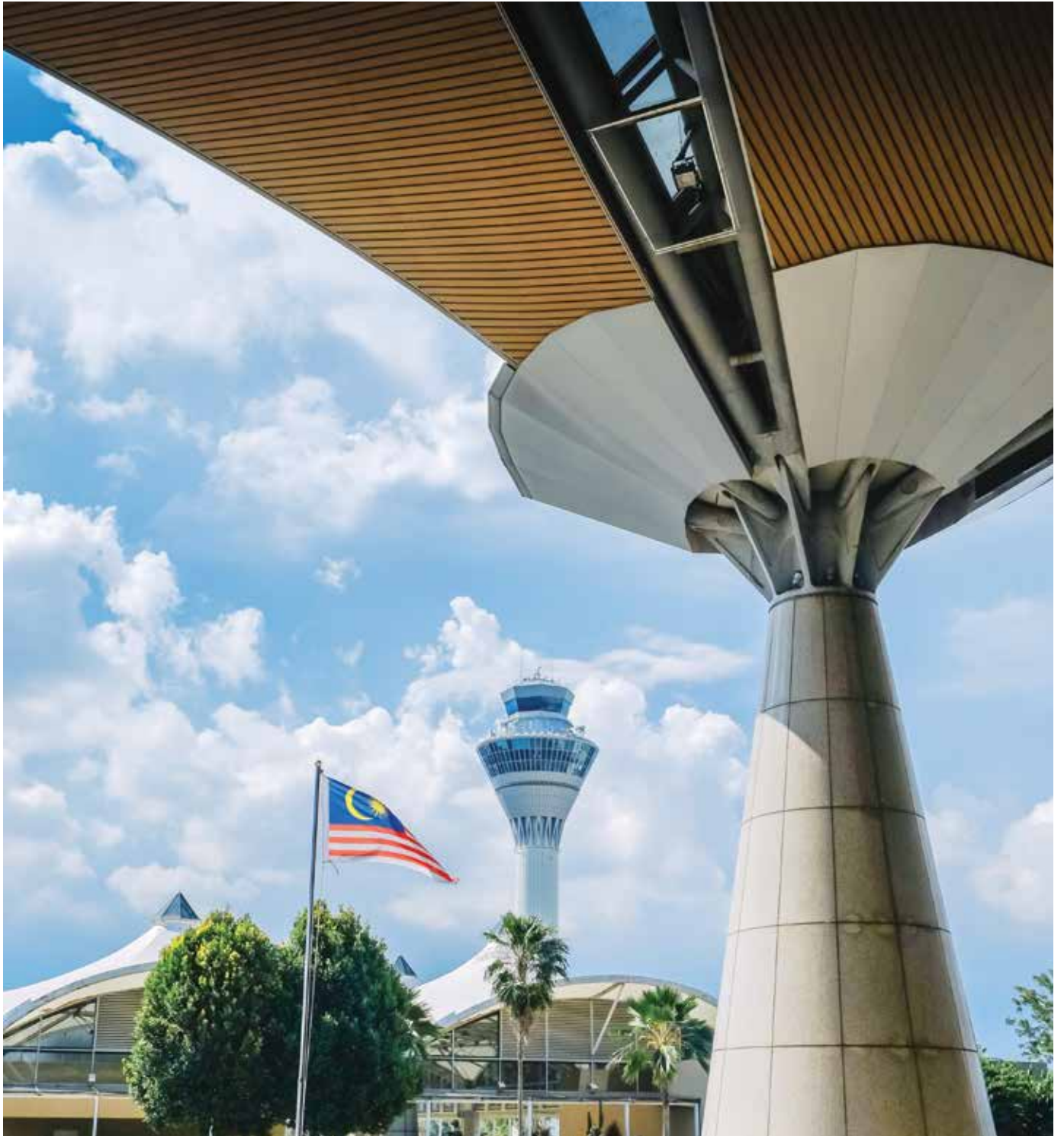
## Independent Assurance Statement

(GRI 102-56)

At Management's request, SIRIM QAS International Sdn Bhd (SIRIM QAS International) has performed an independent verification and provided assurance of the accuracy and reliability of the information presented in this Sustainability Report.

This is in line with our practice which has been in place since 2012 to seek external assurance for our Sustainability Report.

To ensure the objectivity and impartiality of SIRIM QAS International's verification statement, no member of the verification team nor any employee of SIRIM QAS International was involved in the preparation of this Sustainability Report. The assurance statement is included in this report.



# A Joint Message from our Chairman and Group CEO

Dear Valued Stakeholders,

In 2019, Malaysia Airports posted strong gains for its stakeholders in terms of financial performance. We also scored several firsts - passenger movements for Malaysia operations passed the 100 million mark and our revenues exceeded RM5 billion. The commercial reset that we had implemented was gaining traction with non-aeronautical revenues improving. The progress was the result of strong foundations and groundwork which we had previously laid, enabling our business performance to gain momentum.

Nevertheless, although financial results are key performance indicators for the Company, at Malaysia Airports, we stand for more than just monetary gains. There are several factors which make it imperative that we embed sustainability throughout the organisation, among which include our role as a large employer of choice, the airports we manage play a strategic role in nation-building, and that our business acts as a catalyst for growth for other industries.



**Tan Sri Datuk Zainun Ali**  
*Chairman*



**Dato' Mohd Shukrie Mohd Salleh**  
*Group Chief Executive Officer*

## A Joint Message from our Chairman and Group CEO

### Gaining momentum

And we are pleased to present this Sustainability Report, our 11th to date, to highlight to stakeholders our efforts in building a sustainable business for present and the future.

We view sustainability as a crucial aspect of our business and have taken clear steps to embed sustainability as an integral part of our business. Our efforts are paying off, and in this report, we are pleased to state that we have progress on many material matters, and are leading the airport community in an effort to further embed sustainability in airport operations.

Therefore, the Board of Directors and Senior Management of Malaysia Airports are committed to ensuring long-term sustainable development and value creation for our stakeholders.

That is why in the area of sustainability, Malaysia Airports had built a strong foundation and laid the groundwork with regards to an economic, social and governance framework. As a result, Malaysia Airports also gained momentum in sustainability efforts in 2019.

Prior to 2019, Malaysia Airports had put in place a Sustainability Policy and Sustainability Framework which sets out five pillars – namely where are our efforts are focused. We also developed a Materiality Matrix which identifies the material matters which can potentially impact our business and stakeholders, and mapped them to the sustainability pillars.

---

The Board of Directors and Senior Management of Malaysia Airports are committed to ensuring long-term sustainable development and value creation for our stakeholders.

---



## A Joint Message from our Chairman and Group CEO



In the area of environmental stewardship for example, we have policies and action plans in line with our commitment under the Aviation Industry Commitment to Action on Climate Change which envisages the industry's pathway towards carbon-neutral growth. We had put in place our Energy Policy and Environmental Management Policy and Environment Strategy Roadmap from 2016-2020. Our klia2 terminal continues to win awards for its innovative environmental conscious design and features. In addition, Malaysia Airports had participated in the Airport Carbon Accreditation Programme and achieved 'Level 3: Optimisation' certification, out of the programme's four levels.

We are also a component of the FTSE4Good Bursa Malaysia Index, which has seen Malaysia Airports' inclusion since the inception of the index in 2014. And from a reporting standpoint, this is our 11th Sustainability Report, and we continue to comply with the requirements of Bursa Malaysia as well as the GRI Sustainability Reporting Standards.

---

**We strengthened our environment, social and governance framework and examined how we could contribute towards the global agenda of the United Nations Sustainable Development Goals.**

---

### **Advancing our sustainability agenda**

Therefore in 2019, we built on these foundations to advance our sustainability agenda. We strengthened our environment, social and governance (ESG) framework and examined how we could contribute towards the global agenda of the United Nations Sustainable Development Goals (SDGs). As a Government-Linked Company, we are well-positioned to help fulfil Malaysia's commitment towards the Sustainable Development Goals. We re-mapped our Sustainability Framework and linked the Sustainability Pillars and Material Matters with the SDGs so that we have a clearer picture of where and how we could contribute towards the SDGs. We also conducted training on the SDGs for our employees so that they have better awareness of the linkages.

### **Playing a leadership role**

With the lofty ambitions that we have, we are cognisant of how crucial it is that we have a solid execution plan and roadmap towards achieving the goals. Therefore, to translate our Sustainability Framework into actionable items and measurable goals, in 2019, we introduced the KUL Sustainability Charter.

The Charter charts out an ambitious path towards sustainability for Malaysia Airports and includes the other members of the airport community in this journey. Given how inter-dependent and inter-connected airport operations are, we believe that we can achieve much better results if the entire airport community buys in to our vision and works together to achieve common goals.



## A Joint Message from our Chairman and Group CEO

With the KUL Sustainability Charter in place, moving forward, we will be in a better position to influence the practices of all stakeholders at our airport to build sustainability considerations into their business activities.

### A clear focus on the environment

Malaysia Airports also views our business as an opportunity to push the envelope on environmental issues. A Green Airport Strategy Roadmap was formulated in 2019 to set targets and goals for environmental indicators such as use of natural resources, clean energy, waste management, carbon emissions and noise levels. The Green Airport Strategy Roadmap will guide Malaysia Airports towards the aviation industry's goal of carbon neutral growth for a sustainable future.

### Recognition for our efforts

We are pleased that our efforts in the areas of environment, social and governance have received recognition from stakeholders. We were recognised for our environmental efforts in the Asia Responsible Enterprise Awards, the National Energy Awards and the ASEAN Energy Awards.

We continued to be named as an employer of choice by HR Asia in their Best Companies to Work for in Asia 2019 (Malaysia) survey as well as by GradMalaysia and Graduates' Choice Awards.

Our efforts in corporate governance and transparency were also recognised. We were awarded an Industry Excellence Award in the Transportation and Logistics sector by the Malaysian Shareholders Watch Group in its MSWG – ASEAN Corporate Governance Awards. Focus Malaysia, a business publication, ranked Malaysia Airports fourth in the 'Focus Malaysia's 10 Most Transparent Stocks'. PwC Malaysia named us one of 20 finalists for The Building Trust Awards based on our maiden efforts in integrated reporting. We were also pleased when Malaysia Airports emerged third in the Transparency in Corporate Reporting rankings by the Malaysian Institute of Corporate Governance which evaluates Malaysia's top 100 public listed companies based on their anti-corruption practices, organisational transparency, and sustainability.

The Edge Billion Ringgit Club Awards 2019 named Malaysia Airports for 'Highest Return to Shareholders Over Three Years' in the transportation and logistics sector citing our consistent and sustained performance which has created value for shareholders in terms of share price appreciation and dividends. This is the second consecutive year that Malaysia Airports has received this accolade.



# A Joint Message from our Chairman and Group CEO



## **New Ambition, Vision Statement and Brand Promise**

In 2019, we re-examined our long term business plan, and articulated an ambition to place Malaysia Airports among the 'Top 5 Airports in the World' within the next five years.

As part of building the Company for the future and to ensure better alignment with our focus areas, Malaysia Airports conducted a brand audit on our vision and mission statement. The brand audit showed that our stakeholders, both internal and external, felt that the Company's current vision of becoming a global leader in creating airport cities was more than a decade away in the making, and appeared too distant in the future. However, they also acknowledged that Malaysia Airports had made significant impact in our mission to create joyful experiences.

As a result of the brand audit, we reformulated our brand identity. Malaysia Airports' new vision – 'A Global Airport Group that Champions Connectivity and Sustainability' – now reflects our ambition more accurately, and also places Sustainability at the very core of our identity. It is reinforced by our Brand Promise – 'Hosting Joyful Connections' which has replaced our mission statement.

We believe this will enable stakeholders to understand more clearly our ambition, vision and brand promise, and to recognise how we are able to create long term sustainable value for the future. We will also be rolling out initiatives that support the realigned brand identity in 2020.

## **Moving forward**

With the rapid spread of COVID-19 across Malaysia and the rest of the world, Malaysia Airports faces unprecedented challenges in 2020.

In an effort to break the transmission of COVID-19, effective 18 March 2020, the Malaysian Government imposed a Movement Control Order, promulgated under the Prevention and Control of Infectious Diseases Act 1988. Under the Movement Control Order, among other measures, Malaysia sealed its borders to control the spread of the disease. As a result foreigners were not allowed to enter Malaysia, and Malaysians were not allowed to leave the country. Malaysians were also not allowed to travel interstate without prior written approval from the police.

In the circumstances, at the end of March 2020, MAVCOM had revised its forecast for passenger traffic for 2020 to contract by between 36.2% and 38.1% YoY. These numbers are daunting; more so because the extent of the spread of COVID-19 in Malaysia as well as across the globe is still unfolding, and aviation industry forecasts remain in a state of flux.

We would like to assure all stakeholders that Malaysia Airports has taken immediate and pre-emptive measures to deal with the impact of COVID-19. Throughout the period of the Movement Control Order, our airports continue to operate to provide critical services, particularly

## A Joint Message from our Chairman and Group CEO



transportation of cargo, medical supplies and humanitarian aid as well as to facilitate Malaysians returning from abroad.

We maintained safety as our top priority, namely to keep our passengers, employees and airport community safe and healthy. Our employees, the authorities and the airport community have collaborated to maintain social distancing by placing markers throughout the airport facilities to facilitate queues, seating and orderly movement through the airport. We have also undertaken stringent hygiene measures throughout our airports; surfaces, especially at critical touch-points, are constantly sanitised.

On the use of financial and other capitals and resources, Malaysia Airports has taken swift action to monitor and assess our business position. We are already taking a conservative and prudent stance to optimise the use of capitals and resources. Among the on-going measures is to develop a Group-wide plan to increase operational efficiencies, prioritise capital expenditure as well as to control costs aggressively. In this regard, we are also engaging with key stakeholders, in particular the Government, regulators and business partners, to coordinate our responses to the COVID-19 pandemic.

Given the teamwork and the close cooperation and collaboration that we have witnessed throughout 2019 with stakeholders, we have strong foundations in place to face the challenges that 2020 may bring. We ask all our employees and stakeholders to remain

steadfast and resolute, and that together, we will emerge from these challenges with renewed strength and resilience.

### Appreciation

We would like to thank all our shareholders and other stakeholders for their support in this Sustainability journey. We are also grateful for the accolades that have been accorded to us, and we would like to share those accolades with all our employees, partners and stakeholders as acknowledgment and recognition of their contribution towards building a more sustainable future for Malaysia Airports.

A handwritten signature in black ink, appearing to be 'Zainun Ali', written in a cursive style.

**Tan Sri Datuk Zainun Ali**  
*Chairman*

A handwritten signature in black ink, appearing to be 'Mohd Shukrie Mohd Salleh', written in a bold, stylized cursive style.

**Dato' Mohd Shukrie Mohd Salleh**  
*Group Chief Executive Officer*

# 2019 Snapshot

Here are the highlights for Malaysia Airports for 2019.  
Where applicable, the year-on-year increase or decrease from FY2018 is included for comparison.

## Group Financial Performance

Revenue

**RM5,213.1 mil**  
+8.9%

EBITDA

**RM2,292.0 mil**  
+9.0%

Profit Before Tax

**RM659.2 mil**  
+33.4%\*

Profit After Tax

**RM537.0 mil**  
+21.9%\*

Total Equity

**RM9,324.5 mil**  
+2.0%

\* excluding extraordinary items in FY2018

## Group Airport Statistics

Airports managed

**39**

Passenger movements

**140.6 million**  
+5.6%

Aircraft movements

**1.275 million**  
+3.4%

Cargo movements

**1.003 million tonnes**  
-3.3%

## Airport Service Quality

KUL ASQ Score

**4.76/5**  
+0.06

KUL ASQ Rank (> 40 mppa category)

**#17**  
-3 ranks

## Human Capital

Total employees

**10,724**  
Group

**9,799**  
Malaysia

% Female

**45% directors**

**35% employees**

Engagement rate

**78%**  
+4% points

**Environment**



Airport Carbon Accreditation  
**Level 3**



Fuel Intensity  
**0.0046 litre/passenger**  
-8.0%



Electricity Intensity  
**5.14 kWh/passenger**  
-3.1%



Water Consumption Intensity  
**104.7 litre/passenger**  
-17.8%

**Safety and Security**



Airport Emergency Exercises  
**77**



Bird Strikes  
**52**  
very low risk

**Community Investment**



Total amount  
**RM1.1 mil**  
-20%

**New Sustainability Initiatives**

**KUL Sustainability Charter**

**Green Airport Strategy Roadmap**

**Key Awards**



Highest Return to Shareholders Over Three Years  
(transportation and logistics sector)

**The Edge Billion Ringgit Club**



Best Companies to Work for in Asia 2019 (Malaysia)

**HR Asia**



Transparency in Corporate Reporting  
3rd place

**Malaysian Institute of Corporate Governance**

# At a Glance

**Malaysia Airports Holdings Berhad is a public limited company incorporated under the Companies Act of Malaysia and listed on the Main Market of Bursa Malaysia. We are a component of Bursa Malaysia’s benchmark index FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBMKLCI), as well as the FTSE4Good Bursa Malaysia Index.**

We are the main airport operator in Malaysia where we manage 39 airports nationwide. Our flagship airport is KL International Airport (IATA Code: KUL) which includes both KLIA Main terminal and klia2. In addition to KUL, we also manage four other international airports, 16 domestic airports and 18 STOLports. Malaysia Airports also owns and manages Istanbul Sabiha Gökçen International Airport (IATA Code: SAW) in Istanbul, Turkey.

Malaysia Airports is involved in five key business activities as shown on the next page. The business model focuses on the airport business as well as on commercial and growth opportunity presented by the travel and aviation industry. The diversification of our business activities has allowed us to increase our revenue streams and maintain robust returns to shareholders through synergistic value creation. This model has also enabled us to cross-subsidise the vital but less lucrative operations of smaller domestic airports and STOLports.

Malaysia Airports is a member of Airports Council International (ACI), the worldwide association of airport operators. Within the ACI we are members of the World Standing Committee and the Asia Pacific and Regional Environmental Committee. Malaysia Airports is also a signatory to the Aviation Industry Commitment to Action on Climate Change.



## OUR VISION

A Global Airport Group that Champions Connectivity and Sustainability.



## BRAND PROMISE

Hosting Joyful Connections

### Our Competitive Advantage

1

Malaysia is located in a central and strategic location among the ASEAN countries, surrounded by high growth markets such as China and India.

2

We offer competitive aeronautical charges which are among the lowest in the world.

3

Our airports are equipped with good infrastructure and facilities.

4

KUL is the only airport within the Asian region to have a three independent runway system, allowing for efficient flight operations.

5

KUL has two terminals with a combined capacity of 75 mppa

6

KUL is located within a 100 km land bank which allows for further development, both aviation-related and commercial.

## Key Business Activities



### Airport Services

Manage, operate and maintain airports, and provide airport-related services.

Equity invested:  
**RM4,419.3** million

Total Revenue:  
**RM4,458.3** million

EBITDA:  
**RM2,195.4** million

Group passenger traffic movements:  
**141.2** million

Number of airports:  
**40**

Number of employees:  
**6,849**



### Duty Free and Non-Dutiable Goods

Operate duty-free outlets and provide management service for food and beverage outlets at designated airports.

Equity invested:  
**RM16.5** million

Total Revenue:  
**RM854.5** million

EBITDA:  
**RM53.2** million

Number of retail outlet:  
**525** million

Retail area (sqm):  
**65,364**

Number of employees:  
**82**



### Hotel

Manage and operate hotels.

Equity invested:  
**RM92.7** million

Total Revenue:  
**RM93.3** million

EBITDA:  
**RM32.3** million

Number of Hotels:  
**4**

Number of Rooms:  
**592**

Number of employees:  
**398**



### Project and Repair Maintenance

Provide consultancy, facility management services and maintenance of information and communication technology business ventures and provision of mechanical and electrical engineering.

Equity invested:  
**RM7.5** million

Total Revenue:  
**RM17.45** million

EBITDA:  
**RM29.78** million

Number of employees:  
**323**



### Agriculture and Horticulture

Cultivate and sell oil palm and other agricultural products and carry out horticulture activities.

Equity invested:  
**RM9.0** million

Total Revenue:  
**RM34.6** million

EBITDA:  
**RM5.67** million

Oil-palm planted area (ha):  
**6,646.3**

Fresh fruit bunches (MT):  
**62,967.6**

Number of employees:  
**34**

# Where We Operate



## Airports

| INTERNATIONAL                                | MALAYSIA  | TURKEY   | INDIA   |
|--|---|--|---|
|  | <ul style="list-style-type: none"> <li>KL International Airport (KUL)</li> <li>Kota Kinabalu International Airport (BKI)</li> <li>Kuching International Airport (KCH)</li> <li>Langkawi International Airport (LGK)</li> <li>Penang International Airport (PEN)</li> </ul>          | <ul style="list-style-type: none"> <li>Istanbul Sabiha Gökçen International Airport (SAW)</li> </ul>   | <ul style="list-style-type: none"> <li>Rajiv Gandhi International Airport (HYD)</li> </ul>  |
| DOMESTIC                                     | <ul style="list-style-type: none"> <li>Melaka Airport (MKZ)</li> <li>Sultan Abdul Aziz Shah Airport, Subang (SZB)</li> <li>Sultan Abdul Halim Airport, Alor Setar (AOR)</li> <li>Sultan Ahmad Shah Airport, Kuantan (KUA)</li> <li>Sultan Azlan Shah Airport, Ipoh (IPH)</li> </ul> | <ul style="list-style-type: none"> <li>Sultan Ismail Petra Airport, Kota Bharu (KBR)</li> <li>Sultan Mahmud Airport, Kuala Terengganu (TGG)</li> <li>Bintulu Airport (BTU)</li> <li>Limbang Airport (LMN)</li> <li>Miri Airport (MYY)</li> </ul> | <ul style="list-style-type: none"> <li>Mulu Airport (MZV)</li> <li>Sibu Airport (SBW)</li> <li>Labuan Airport (LBU)</li> <li>Lahad Datu Airport (LDU)</li> <li>Sandakan Airport (SDK)</li> <li>Tawau Airport (TWU)</li> </ul> |
| SHORT TAKE-OFF AND LANDING PORTS (STOLPORTS) | <ul style="list-style-type: none"> <li>Pulau Pangkor (PKG)</li> <li>Pulau Redang (RDN)</li> <li>Pulau Tioman (TOD)</li> <li>Bakelalan (BKM)</li> <li>Bario (BBN)</li> <li>Belaga (BLG)</li> </ul>   | <ul style="list-style-type: none"> <li>Kapit (KPI)</li> <li>Lawas (LWY)</li> <li>Long Akah (LKH)</li> <li>Long Banga (LBP)</li> <li>Long Lellang (LGL)</li> <li>Long Semado (LSM)</li> </ul>   | <ul style="list-style-type: none"> <li>Long Seridan (ODN)</li> <li>Marudi (MUR)</li> <li>Mukah (MKM)</li> <li>Kudat (KUD)</li> <li>Long Pasia (GSA)</li> <li>Semporna (SMM)</li> </ul>  |



# Where We Operate



## Duty Free and Non-Dutiable Goods

- KL International Airport (KUL)
- Kota Kinabalu International Airport (BKI)
- Kuching International Airport (KCH)
- Langkawi International Airport (LGK)
- Penang International Airport (PEN)
- Istanbul Sabiha Gökçen International Airport (SAW)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)

## Agriculture and Horticulture

- KL International Airport (KUL)
- Bintulu Airport (BTU)
- Miri Airport (MYM)
- Sibul Airport (SBW)

## Hotel

- Four locations in and around KUL and SAW
- KLIA Main terminal landside
  - KLIA Main terminal airside
  - klia2 terminal airside
  - SAW landside

## Project and Repair Maintenance

### AIRPORTS

- KL International Airport (KUL)
- Hamad International Airport (DOH)
- Kota Kinabalu International Airport (BKI)
- Kuching International Airport (KCH)
- Langkawi International Airport (LGK)
- Penang International Airport (PEN)
- Sultan Abdul Aziz Shah Airport, Subang (SZB)

### PORT

- Port of Tg Pelepas

### COMMERCIAL BUILDINGS

- Airbus Helicopters Malaysia
- Exxon Mobil
- Masjid As-Syakirin KLCC
- Maxis Tower
- Persada Plus
- Petronas Twin Tower - Tower 3
- Sepang International Circuit

# Governance and Accountability

## GOVERNANCE AND ACCOUNTABILITY

(GRI 102-18)

Malaysia Airports recognises that to achieve our corporate vision 'A Global Airport Group that Champions Connectivity and Sustainability', we need to do more than just create economic value for shareholders. Rather, there is a need to balance profit-making and operational excellence with conducting our business in a manner that is transparent and responsible. In the journey to become a sustainable business for the long term, our operations need to be built on the foundations of good governance while taking into account environmental and social factors.

## GOVERNANCE AND STRUCTURE

(GRI 102-18, 102-20, 102-26)

Malaysia Airports appreciates the importance of environment, social and governance (ESG) factors, especially in creating long-term sustainable value for stakeholders while ensuring our businesses remain relevant. As such, there is a clear effort to embed these sustainability factors throughout the Company's value creation model and value chain.

The Board of Directors provides strategic direction with regards to Malaysia Airports' ESG model through the Company's Sustainability Policy and Framework.

The Senior General Manager, Planning of Malaysia Airports is responsible for translating the ESG model into actionable tangible initiatives by business and support units in line with Malaysia Airports' five Sustainability Pillars. The incumbent is a member of the Management Executive Committee (ExCo), chaired by the Group CEO, and comprises the top management of Malaysia Airports. The incumbent is also responsible for highlighting and reporting on sustainability matters to the ExCo, and where relevant, to the Board of Directors.

The Sustainability Department assists the Senior General Manager, Planning in the day-to-day running and management of organisation-wide sustainability initiatives. It is staffed by a three-member team and headed by a Senior Manager. The Sustainability Department also provides consulting services and engages stakeholders on all matters related to sustainability.

There are committees at both Board and management levels which oversee specific ESG matters. In addition, there are inter-departmental working committees and taskforces which support the Board and management committees. They own sustainability targets, implement initiatives, monitor and track progress towards achieving the targets. A non-exhaustive list of these Board and management committees include:

### Environmental matters

- ▶ Environmental Management Committee
- ▶ Engineering Environment Committee

### Social matters

- ▶ Board Nomination and Remuneration Committee
- ▶ Human Resources Committee

### Governance matters

- ▶ Board Finance and Investment Committee
- ▶ Board Risk Management Committee
- ▶ Board Procurement Committee
- ▶ Corporate Risk Management Committee
- ▶ Information Security Management Committee

### Sustainability Policy and Framework

Since 2010, Malaysia Airports has been guided by a Sustainability Policy that supports our aspirations and outlines our commitment to create sustained stakeholder value as a world-class airport operator. It also underscores our commitment to be a responsible corporate citizen.

In January 2020, the Board agreed for Malaysia Airports' widened ESG model to be formalised in the Sustainability Policy. This will ensure better alignment of business decisions and strategies with ESG considerations and stakeholders' concerns as well as support Malaysia's commitments with regards to the United Nations Sustainable Development Goals (SDGs). While the final version of the updated policy remains as work in progress at the time of publication of this report, it will retain the Sustainability Pillars while updating the scope of each pillar.

Consequently, the Sustainability Framework has also been refined. The Sustainability Pillars are now linked to the material matters relating to Malaysia Airports' business as well as to the SDGs. This shows the linkage between Malaysia Airports' ESG model and the material matters at the forefront of our business, and how business can ultimately contribute towards achieving the global sustainability agenda.

# Governance and Accountability



# Governance and Accountability

In addition to the Sustainability Policy and Framework, Malaysia Airports had previously formulated other policies, procedures, guidelines and KUL Sustainability Charter which were made available publicly in early 2019 through our website. These important documents embed the ESG model in our operations. The documents stated below are available on our corporate website.

- Environmental Management Policy
- Environmental Protection Policy
- Procurement Policies, Procedures and Guidelines
- Anti-Corruption Policy Statement
- Gift Policy
- Fraud Policy
- Whistleblowing Policy
- Safety, Health and Environmental Policy
- Policy on Prevention and Eradication of Drug and Alcohol Abuse in the Workplace
- Sexual Harassment Policy
- Stop-Work Policy
- KUL Sustainability Charter
- Code of Ethics and Conduct

### KUL Sustainability Charter

The KUL Sustainability Charter was introduced in 2019, creating a leadership role for Malaysia Airports in sustainability matters within the airport community at KUL. The charter reflects new and evolving matters of concern to Malaysia Airports and its stakeholders, both internal and external namely employees, regulators, airline companies, investors, airport tenants, vendors, passengers, the local community and the media.

Through stakeholder consultation, we identified material matters, set goals and identified key initiatives to form the basis of the charter. Each of these are aligned to the Sustainability Pillars and SDGs.

### Sustainable Development Goals

As a Government-Linked Company, Malaysia Airports supports the Malaysian Government’s commitment to the United Nation’s 2030 Agenda for Sustainable Development. The United Nations had identified 17 SDGs, representing a call for action by all countries – poor, rich and middle-income – to promote prosperity while protecting the planet. Ending poverty must go hand-in-hand with specific goals and strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection.

In 2019, Malaysia Airports aligned its material matters, Sustainability Pillars and the KUL Sustainability Charter with all 17 SDGs. However, the SDGs highlighted in the Sustainability Report are the ones most relevant to Malaysia Airports.

| Five Sustainability Pillars |  |
|-----------------------------|--|
| <b>PILLAR 1</b>             | <p><b>Practising Sensible Economics</b></p> <p>Generate sustainable returns from business activities by strengthening and optimising revenue streams.</p>                  |
| <b>PILLAR 2</b>             | <p><b>Environmental Consciousness</b></p> <p>Manage and reduce the impact on the environment from business activities.</p>   |
| <b>PILLAR 3</b>             | <p><b>Creating an Inspiring Workplace</b></p> <p>Value our employees, provide development opportunities and embed good governance.</p>                                     |
| <b>PILLAR 4</b>             | <p><b>Community-Friendly Organisation</b></p> <p>Support and strengthen community engagement and efforts to develop programmes to meet the needs of local communities.</p> |
| <b>PILLAR 5</b>             | <p><b>Memorable Airport Experience</b></p> <p>Enhance the travel experience of airport guests to support our mission of creating joyful experiences.</p>                   |

# Materiality Process

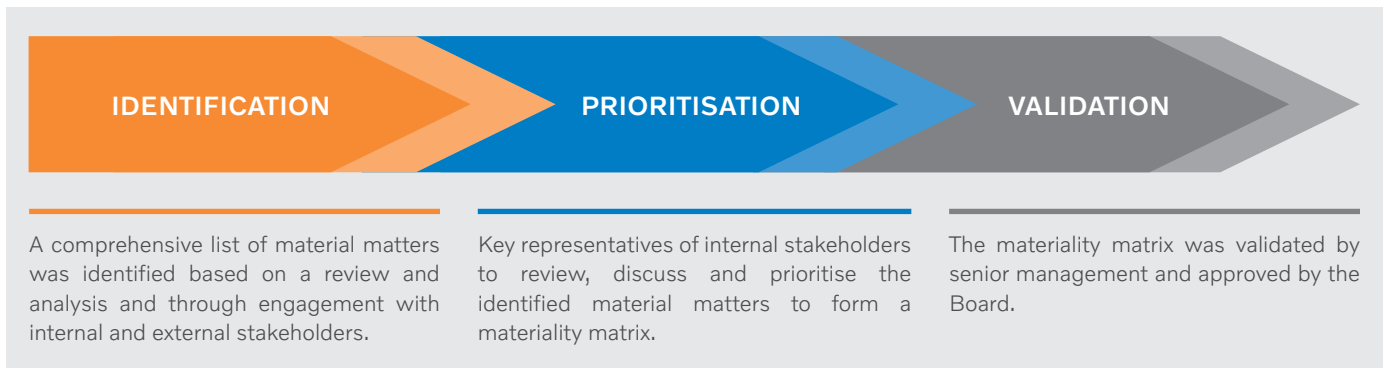
## MATERIALITY PROCESS

(GRI 102-42, 102-49)

Material matters identified as relevant to Malaysia Airports and its stakeholders are continuously monitored and managed as they form the basis of our value creation model and influence our business strategy and targets.

### Materiality assessment process

The material matters were identified and prioritised in 2018 following a materiality assessment process as described below.



### Materiality Matrix

The Materiality Matrix plots material matters in two dimensions – first, impact to Malaysia Airports and secondly, significance to key stakeholders. It guides Malaysia Airports in addressing and managing matters of utmost importance for the business as well as stakeholders.

### Review of Material Matters in 2019

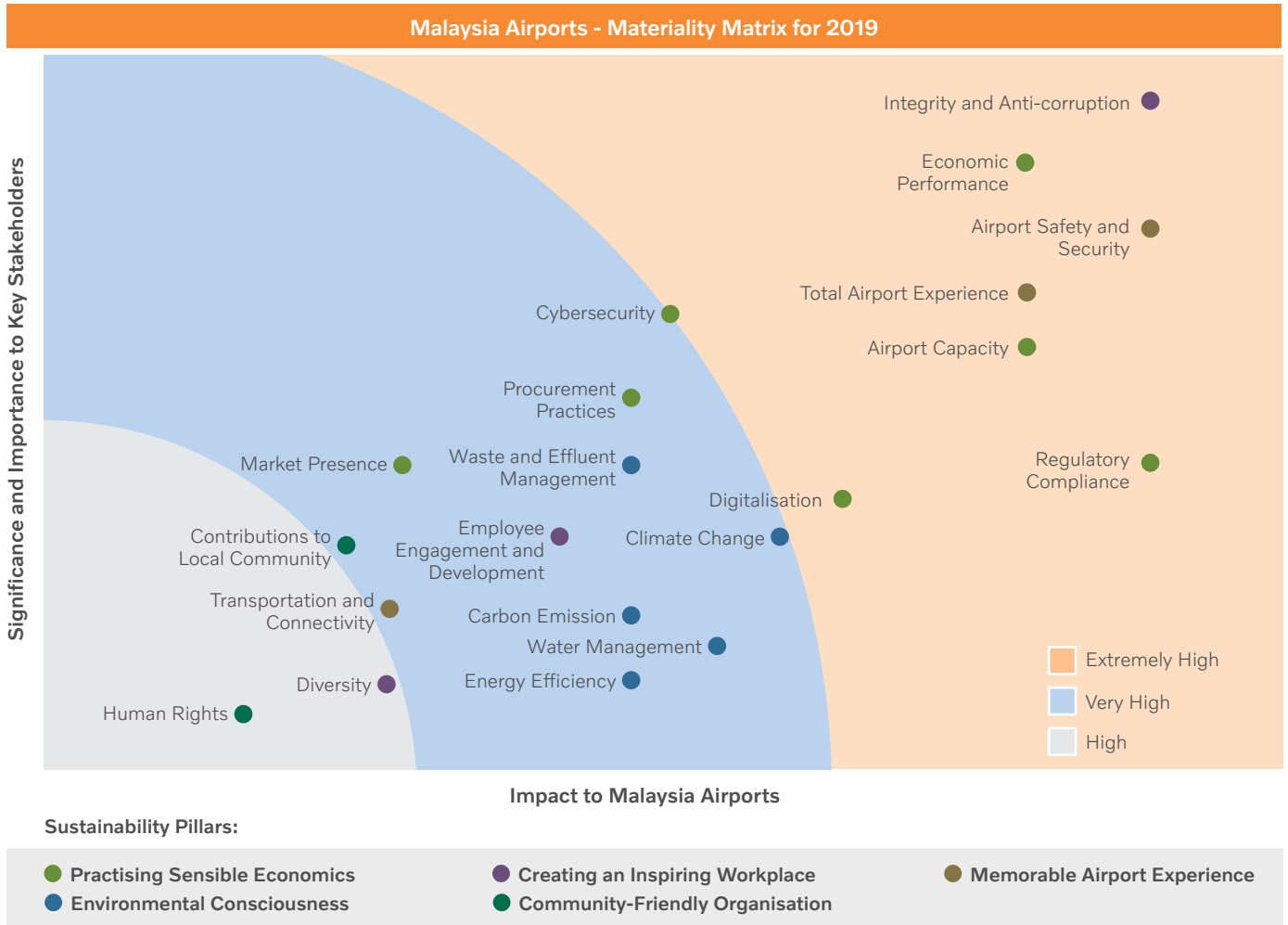
For 2019, a review was conducted in line with Bursa Malaysia's recommendation that an annual review of material matters be conducted to ensure that they remain current and aligned to the business and stakeholders. The review entailed assessing information on stakeholders' current interests and concerns as well as analysing the Group's business direction, peers, regulatory environment and external environment. The findings from the review were used to refresh the materiality matrix for 2019.

### Changes to Materiality Matrix in 2019

There were no new material matters identified for FY2019. Neither was there any significant change to the business model or operating boundaries.

However, there was a change to the materiality matrix. The material matters 'Service Quality' and 'Customer Experience' were consolidated as 'Total Airport Experience'. The reason for combining them was that both material matters aimed to achieve compliance with the Quality of Service framework and improve rankings for the Airport Service Quality benchmarking programme. As such, there was a significant overlap in initiatives covered by both material matters. Therefore, combining the two will streamline the reporting on these matters.

# Materiality Process



In addition to the above, in our annual report, particularly the section on 'Our Value Creation Model', we have also included a discussion on the top seven material matters, linking the material matters with strategic themes and enablers, key stakeholders and capitals affected to demonstrate the dynamics of value creation by the Company.

# Materiality Process

## Mapping Material Matters to Sustainability Pillars

Malaysia Airports has identified 20 areas that represent material matters to the business and our stakeholders. These are mapped to the Sustainability Pillars that are defined in the Malaysia Airports Sustainability Framework. Below is a brief description of each material matter and how they relate to the respective pillars. More detailed information on the activities and initiatives related to the material matters are available in the corresponding sections on each pillar.

**PILLAR 1** **Practising Sensible Economics**

As the nation's main airport operator, it is our duty to run a profitable business that has potential for strong long-term growth whilst we uphold our responsibility to cater to the needs of stakeholders. The following material matters are associated with Pillar 1 as their characteristics have the most impact on the economics of the business.

### 1. Economic Performance

**Definition:** The economic value generated and distributed by an organisation, its defined benefit plan obligations, the financial assistance it receives from any government and the financial implications of climate change.

**Explanation:** We are a public listed entity and our primary responsibility is to create shared value for our stakeholders. How we perform is crucial to the existence of the business and the interests of our stakeholders which include amongst others healthy economic returns and continued employment and business opportunities.

### 2. Airport Capacity

**Definition:** The airports' ability to cater for increasing passenger and cargo traffic and to manage capacity constraints through the allocation and usage of limited resources accordingly.

**Explanation:** Airport capacity is an important factor in ensuring operational safety and efficiency, service standards as well as passenger comfort. It is also one of the factors airlines take into consideration when deciding on route development which is pertinent to the growth of our business.

### 3. Regulatory Compliance: Anti-Competition

**Definition:** Adherence to laws and regulations that pertain to doing business ethically without affecting passenger choice, airline pricing, and market efficiency.

**Explanation:** Malaysia Airports operates within a highly regulated industry. It is imperative that we adhere to laws and regulations to ensure we are able to continue operations and to maintain our good reputation.

### 4. Cybersecurity

**Definition:** The continuous strengthening of our capabilities to protect the security and privacy of our stakeholders' business information and systems through cybersecurity.

**Explanation:** Airport operations are a national security matter. Increased digitalisation at Malaysia Airports for the convenience of our stakeholders comes with inherent risks related to cyber-related security threats. Cybersecurity is crucial to ensure the data of stakeholders and our own data and digitalised processes are protected at all times.

### 5. Procurement Practices

**Definition:** Supporting local suppliers at significant location of operations.

**Explanation:** As the main airport operator, our spending on local suppliers directly impacts Malaysia Airports' economic performance and also acts as a catalyst to create a thriving business environment where we operate. In order to ensure greater transparency and fairness in our procurement processes, we have in place anti-bribery and corruption policies that apply to our employees and suppliers. This is crucial to maintain healthy returns for our stakeholders and to create a sustainable pool of local suppliers.

### 6. Digitalisation

**Definition:** To leverage on technology to deliver products and services in several innovative ways to stakeholders.

**Explanation:** Digitalisation is important to Malaysia Airports in the face of Industry 4.0 to ensure up-to-date technologies are used to improve efficiency, reduce human error and to redirect resources to more crucial areas of our operations.

### 7. Market Presence

**Definition:** Leveraging our business to create a fair and sustainable marketplace for us and other market participants.

**Explanation:** Malaysia Airports' ability to continue as an airport operator, asset owner and real estate developer is dependent on being able to carry on its operations in a sustainable manner. As such, we strive to reinforce a positive market presence by being a role model in sustainable practises that cut across all our pillars and have a positive effect in the long-term on our business.

# Materiality Process

## PILLAR 2

### Environmental Consciousness

The world's resources are finite and consumption of these resources have an effect on the environment. In order to ensure future generations are able to thrive, we need to grow responsibly and manage and reduce the impact of our business on the environment. The following material matters relate to how we manage these limited resources while interacting positively with the environment.

#### 1. Waste and Effluent Management

**Definition:** Refers to the treatment of hazardous and non-hazardous waste.

**Explanation:** How we treat our waste and how we approach recyclable items impact on our business, society and the environment in the long-run. As such, our stakeholders have deemed this to be crucial to minimise our negative impact on the environment.

#### 2. Climate Change

**Definition:** To have a strategy in place that demonstrates Malaysia Airports' commitments to the aviation industry's aim to achieve carbon-neutral growth.

**Explanation:** In recent years, climate change has had an increasingly negative impact on the aviation industry. Inclement weather has been the most significant factor affecting aircraft operations and is accountable for passenger delays that result in lost revenue. Malaysia Airports is a member of Airports Council International (ACI) that has pledged to achieve carbon neutral airports. As we define a strategy that works best for us, we have chosen 'Climate Change' as a material matter as it the basis for many of our sustainability initiatives.

#### 3. Carbon Emissions

**Definition:** Refers to the discharge of environmentally hazardous substances and greenhouse gas into the atmosphere. (E.g. dust, dark smoke, emissions with metallic compounds, carbon dioxide (CO<sub>2</sub>), methane, nitrous oxide, etc.)

**Explanation:** Carbon emissions contribute towards climate change and as a participant of the ACI's Airport Carbon Accreditation (ACA) programme, we are committed to the development of our business towards carbon-neutral growth and aspire to a carbon-free future.

#### 4. Water Management

**Definition:** Refers to the consumption and efficiency of water usage for industrial processes and general purposes.

**Explanation:** Water is a finite resource that is important for our operations. Water Management allows us to monitor water usage and facilitates our plans to use this resource in a more sustainable manner.

#### 5. Energy Efficiency

**Definition:** Refers to efficient use and consumption of electricity and energy generated from renewable sources.

**Explanation:** All energy consumed contributes to carbon emissions which has an impact on climate change. Our stakeholders have decided that energy efficiency is a material matter for us and we are dedicated to using resources in a sustainable manner to reduce our carbon footprint.



# Materiality Process

## PILLAR 3

### Creating an Inspiring Workplace

Our employees are an invaluable resource as well as a large stakeholder group. The material matters associated with this pillar are concerned with the welfare and development of our workforce and embedding good governance.

#### 1. Integrity and Anti-corruption

**Definition:** Refers to the steps taken to minimise the risk of the abuse of entrusted power for private gain.

**Explanation:** Corruption in any form has a negative effect on the business and its ability to generate revenue and on non-complicit stakeholders. This has been included as a material matter to underline it as an issue that Malaysia Airports needs to address throughout the entire organisation and operations.

#### 2. Employee Engagement and Development

**Definition:** Refers to the level of commitment our employees have to Malaysia Airports' goals, vision and initiatives; our approach to the training and upskilling of our staff, and our management of their career progression.

**Explanation:** This is a material matter for us because engaged employees are more invested in our goals and initiatives and perform better at their roles. We believe that the continuous development of our employees' skills and career will have a positive impact on their commitment.

#### 3. Diversity

**Definition:** Refers to diversity in workforce, Management and the Board which is characterised primarily by gender and age

**Explanation:** We serve a diverse group of stakeholders, as such, it is important that we have a diverse workforce that is able to engage with our stakeholders.

## PILLAR 4

### Community-Friendly Organisation

The material matters grouped under this pillar illustrate Malaysia Airports' commitment and support to strengthen community engagement and efforts to develop programmes to meet the needs of local communities.

#### 1. Contributions to Local Communities

**Definition:** Refers to Malaysia Airports' community building efforts.

**Explanation:** We are committed to strengthening the social well-being and community relationships with our stakeholders and the country we serve. As such we have chosen this to be one of our material matters.

#### 2. Human Rights

**Definition:** Refers to Malaysia Airports' commitment to safeguard our employees' right to work in a safe and secure environment that is free of discrimination, with access to a reasonable wage regardless of age, race, sex, nationality, ethnicity and religion.

**Explanation:** We have chosen this to be a material matter because it is essential that all our employees are able to work in an environment where they feel safe and valued without fear of persecution.

# Materiality Process

## PILLAR 5

### Memorable Airport Experience

In creating a memorable airport experience for our stakeholders, we recognise that the journey through the airport passes through many touchpoints and facilities. This pillar addresses our stakeholders' top concerns relating to security, service quality, guest experience and transportation links to the airport.

#### 1. Airport Safety and Security

**Definition:** Refers to protecting passengers, employees, aircraft, and airport property from accidental or malicious harm, crime, terrorism, and other threats.

**Explanation:** Airport Safety and Security matters are a concern for airports everywhere. Many aspects of our operations such as the timely and safe passage of our passengers and the wellbeing of our guests, employees and retailers while at the airport rely on safety and security measures being in place. In our consultation with stakeholders, 'Airport Safety and Security' was among the top on their list of material concerns.

#### 2. Total Airport Experience

**Definition:** Refers to the reporting on processes and procedures to measure service quality and the steps taken to improve the quality of the interaction between our guests, and our employees and the airport community.

**Explanation:** The positive experience of guests at the airport is shaped by operational excellence and exceptional service by our employees and other members of the airport community. Reporting on these matters enables Malaysia Airports to identify and rectify problems and continuously improve on all round quality.

#### 3. Transportation and Connectivity

**Definition:** Refers to ground transportation and connectivity for passengers, employees, visitors and suppliers within, to and from the airport.

**Explanation:** The airport experience begins before guests even set foot at the airport premises. As such, the ease of getting to the airport is an important factor. The more convenient their journey to the airport, the more likely they will use it.

# Stakeholders

## STAKEHOLDERS

(GRI 102-40, 102-42)

Our material matters are prioritised based on the interests and expectations of our stakeholders. We have identified nine key stakeholder categories that are most affected by our business operations.



# Stakeholder Engagement

## STAKEHOLDER ENGAGEMENT

(GRI 102-42, 102-43, 102-44)

There are several factors which make stakeholder engagement an integral part of our business and embedded in the way we operate. First, the aviation industry in which we operate is highly regulated both in Malaysia as well as internationally.

Secondly, we are listed on Bursa Malaysia and our shareholders cover a wide range of institutional investors such as Government linked investment companies, investment funds, pension funds as well as retail investors, both local and overseas.

Thirdly, our business requires discussion, coordination and collaboration with many parties to ensure that complex processes are executed successfully. Also, as we are a large employer of choice, we constantly engage our employees to understand their concerns. We also engage with the community around our airports to understand the impact of our business on them and to assist those in need.




Therefore, our Management and employees constantly engage our stakeholders and work closely with them to understand their concerns in order for our business to succeed for the long term.

| Key Stakeholder   | Method of Engagement  | Areas of interest               | Our Response   |
|---|---|---------------------------------|--|
|  <p><b>EMPLOYEES</b></p> | <ul style="list-style-type: none"> <li>Town halls, engagement sessions and employee activities</li> <li>Focused group discussions on targeted issues</li> <li>Employee portal</li> <li>Employee engagement survey</li> <li>Employee performance review</li> </ul> | Employee wellbeing              | <ul style="list-style-type: none"> <li>Introduced wellness programmes – regular medical check-ups and health campaigns</li> <li>Constantly review employee benefits and medical coverage</li> <li>Setup a nursery and kindergarten for working parents</li> </ul>  |
|   |   | Workplace safety                | <ul style="list-style-type: none"> <li>Implemented an Occupational Health and Safety Policy</li> <li>Conduct frequent occupational safety and health assessments</li> </ul>  |
|   |   | Work-life balance               | <ul style="list-style-type: none"> <li>Implemented flexible working hours</li> <li>Provide fitness and childcare facilities at HQ</li> <li>Hold inter-division and inter-airport sports tournaments</li> </ul>   |
|   |   | Corporate integrity             | <ul style="list-style-type: none"> <li>Participated in an integrity pledge</li> <li>Implemented a Whistleblowing Policy</li> <li>Have in place a Code of Ethics and Conduct</li> <li>Established the Malaysia Airports Integrity Plan</li> <li>Setup the Corporate Integrity System Assessment</li> <li>Conduct Integrity Perception Surveys</li> <li>Instated Corruption Risk Management</li> </ul> |
|   |   | Employee engagement             | <ul style="list-style-type: none"> <li>Constantly engage with employees through one-one or group activities</li> </ul>   |
|   |   | Training and career development | <ul style="list-style-type: none"> <li>Frequently conduct training needs analysis</li> <li>Established an Education Assistance Programme</li> <li>Conduct trainings</li> <li>Carry out performance appraisals</li> <li>Put in place succession plans</li> </ul>  |


## Stakeholder Engagement

| Key Stakeholder   | Method of Engagement   | Areas of interest                     | Our Response  |
|---|--|---------------------------------------|---|
| <br><b>AIRLINES</b>                  | <ul style="list-style-type: none"> <li>Regular meetings and face-to-face discussions</li> <li>Airline operating committees</li> <li>Local carrier airlines meeting</li> <li>Foreign carrier airlines meeting</li> <li>Security facilitation meeting</li> <li>Airline operator committee general meeting</li> <li>Feedback surveys</li> </ul> | Innovation and technology advancement | <ul style="list-style-type: none"> <li>Conceptualised 'Airports 4.0' to digitalise processes and include the use of single-token travel, self-baggage-drop facilities, self-check-in kiosks, Passenger Reconciliation System, and facial recognition for improved efficiency and passenger throughout</li> </ul>  |
|   |  | Airport safety                        | <ul style="list-style-type: none"> <li>Carry out frequent Runway Safety inspections and Runway Safety Team meetings</li> <li>Put in place the Safety Management System and Aerodrome certification</li> <li>Carry out regular safety and emergency simulation exercises by Airport Fire and Rescue Service</li> <li>Conduct Foreign Object Debris walkabouts</li> <li>Established the KUL Runway Sustainability Master Plan</li> </ul>  |
|   |  | Terminal and building infrastructure  | <ul style="list-style-type: none"> <li>Embarked on renovating, refurbishing and modernising terminals</li> </ul>  |
| <br><b>REGULATORS AND GOVERNMENT</b> | <ul style="list-style-type: none"> <li>Regular engagement, communication and dialogue</li> <li>Consultation on regulatory matters</li> </ul>   | Regulatory compliance                 | <ul style="list-style-type: none"> <li>Conduct regular audits and inspections</li> <li>Carry out engagements and discussions with regulators the finalisation and direction of the Operating Agreements, Regulated Asset Base framework, Quality of Service framework</li> <li>Work to reach industry standards and obtain certifications</li> <li>Adhere to international and national laws, regulations and best practices</li> </ul> |
|   |  | Airport competitiveness               | <ul style="list-style-type: none"> <li>Assess opportunities and potential for public-private partnerships</li> <li>Actively seek foreign investment</li> <li>Implement incentive programmes to attract new carriers – Airline Incentive Programme and the Joint International Tourism Development Programme</li> </ul>  |
|   |  | Land development                      | <ul style="list-style-type: none"> <li>Conceptualised and developed KLIA Aeropolis</li> <li>Launched the Subang Regeneration Initiative</li> </ul>  |
|   |  | Carbon emissions                      | <ul style="list-style-type: none"> <li>Joined the Airport Carbon Accreditation programme</li> <li>Identify opportunities to use solar energy</li> <li>Established committees and strategies focusing on environmental performance</li> <li>Submit Carbon Scorecards to the Ministry of Transport when requested</li> </ul>  |
|   |  | Licensing                             | <ul style="list-style-type: none"> <li>Obtained Aerodrome Operator Licence from MAVCOM and Aerodrome Certificate from CAAM</li> </ul>   |



# Stakeholder Engagement

| Key Stakeholder   | Method of Engagement  | Areas of interest            | Our Response   |
|---|---|------------------------------|--|
|  <p><b>INVESTORS</b></p>                       | <ul style="list-style-type: none"> <li>Analyst briefing sessions</li> <li>Roadshows</li> <li>One-on-one engagements</li> <li>Conference calls</li> <li>Site visits</li> </ul> | Financial returns            | <ul style="list-style-type: none"> <li>Regular review of business and investment plans to match the current and predicted social-eco climate</li> </ul>  |
|   |   | Governance and transparency  | <ul style="list-style-type: none"> <li>Adhere to the Malaysian Code on Corporate Governance</li> </ul>   |
|   |   | Company reputation           | <ul style="list-style-type: none"> <li>Regularly publish literature and press releases that highlight our activities, awards and accolades</li> </ul>  |
|   |   | Regulatory compliance        | <ul style="list-style-type: none"> <li>Adhere to Bursa Malaysia’s listing requirements</li> <li>Became a constituent of the FTSE4Good Bursa Malaysia Index</li> <li>Integrated Sustainability Reporting into our annual disclosures</li> </ul>   |
|   |   | Financial results            | <ul style="list-style-type: none"> <li>Announcement of quarterly financial results</li> </ul>  |
|  <p><b>TENANTS</b></p>                         | <ul style="list-style-type: none"> <li>Standard consulting procedure</li> <li>Annual concessionaire conference and half yearly mini concessionaire conference</li> </ul>      | Landlord-tenant relationship | <ul style="list-style-type: none"> <li>Practise standard contracting procedure</li> <li>Host the Annual Concessionaires Conference and Half Yearly Concessionaire Mini Conference to engage and recognise tenants</li> </ul>   |
|   |   | Customer satisfaction        | <ul style="list-style-type: none"> <li>Implemented the Commercial Reset Strategy</li> <li>Embarked on a cashless payment ecosystem for increased customer convenience</li> <li>‘Licence to Win’ &amp; #ShopLAH campaigns</li> <li>Conduct Mystery Shopper programme to gauge passengers’ satisfaction at retail and service outlets at our airports</li> <li>Collaborated with Malaysia International Gastronomy Festival to showcase food and beverage outlets</li> </ul> |
|  <p><b>VENDORS AND SERVICE PROVIDERS</b></p> | <ul style="list-style-type: none"> <li>Networking sessions</li> <li>Tenders and requests for proposals</li> </ul>   | Procurement process          | <ul style="list-style-type: none"> <li>Regularly review and adhere to procurement policies, procedures and guidelines</li> <li>Implemented e-Procure to improve efficiency and digitisation</li> </ul>   |
|   |   | Prompt payments              | <ul style="list-style-type: none"> <li>Implemented the Vendor Management System to keep track of procurements and payments</li> </ul>  |
|   |   | Compliance                   | <ul style="list-style-type: none"> <li>Implemented eProcurement and the Vendor Code of Ethics</li> <li>Entered into an integrity pact with vendors</li> </ul>  |

## Stakeholder Engagement

| Key Stakeholder  | Method of Engagement  | Areas of interest                     | Our Response  |
|--|---|---------------------------------------|---|
| <br><b>PASSENGERS</b> | <ul style="list-style-type: none"> <li>• Airport service quality</li> <li>• Social media</li> <li>• Complaint management</li> </ul> | Service quality<br>Airport experience | <ul style="list-style-type: none"> <li>• Use the ASQ Benchmarking Programme to measure airport service quality at our airports</li> <li>• Comply with the MAVCOM's Quality of Service framework</li> <li>• Carried out refurbishments and improvements to infrastructure, wayfinding, facilities and amenities</li> </ul>   |
|  |   | Customer service                      | <ul style="list-style-type: none"> <li>• Continued the 'Happy Guests, Caring Hosts' programme</li> <li>• Launched the MYairports mobile application that provides live updates on flight information, queue time checkpoints, and retail and dining promotions available at the airport</li> <li>• Became active in social media</li> <li>• Introduced Airport CARE Ambassadors</li> <li>• Initiated cashless payment services for increased customer convenience</li> <li>• Established the Customer Affairs and Resolution Excellence (CARE) Feedback Management System to manage and respond to feedbacks &amp; queries</li> </ul> |
|  |   | Cleanliness                           | <ul style="list-style-type: none"> <li>• Continued the 'Pay It Forward' campaign</li> <li>• Carried out washroom refurbishments</li> <li>• Implemented the Washroom Inspection Management System and the Washroom Response Management System</li> </ul>   |
|  |   | Communication and announcements       | <ul style="list-style-type: none"> <li>• Became active on social media</li> <li>• Setup the Airport CARE InfoCentre at KLIA Main terminal</li> <li>• Started circulation of 'Convergence' magazine</li> <li>• Installed digital communication media (e.g. digital standee) in the airports</li> </ul>   |
|  |   | Passenger traffic<br>Curbside traffic | <ul style="list-style-type: none"> <li>• Introduced crowd management in terminals by Airport CARE Ambassadors</li> <li>• Initiated a collaboration with PDRM to control curbside traffic and congestion at Arrivals and Departures</li> </ul>   |
|  |   | Airport security and safety           | <ul style="list-style-type: none"> <li>• Started refurbishment of passenger screening areas</li> <li>• Embarked on the use of full body scanners to replace manual body search</li> </ul>   |

# Stakeholder Engagement

| Key Stakeholder   | Method of Engagement  | Areas of Interest                          | Our Response   |
|---|---|--|--|
|  <p><b>LOCAL COMMUNITY</b></p> | <ul style="list-style-type: none"> <li>• Community engagement</li> <li>• Strategic partnerships</li> <li>• News media</li> <li>• Social media</li> <li>• Website</li> </ul> | Employment opportunities                   | <ul style="list-style-type: none"> <li>• Increased employability in rural areas and for the airport community</li> </ul>   |
|   |   | Access to education                        | <ul style="list-style-type: none"> <li>• Offer scholarship programmes through our Education Sponsorship Programme</li> <li>• Adopt and nurture schools via the Beyond Borders Programme</li> </ul>   |
|   |   | Environmental impact                       | <ul style="list-style-type: none"> <li>• Engage in environmental monitoring</li> <li>• Adhere to local and national environmental regulations on noise, water discharge and waste management</li> <li>• Conduct noise contour and impact surveys</li> </ul>                        |
|   |   | Corporate citizenship                      | <ul style="list-style-type: none"> <li>• Continue to give back to the local communities through our Corporate Responsibility Framework which focuses on: Education and Youth Leadership; Community Enrichment and Malaysia Branding</li> <li>• Make corporate donations</li> </ul> |
|  <p><b>THE MEDIA</b></p>      | <ul style="list-style-type: none"> <li>• Media briefings/interviews</li> <li>• Website and events</li> <li>• Social media</li> <li>• Press conferences</li> </ul>           | Environmental social and governance issues | <ul style="list-style-type: none"> <li>• Issue press releases and conduct press briefings regularly</li> <li>• Practise sound and transparent decision making</li> </ul>   |
|   |   | Media relations                            | <ul style="list-style-type: none"> <li>• Grant media interviews when appropriate and visit the media occasionally</li> <li>• Engage with the media through the 'Media Hunt' programme, media luncheons, media airport trips and other events</li> </ul>                            |



# How it all works together

## How it all works together

This table sums up how our business considerations which are represented by material matters; and sustainability matters represented by the Sustainability Pillars; relevant SDGs, KUL Sustainability Charter Goals and our key stakeholders are intrinsically linked in Malaysia Airports' strategy.

| Sustainability Pillars   | Material Matters   | SDGs  | KUL Sustainability Charter Goals  | Key Stakeholders  |
|--|--|---|---|---|
| <b>PILLAR 1</b><br><b>Practising Sensible Economics</b><br>Generate sustainable returns from business activities by strengthening and optimising revenue streams | Economic Performance<br>Airport Capacity<br>Regulatory Compliance<br>Digitalisation<br>Cybersecurity<br>Procurement Practices<br>Market Presence | SDG 8: Decent Work and Economic growth<br>SDG 9: Industry, Innovation and Infrastructure<br>SDG11: Sustainable Cities and Communities   | Goal 1: Optimising economic performance   | Employees<br>Regulators and Government<br>Airlines<br>Passengers<br>Investors<br>Tenants<br>Vendors and Service Providers<br>The Media                  |
| <b>PILLAR 2</b><br><b>Environmental Consciousness</b><br>Manage and reduce the impact on the environment from business activities                                | Waste and Effluent Management<br>Climate Change<br>Water Management<br>Energy Efficiency   | SDG 6: Clean Water and Sanitation<br>SDG 7: Affordable and Clean Energy<br>SDG 11: Sustainable Cities and Communities<br>SDG 12: Responsible Consumption and Production<br>SDG 13: Climate Action | Goal 2: Improving energy efficiency<br>Goal 3: Reducing overall carbon foot print<br>Goal 4: Enhancing water and waste management | Employees<br>Regulators & Government<br>Airlines<br>Passengers<br>Investors<br>Tenants<br>Vendors and Service Providers<br>Local Community<br>The Media |
| <b>PILLAR 3</b><br><b>Creating an Inspiring Workplace</b><br>Value our employees, provide development opportunities and embed good governance                    | Integrity and Anti-corruption<br>Employee Engagement and Development<br>Diversity  | SDG 5: Gender Equality<br>SDG 9: Industry, Innovation and Infrastructure<br>SDG 16: Peace, Justice and Strong Institutions<br>SDG 17: Partnerships  | Goal 5: Being a responsible service provider<br>Goal 6: Promoting diversity and inclusivity                                       | Employees<br>Regulators and Government  |

## How it all works together

| Sustainability Pillars   | Material Matters  | SDGs  | KUL Sustainability Charter Goals  | Key Stakeholders   |
|--|---|---|---|--|
| <p><b>PILLAR 4</b></p> <p><b>Community-Friendly Organisation</b></p> <p>Support and strengthen community engagement and efforts to develop programmes to meet the needs of local communities</p> | <p>Contributions to Local Community</p> <p>Human Rights</p>   | <p>SDG 1: No Poverty</p> <p>SDG 3: Good Health and Well-Being</p> <p>SDG 4: Quality Education</p> <p>SDG 10: Reduced Inequalities</p> <p>SDG 17: Partnerships</p>                         | <p>Goal 7: KUL Community development through partnerships</p>   | <p>Employees</p> <p>Regulators and Government</p> <p>Local Community</p> <p>The Media</p>  |
| <p><b>PILLAR 5</b></p> <p><b>Memorable Airport Experience</b></p> <p>Enhance the travel experience of airport guests to support our mission of creating joyful experiences</p>                   | <p>Airport Safety and Security</p> <p>Total Airport Experience</p> <p>Transportation and Connectivity</p> | <p>SDG 9: Industry, Innovation and Infrastructure</p> <p>SDG 11: Sustainable Cities and Communities</p> <p>SDG 16: Peace, Justice and Strong Institutions</p> <p>SDG 17: Partnerships</p> | <p>Goal 8: Providing exceptional customer experience</p> <p>Goal 9: Optimisation through technological advancement</p> <p>Goal 10: Strengthening safety and security at KUL</p> | <p>Employees</p> <p>Regulators and Government</p> <p>Airlines</p> <p>Passengers</p> <p>Investors</p> <p>Tenants</p> <p>The Media</p> |

# Standards and Certification

## Standards and Certification

The nature of our business dictates that our stakeholders have faith in us and are assured that we adhere to the best international standards to provide them with safe, reliable and efficient quality services.

To this end we have adopted ISO standards for our operations and international standards for quality management, information security, energy management, halal requirements, anti-bribery and Malaysian Sustainable Palm Oil. These are over and above the compulsory standards that are required for aviation.

The following table is a list of some of the additional standards we apply in our various businesses.

| Standards   | Certified Business Entities   |
|---|---|
| ISO 9001: 2015 Quality Management Systems   | <ul style="list-style-type: none"> <li>Malaysia Airports Holdings Berhad</li> <li>Malaysia Airports (Sepang) Sdn. Bhd.</li> <li>Malaysia Airports Sdn. Bhd.</li> <li>Malaysia Airports (Niaga) Sdn. Bhd.</li> <li>Malaysia Airports (Properties) Sdn. Bhd</li> <li>Urusan Teknologi Wawasan Sdn. Bhd</li> <li>Malaysia Airports Consultancy Services Sdn. Bhd</li> <li>MAB Agriculture-Horticulture Sdn. Bhd.</li> <li>IT Division</li> </ul> |
| ISO 14001: 2015 Environmental Management Systems                                      | <ul style="list-style-type: none"> <li>Malaysia Airports (Sepang) Sdn. Bhd</li> <li>Malaysia Airports Sdn. Bhd.</li> <li>Urusan Teknologi Wawasan Sdn. Bhd.</li> </ul>  |
| ISO 45001:2018 Occupational Health and Safety Management Systems                      | <ul style="list-style-type: none"> <li>Malaysia Airports (Sepang) Sdn. Bhd.</li> </ul>  |
| ISO 18001:2007 Occupational Health and Safety Management Systems                      | <ul style="list-style-type: none"> <li>Malaysia Airports Holdings Berhad</li> <li>Malaysia Airports Sdn. Bhd.</li> <li>Urusan Teknologi Wawasan Sdn. Bhd.</li> <li>IT Division</li> </ul> <p><i>Malaysia Airports Holdings Berhad and Malaysia Airports Sdn Bhd are currently undergoing audit for upgrade to ISO 45001:2018 Occupational Health &amp; Safety Management Systems</i></p>  |
| ISO 50001: 2011 Energy Management Systems   | <ul style="list-style-type: none"> <li>Malaysia Airports Sdn. Bhd. <i>(Scope: BKI only)</i></li> </ul>  |
| ISO/IEC 27001: 2013 Information Security Management Systems                           | <ul style="list-style-type: none"> <li>Malaysia Airports Holdings Berhad <i>(Scope: Human Resources and Procurement and Contract Division only)</i></li> <li>Malaysia Airports Sdn. Bhd <i>(Scope: LGK and PEN only)</i></li> <li>Malaysia Airports (Sepang) Sdn. Bhd.</li> <li>Malaysia Airports Consultancy Services Sdn. Bhd.</li> <li>IT Division</li> </ul>  |
| MS ISO 1900: 2005 Quality Management Systems - Requirements from Islamic Perspectives | <ul style="list-style-type: none"> <li>Malaysia Airports Consultancy Services Sdn. Bhd.</li> </ul>  |
| MS 2530:2013 Malaysian Sustainable Palm Oil (MSPO)                                    | <ul style="list-style-type: none"> <li>MAB Agriculture-Horticulture Sdn. Bhd <i>(Scope: Plantations at KUL and Sarawak regions only)</i></li> </ul>   |
| ISO 37001: 2016 Anti-Bribery Management Systems                                       | <ul style="list-style-type: none"> <li>Malaysia Airports Holdings Berhad <i>(Scope: Procurement and Contract Division only)</i></li> <li>Malaysia Airports (Sepang) Sdn. Bhd. <i>(Scope: Procurement and Contract Division only)</i></li> </ul>   |

# PILLAR 1 Practising Sensible Economics

Generate sustainable returns from business activities by strengthening and optimising revenue streams



In our Sustainability Policy we have stated that we aspire to create sustained stakeholder value as a world-class airport operator and to also create sustainable development in all aspects of our business. To this end, we view Pillar 1: Practising Sensible Economics of our Sustainability Framework as being an amalgamation of material matters that contribute to these goals.

This pillar aligns with the above SDGs and the following Material Matters, KUL Sustainability Charter goals, and key stakeholders.

### Material Matters

- Economic Performance
- Airport Capacity
- Regulatory Compliance
- Digitalisation
- Cybersecurity
- Procurement Practices
- Market Presence

### KUL Sustainability Charter Goals

- Goal 1: Optimising economic performance

### Key Stakeholders

- Employees
- Regulators and Government
- Airlines
- Passengers
- Investors
- Tenants
- Vendors and Service Providers
- The Media

To Malaysia Airports, ‘Practising Sensible Economics’ means being able to create sustainable economic value from our operations through efforts to strengthen and optimise our aero and non-aero businesses, while practising by good governance.

We are committed in supporting the SDGs where able, as an established airport operator and developer. We acknowledge that sustainable development is in the long-term interests of the business and the global economy, and that genuine sustainable development is only possible with the cooperation between the private and public sectors. We focus on SDGs most relevant to our business and amongst these, we have selected specific goals and targets linked to our strategy as this is where we can make a significant contribution to the international sustainable development agenda.

# Economic Performance

## ECONOMIC PERFORMANCE

**Definition:** Economic performance refers to the direct economic value generated and distributed by Malaysia Airports. GRI 108, 201-1

It is our utmost priority to create sustained value for stakeholders through careful planning and resource allocation.

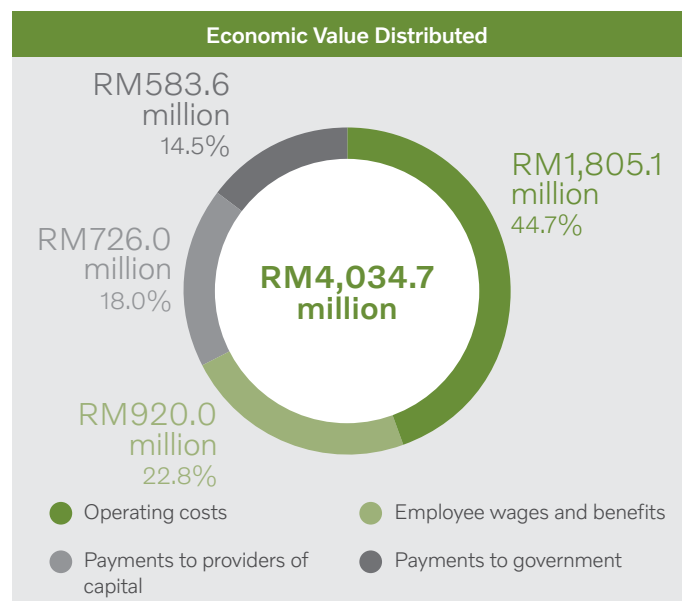
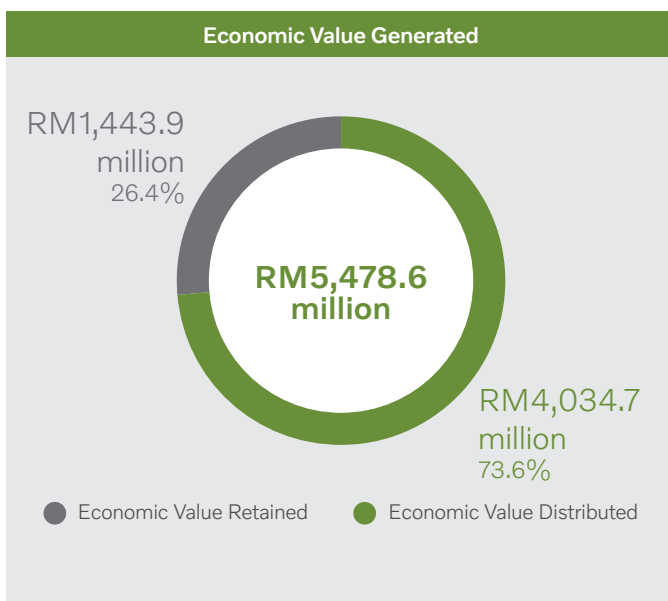
Our economic performance reflects our business agility and sustainability, which is crucial in attracting investors to fund the growth of our businesses thus making Economic Performance one of our material matters. Stakeholders, which include investors and financial institutions, are now more discerning when they review a company's financial performance and look for growth that also incorporates elements of the ESG model. To that end, our long-term goal is to integrate ESG elements with business growth in our role as an airport operator, developer and asset and land owner.

How we perform financially affects every area of our business from employee relations and skills development, to the development and upkeep of our facilities and infrastructure, innovation, and our interactions with the local communities and the environment. As such, we identify closely with SDG 8: Decent work and economic growth, SDG 9: Industry, innovation and infrastructure and SDG 11: Sustainable cities and communities.

For the financial year ending 31 December 2019 (FY2019), economic value generated by Malaysia Airports was RM5,478.6 million, an increase of 6.6% year-on-year (YoY) from RM5,140.3 million in the previous year.

Most of the economic value generated was distributed to operational costs, our employees (wages and benefits), capital providers (debtholders) and the Government (taxation and user fees).

Malaysia Airports retained an economic value of RM1,443.9 million, an increase of 8.9% from 2018.



# Airport Capacity

## AIRPORT CAPACITY

**Definition:** The airports' ability to cater for increasing passenger and cargo traffic and to manage capacity constraints through the allocation and usage of limited resources accordingly.

GRI 103

Our Sustainability Policy states that as we progress, we must be committed towards resource efficiency because the world's resources are finite. As an airport operator, we understand that the management of airport capacity is more than just the utilisation of resources to expand capacity.

Therefore, in adhering to our Sustainability Policy and in alignment with SDG 9, we manage capacity constraints through space optimisation and reconfiguration in the first instance to conserve resources and be more efficient in the allocation of limited resources.

Airport capacity is one of our material matters because it is crucial in ensuring operational safety and efficiency, service standards as well as passenger comfort. It is also one of the factors airlines take into consideration when deciding on route development which ultimately has an impact on our earnings.

We strive to operate within capacity in terms of manpower, space and infrastructural capabilities to fulfilling, productive and gainful employment for the local community. This relates to SDG 8 which promotes sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. It also aligns us with SDG 11 which advocates sustainable cities and communities.

Some of our airports utilisation have outgrown their designed capacity while others are approaching full capacity due to high traffic growth.



This has resulted in congestion at critical areas such as check-in and immigration counters, the runway and cargo facilities. These are missed opportunities as the airports are unable to capture potential traffic growth and cargo demand.

To address this, immediate steps have been taken to manage the congestion through reconfiguration and optimisation of crucial areas while expansion plans to increase capacity are already underway to address this issue.

# Airport Capacity

## Malaysia Operations – Airport Capacity

|    | Airports               | International/Domestic | Design Capacity<br>(mppa) | 2019 traffic<br>(mppa) | 2018 traffic<br>(mppa) |
|----|------------------------|------------------------|---------------------------|------------------------|------------------------|
| 1  | KUL - Main terminal    | International          | 30.0                      | 29.2                   | 28.1                   |
| 2  | KUL - klia 2 terminal  | International          | 45.0                      | 33.1                   | 31.9                   |
| 3  | SAW - Istanbul         | International          | 41.0                      | 36.0                   | 34.1                   |
| 4  | BKI - Kota Kinabalu    | International          | 9.0                       | 9.4                    | 8.6                    |
| 5  | PEN - Penang           | International          | 6.5                       | 8.3                    | 7.8                    |
| 6  | KCH - Kuching          | International          | 5.3                       | 6.0                    | 5.6                    |
| 7  | LGK - Langkawi         | International          | 4.0                       | 2.9                    | 2.7                    |
| 8  | LBU - Labuan           | Domestic               | 2.2                       | 0.7                    | 0.6                    |
| 9  | MYY - Miri             | Domestic               | 2.0                       | 2.4                    | 2.3                    |
| 10 | SBW - Sibu             | Domestic               | 1.8                       | 1.8                    | 1.6                    |
| 11 | KBR - Kota Bharu       | Domestic               | 1.5                       | 1.8                    | 1.7                    |
| 12 | TGG - Kuala Terengganu | Domestic               | 1.5                       | 0.9                    | 0.9                    |
| 13 | MKZ - Melaka           | Domestic               | 1.5                       | 0.1                    | 0.05                   |
| 14 | SDK - Sandakan         | Domestic               | 1.5                       | 1.1                    | 0.9                    |
| 15 | SZB - Subang           | Domestic               | 1.5                       | 2.3                    | 2.0                    |
| 16 | TWU - Tawau            | Domestic               | 1.5                       | 1.8                    | 1.6                    |
| 17 | KUA - Kuantan          | Domestic               | 1.3                       | 0.4                    | 0.3                    |
| 18 | BYU - Bintulu          | Domestic               | 1.0                       | 1.1                    | 0.9                    |
| 19 | AOR - Alor Setar       | Domestic               | 0.8                       | 0.9                    | 0.8                    |
| 20 | IPH - Ipoh             | Domestic               | 0.5                       | 0.5                    | 0.3                    |
| 21 | LMN - Limbang          | Domestic               | 0.3                       | 0.06                   | 0.05                   |
| 22 | LDU - Lahad Datu       | Domestic               | 0.1                       | 0.1                    | 0.1                    |
| 21 | MZV - Mulu             | Domestic               | 0.05                      | 0.06                   | 0.06                   |

\*mppa = million passengers per annum

\* Please refer to pages 14 and 15 for the full names of the airports.

## Airport Capacity

### **Reconfiguration and optimisation of check-in and immigration arrival areas**

At KUL, Malaysia Airports worked closely with airlines partners, in particular, Malaysia Airlines which has the largest operations at KLIA Main terminal, to optimise existing space and facilities to improve passenger flow and experience.

One of these initiatives was the formation of a joint Innovation Garage Team by Malaysia Airports and Malaysia Airlines, an initiative mooted by Khazanah Nasional Berhad, a common shareholder of both companies. The Innovation Garage Team was tasked to identify and resolve problems faced by the airport and the airlines. Two initial issues tackled by the team were the congestion at the check-in counters and mishandled baggage at KUL.

As a result of the joint efforts, check-in counters at KLIA Main terminal were reassigned among Malaysia Airlines and nine airline partners, and self-check-in kiosks were relocated to reduce congestion during peak periods. This eased congestion and reduced time for check-in by 30% and time from check-in to boarding by 15% for Malaysia Airlines.

The joint team also implemented three solutions to address mishandled baggage - they increased the number of baggage transfer lines reinforced ground handling standard operations procedure in KLIA Main terminal and improved passenger awareness. This reduced the number of mishandled baggage complaints by 25% for Malaysia Airlines.

Beyond the Innovation Garage, we also optimised the arrival areas to prepare for Visit Malaysia 2020 at KUL. Although Visit Malaysia 2020 was cancelled in the wake of the COVID-19 pandemic, there were significant improvements to the arrival areas at KUL.

At klia2, we expanded and reconfigured the immigration arrival area to double its original size to improve the immigration process for arriving passengers. This involved the relocation of the Eraman Emporium at klia2 to enable immigration counters and autogates to be located at optimal locations. We also reconfigured the arrival customs inspection area and changed the existing single lane for customs inspections to six new lanes for both KLIA Main terminal and klia2.

Pending capacity expansion works, we also reconfigured the check-in area and immigration arrival areas at PEN to optimise the available space, increase efficiency and ease congestion.

### **PEN airport expansion given green light**

In 2019, we received approval from the Ministry of Finance and Ministry of Transport as well as local authorities to proceed with the expansion plans for PEN to increase its capacity from 6.5 mppa to 12 mppa for the first phase of the development. The plans entail additional aircraft stands, increased gross floor area, a new domestic pier and increased car parking spaces. The airport will also be redesigned to be environmentally friendly and will feature the latest in automated check-in and baggage drop capabilities for passenger convenience.

The works which were targeted to start in Q2 2020 are likely to be deferred or scaled back to prioritise the use of resources in the wake of the COVID-19 pandemic.

Nevertheless, in 2019, we commenced building works for a new multi-storey car park at PEN to increase car parking spaces from 1,200 to approximately 1800. The check-in area and immigration arrival area were also reconfigured to optimise the available space, increase efficiency and ease congestion.

### **Expansion plans for KUL**

The Master Plan for the expansion of KUL began in February 2019 with the objective of detailing the upgrading and expansion required to address the capacity constraints and to capture air travel and cargo growth at KUL. The Master Plan will also consider the viability of interlining KLIA Main terminal and klia2 to make KUL more attractive as a hub to airlines and passengers in expectation of the growth forecasted in the Asia Pacific region for the next 20 years.

Subject to the findings from the Master Plan study, it is expected that construction, integration and Operational Readiness and Transition will begin at the earliest, in 2023. Operational Readiness and Transition will ensure that the expansion designs are in line with the expectations of our stakeholders and the expected operational functionality of the airport.

### **Developing master plans for other selected airports**

In 2019, we engaged the services of airport planning consultants to develop master plans for five airports – PEN, BKI, KCH, SBW and TWU, to cater for future growth. The main project deliverables for each airport are first, a master plan that encompasses a 30-year outlook and a phased development plan to meet market demand, and secondly, a functional layout plan for the conceptual expansion of the passenger terminal at each airport.



# Regulatory Compliance: Anti-Competition

## REGULATORY COMPLIANCE: ANTI-COMPETITION

**Definition:** Adherence to laws and regulations that pertain to doing business ethically without affecting passenger choice, airline pricing, and market efficiency.

GRI 103, 206-1

Our Sustainability Policy states our aspiration to take a leadership role in sustainability initiatives that strengthen social well-being and community relationships with our stakeholders. For us, part of this role is to ensure that we abide by the laws of the nation that dictate we run our business fairly.

While anti-competitive behaviour, anti-trust and monopolistic practises in Malaysia are generally subject to the Competitions Act 2010, aviation services are separately governed under the provisions of the Malaysian Aviation Commission Act 2015, specifically Part VII of the Act which deals with competition. As the Malaysian Aviation Commission Act 2015 is excluded from the application of the Competition Act 2010, Malaysia Airports is therefore subject to the guidelines issued by MAVCOM relating to Part VII (Competition) of the Malaysian Aviation Commission Act 2015. We comply fully with the applicable laws and guidelines.

In 2019, there was no legal action taken against Malaysia Airports for anti-competitive behaviour, anti-trust or monopoly practices.



# Digitalisation

## DIGITALISATION: AIRPORTS 4.0

**Definition:** To leverage on technology to deliver products and services in new ways to stakeholders.  
GRI 103

In order to be able to continuously create value for our stakeholders, it is important that our business is run using the latest tools available, in particular, information technology. In 2018, 'Airports 4.0' was introduced as Malaysia Airports' response to the Industrial Revolution 4.0. It is our digital transformation initiative to address regulatory changes, growing passenger volumes, optimal maintenance of service levels and revenue generation in this digital era. It encompasses the use of Big Data Analytics and the Internet of Things devices to enhance airport operations.

As a result, 2019 saw enhancements to existing tools and systems and the implementation of new technologies that impact the business. The chart below briefly illustrates some of the notable Airports 4.0 initiatives that have been carried out in 2019. For more details please refer to the sections on the respective pillars.

### PILLAR 1 PRACTISING SENSIBLE ECONOMICS

| INITIATIVES  | IMPACT   |
|--|--|
| <p><b>Commercial Service Inspection Application</b><br/>Records, facilitates and streamlines airport shop inspections to monitor compliance, enables efficient enforcement of regulations and follow through in the event of non-compliance.</p> | Airport services are maintained at a high standard |
| <p><b>Point of Sale reset</b><br/>Reduce manual tasks and improve cost optimisation for vendors and customers.</p>   | Increases efficiency and cost optimisation         |

### PILLAR 5 MEMORABLE AIRPORT EXPERIENCE

| INITIATIVES   | IMPACT  |
|---|---|
| <p><b>Next Gen MYairports App</b><br/>Passengers are able to use the app to get information on queue and wait times for crucial check points.</p>   | Provides real time information for a seamless journey |
| <p><b>Single Token Facial Recognition, eGate with Facial Recognition</b><br/>This simplifies the journey through the airport with one-time verification of travel documents at check-in. Throughput of passengers is also improved.</p> | Improves queue time and congestion/traffic            |
| <p><b>Full body scanners at KUL</b><br/>Increased accuracy in detection of contraband objects on a person's body.</p>   | Increases safety and security                         |

## PILLAR 5 MEMORABLE AIRPORT EXPERIENCE (CONTD.)

| INITIATIVES   | IMPACT   |
|---|--|
| <p><b>Washroom Response Management System</b><br/>Improves passenger feedback management and increases response management.</p>   | <p>Reduced time in resolving washroom cleanliness complaints</p> |
| <p><b>Washroom Inspection Management System</b><br/>Improves the standard of washroom facilities and conducts inspections as per standards set by authorities.</p>  |  |
| <p><b>Terminal Response and Inspection Management System</b><br/>Improves inspection methods of duty officers when conducting terminal cleanliness inspections. Enables Management to monitor overall performance, trends and to plan more effectively.</p> | <p>Increases efficiency of operations</p>                        |
| <p><b>Airport Service Quality Scheduling and Planning System</b><br/>Digitally upgraded the manual system to improve productivity and resource planning while reducing time taken for administrative tasks.</p>   | <p>Improves efficiency and effectiveness of the process</p>      |

The impact of having a good digitalised system in place is an increase in operational efficiency and process effectiveness. Miscommunications can be reduced as processes are now prompted by systems instead of humans. Manual monitoring has a high tendency for errors.



# Cybersecurity

## CYBERSECURITY

**Definition:** The continuous strengthening of our capabilities to protect the security and privacy of our stakeholders, business information and systems through cybersecurity.

GRI 103

Our Sustainability Policy states that we should operate online in a healthy, safe, secure and efficient manner. The everchanging landscape of cyber-related threats puts the data and automated processes of our business, and of our stakeholders, at risk. To this end, Malaysia Airports has taken steps to employ the highest standards of cybersecurity to ensure the digital information and processes within our domain are sustainably safe guarded.

We adhere to following policies, standards and regulations for cybersecurity:

- Communications and Multimedia Act 1998
- Computer Crimes Act 1997
- Personal Data Protection Act 2010
- Copyright Act 1987
- National Cyber Security Policy
- Malaysia Cyber Security Strategy (MCSS)
- Arahan MKN 24: Mekanisme Pengurusan Krisis Siber Negara
- General Data Protection Regulation (GDPR 2016/679)
- Information Security Management Systems (ISO/IEC 27001, 27002)
- ICAO Annex 17: Security – Safeguarding International Civil Aviation against Acts of Unlawful Interference
- Payment Card Industry Data Security Standard
- Malaysia Airports Information Security Policy

Owing to the nature of airport operations and in line with the increased use of technology in 'Airports 4.0', Malaysia Airports relies heavily on Information Technology (IT) to operate its business. In view of heavy usage of IT and the importance of IT to keep airports operating in a safe, efficient and coordinated manner, it is important that we have in place the highest level of cybersecurity measures. As such, cybersecurity is viewed to be a material matter as it will ensure that our IT assets, operations and the safety of the people using our airports and the airport community are protected at all times.

Our IT Division is primarily in charge of cybersecurity and key matters are reported to the Executive Management Committee, Board Risk Management Committee and the newly formed Board IT Oversight Committee. The Board IT Oversight Committee was formed in August 2019 as an interim committee in response to IT disruptions affecting KUL. The committees' roles are to review and advise on IT-related projects, strategies, cybersecurity risks and IT disaster recovery for the Group.

In 2019, there were a few cybersecurity cases reported with regards to the failure of the Flight Information Display System monitors at klia2 due to suspected malware attacks. We take cybersecurity issues very seriously and these cases were resolved through our established procedures in managing and resolving such incidents.

### Cybersecurity Acceleration Programme

In 2019 we implemented the Cybersecurity Acceleration Programme to put in place a comprehensive cybersecurity framework to reinforce our preparedness in facing cyber-related threats, risks and attacks and to further enhance Malaysia Airports' capabilities in three critical areas - People, Process and Technology.

With this programme, we will be able to instil cybersecurity best practices and cultivate cybersecurity awareness throughout Malaysia Airports and reduce risks posed by cyber-related attacks. The maturity level of cybersecurity controls in place at Malaysia Airports is measured against a Cybersecurity Maturity Index which mirrors the Cybersecurity Framework of National Institute of Standards and Technology.

The Cybersecurity Acceleration Programme focuses on closing the gap between people and processes and encourages technology adoption. It addresses integrated project management, consultancy services for identified gaps and change management and cultivates cybersecurity awareness and capabilities. It also improves cybersecurity processes and compliance and strives towards cybersecurity technology adoption.

# Cybersecurity

## Moving Forward

With the Cybersecurity Acceleration Programme scheduled for completion in April 2020, two other initiatives are underway to complement and further reinforce the work done - the Cybersecurity Operation Centre and the Cyber Threat Intelligence project. These are scheduled to be completed by June 2020.

The Cybersecurity Operation Centre will be a centralised function within Malaysia Airports that employs people, processes, and technology to continuously monitor and improve our cybersecurity posture. It will also prevent, detect, analyse and respond to cybersecurity incidents.

Cyber Threat Intelligence is an area of cybersecurity that focuses on the collection and analysis of information about current and potential attacks that threaten the safety of Malaysia Airports and its assets. It enables in-depth understanding of the threats that pose the greatest risk to infrastructure and provides the opportunity to devise a plan to protect the business. Cyber Threat Intelligence provides tools to prevent cyberattacks and detect existing cybersecurity issues including malware that if left otherwise undetected, could lead to the theft or manipulation of sensitive data.

As Malaysia Airports becomes increasingly automated and digitalised, the rapidly evolving cyber-related threat landscape poses an even bigger danger than before. Establishing our own Cybersecurity Operation Centre and implementing Cyber Threat Intelligence will be a crucial addition to our management of current and emerging cyber-related threats as it will better equip us to prevent, identify, analyse and respond in a timely manner to any threats or breaches.

As part of the implementation of the Cybersecurity Acceleration Programme we have appointed 118 cybersecurity ambassadors from across all Malaysia Airports divisions. These 118 agents will continuously be trained to enhance and improve cybersecurity awareness levels amongst their colleagues and at their work locations.

We aim to carry out cybersecurity awareness training for all our employees. In 2019, we focused on KUL and conducted 11 training sessions for our Corporate Office and KUL. We engaged CyberSecurity Malaysia to carry out Technical and Professional Certification Training for our IT Division employees to improve their cybersecurity capabilities. 16 training programs were identified and approximately 70 IT Division employees were selected to attend the training based on their job scope.

To improve current processes, a review of current policies, procedures and guidelines was carried in accordance to cybersecurity best practices and the latest requirements by the relevant aviation authorities such as MAVCOM (Malaysian Aviation Commission), CAAM (Civil Aviation Authority of Malaysia) and ICAO (International Civil Aviation Organisation).

Through the Cybersecurity Acceleration Programme, we are strongly aligned to SDG 8 in helping to promote economic growth and decent employment as we hone the skills of Malaysia Airports staff in recognising cyber-related threats and in turn protect potential economic loss. In addition, through these efforts, we are indirectly promoting safe, increased access to information and communications technology thus aligning us to SDG 9.

# Procurement Practices

## PROCUREMENT PRACTICES

**Definition:** Supporting local suppliers at significant location of operations.  
GRI 103, 204-1

Our rules for procurement are specifically laid out in the Procurement Procedures, Policies and Guidelines, a document known as the '3Ps'. These cover all initiatives to source and acquire goods, services, or works from external sources which also include tenders or competitive bidding. The 3Ps are in place to ensure Malaysia Airports is able to balance between procurement price and factors such as quality, quantity, time and location. The 3Ps also aim to minimise the risk of fraud or collusion which may cause us to suffer losses.

The 3Ps are supplemented by other measures to improve efficiency and transparency as well as reduce risks. They include:

- Standard Operating Procedures for procurement matters
- IT systems such as a vendor management system and e-procurement which uses technology for catalogues, requests for quotations and tenders
- Independent evaluation committees
- Tighter controls in procurement such as requiring strong justification to obtain approvals
- Establishment of Procurement Service Level Committed
- Compliance with the Anti-Bribery Management System
- Compilation of detailed spend analysis data to improve efficiency
- Training for vendors and business partners

In 2019, we implemented procurement transformation initiatives to drive value creation. The initiatives fell under three categories to further streamline our procurement process:

- Establish category management and strategic sourcing
- Simplify procurement processes by automation and digitalisation
- Enhance integrity, competency and capacity

Leveraging on technology for procurement in the form of eTender, eBidding, eRFQ and eCatalogue has streamlined the processes and enabled faster turnaround time and increased cost savings.

### Integrity in Procurement

Malaysia Airports views procurement as an area in which integrity and anti-corruption are key factors for sustainability.

In 2017, Malaysia Airports committed to the Integrity Pact, an initiative of the Malaysian Government aimed at fighting corruption in public procurement. The Integrity Pact is a concept introduced by Transparency International and establishes mutual contractual

rights and obligations between the parties involved in public procurement to curb corruption in public procurement.

The Procurement and Contract Division is responsible for incorporating the Integrity Pact into our procurement processes. To implement the Integrity Pact, we require our employees and vendors to make declarations to refrain from corrupt practices throughout the procurement process. They are also responsible to lodge a report with the authorities on any corrupt practices.

For the Integrity Pact to be effective, we took steps to increase awareness among Malaysia Airports employees and vendors on corruption offences which include the following activities:

- To offer, seek or accept bribes to or from companies, firms, individuals and our employees. Bribes can take many forms for example money, gifts, donations, discounts, bonuses, jobs, services and favours as defined under Section 3 of Malaysian Anti-Corruption Commission Act 2009
- Abuse of power by our employees. For example, the selection of bidders in which our employees have vested interests
- Conspiracy among vendors and our employees to obtain a procurement award

In addition to our employee briefings, the Corporate Integrity Unit also conducted briefings with our vendors. The Vendor Integrity Programme saw 71 representatives from 44 different vendors of various businesses attending the briefing on Vendor Code of Ethics, corruption and whistleblowing. The education of vendors on our policies and procedures will help them recognise any deviation and subsequently eradicate corrupt practices.

The impact of the Integrity Pact is to enhance transparency in the procurement process to curb corruption and avoid the high costs and distortionary effects of corruption.

In May 2019, the Anti-Bribery Management System was successfully implemented to help create a bribery-free business environment. We were also recognised for our efforts in the Chartered Institute of Procurement & Supply Corporate Award Programme.

We are pleased to report that there were no breaches to the Procurement Code of Ethics in 2019.

## Procurement Practices

Besides integrity, we also expect our vendors to adhere to the various environmental, social and governance requirements outlined in our Instruction to Tenderers. They include the following:

### Environmental

Reduction in greenhouse gas emissions; energy efficiency, conservation and management; reduction in consumption of fresh water resources; ecosystem conservation and management; improved land use; planning and management; improved air quality and noise reduction; wastewater management; and waste minimisation, reuse and recycling.

### Social

Support for local community development, management of social and cultural issues.

### Governance

Adherence to safety, health and environmental requirements, anti-corruption, prevention of offering and accepting gratuities, compliance with various acts and legislations including the Employment Act 1955, the Employment (Restriction) Act 1968, the Employees' Provident Fund Act 1951, the Industrial Relations Act 1967 and others.

## LOCAL SUPPLIERS

(GRI 204-1)

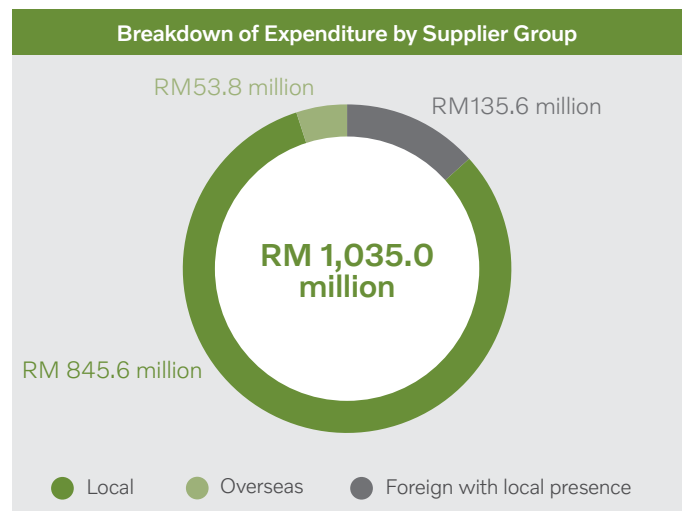
It is critical for Malaysia Airports to be able to procure goods and services needed for the smooth running of our operations. In this regard, our relationship with vendors and suppliers has a significant impact on the running of the business.

In 2019, Malaysia Airports engaged with a total of 1,439 suppliers, 97% of whom are local. We consider companies established under the laws of Malaysia as well as foreign companies with an office or operations base in Malaysia as "local".

RM845.6 million was spent on Malaysian-incorporated suppliers, constituting 82% of procurement expenditure while procurement from foreign firms with a local presence in Malaysia amounted to RM135.6 million being 13% of procurement expenditure. Therefore, in total, 95% of procurement expenditure was spent locally. The remaining 5% was spent on non-local suppliers, amounting to RM53.8 million.

The share of procurement expenditure on Malaysian-incorporated suppliers decreased slightly by 1.6 percentage points YoY from 96.6% in 2018 to 95% in 2019. Despite the percentage decrease, we observed an overall increase in the nominal amount spent on local suppliers from RM 917.9 million in 2018 to RM981.2 million in 2019, a YoY increase of 6.9%.

The significant spending on local suppliers is indicative of our support of Malaysia's aspirations to become a high-income developed nation by providing more economic opportunities to local businesses and organisations. This also directly relates to SDG 10 which advocates reducing inequality within and among countries. Malaysia Airports also adopts an inclusive approach in addressing economic disparity and narrowing economic gap by engaging suppliers of all ethnic and cultural backgrounds.



# Market Presence

## MARKET PRESENCE

**Definition:** Leveraging our business to create a fair and sustainable marketplace for us and other market participants.  
GRI 103, 202-2

Our policy reinforces Malaysia Airports' commitment to the sustainability agenda and aligns our business to global best standards. To that end we strive to reinforce a positive market presence by being a role model in sustainable practises. These practises cut across all our pillars and have a positive effect in the long-term on our business.

### KUL Sustainability Charter

In line with our Sustainability Policy, Malaysia Airports launched the KUL Sustainability Charter to lead the national aviation industry and stakeholders to embrace ecological, social and economic strategies that will foster business longevity and competitiveness. The charter amplifies Malaysia Airports' Sustainability Framework and outlines Malaysia Airports' commitment to sustainable business performance and practices that will benefit all parties across the board. This platform will provide the KUL community with a clearer vision of the sustainability goals and initiatives as well provide guidance in applying best practices.

### Green Airport Strategy

Malaysia Airports has also embarked on developing the Green Airport Strategy to improve our environmental performance and to focus on environmental issues such as energy and water usage, waste disposal and carbon emissions. The programme envisages the development of more sustainable airport operations characterised by the use of affordable clean energy, recycling and reuse of resources and waste, efficient use of energy and water, low carbon emissions and sustainable transport systems.

### Training on Key Material Matters for Our Stakeholders

To ensure everyone is on board with our sustainability activities we conduct training sessions with non-employee stakeholders like our vendors. In 2019, we conducted training for 71 representatives from 44 different vendors on our procurement practices and procedures. This transparency of our internal processes will enable them to understand the processes better and help us reduce risks.

Within the company we have training sessions to reinforce our commitment towards sustainability across all departments. For example, in our efforts to instil a mindset change among our frontline

staff and the KUL community, we conducted the Happy Guests Caring Hosts training programme to improve customer experience.

### Local Hires for Senior Management positions

At the heart of Malaysia Airports is our workforce. We need leaders who know the culture, understand the people and language, feel invested in the country and who identify with the workforce to build a truly sustainable workforce. To that end, senior management positions at Malaysia Airports as at end 2019 were almost entirely Malaysian or Malaysian Permanent Residents with the exception of one Senior Management Team Member.

### Constant Improvement in Processes for the Benefit of Stakeholders

The vendors in our airports represent a group of stakeholders that are crucial for the sustained success of our airports. We are committed to providing added-value to their operations so they too can reap the benefits of sustainable business practices. Some of the initiatives we have undertaken include an upgraded Point Of Sale system and the Mystery Shopper Programme.

### Upgrade the Point of Sale System

As part of the commercial reset, the current Point of Sale system will be standardised with a single vendor with Enterprise Solutioning. This establishes a central database and increases data governance as well as provides collection mechanisms for advanced analytics. The automated system will also reduce manual tasks and improve cost optimisation for vendors and customers.

### Mystery Shopper Programme

The Mystery Shopper and Customer Service Programme help to evaluate or audit the retailers' customer service elements and performance. The audit results will identify, areas of improvement and guide the development of Customer Service Standards of Practice.

The programmes also aim to raise awareness amongst concessionaires and retailers on the importance of service quality standards. It provides front liners and retailers with an understanding of the aspired customer experience and service standards at every point of the in-store customer journey.



**PILLAR**  
**2**

# Environmental Consciousness

Manage and reduce the impact on the environment from business activities



Malaysia Airports' Sustainability Policy also advocates that we rehabilitate the environment if affected by our activities and continuously look for opportunities to improve our environmental performance. Our Energy Policy and Environmental Management Policy were formulated to fulfil this commitment to our stakeholders.

This pillar aligns with the above SDGs and the following Material Matters, KUL Sustainability goals and key stakeholders:

**Material Matters**

- Waste and Effluent Management
- Climate Change
- Water Management
- Energy Efficiency

**KUL Sustainability Charter Goals**

- Goal 2:  
Improving energy efficiency
- Goal 3:  
Reducing overall carbon foot print
- Goal 4:  
Enhancing water and waste management

**Key Stakeholders**

- Employees
- Regulators and Government
- Airlines
- Passengers
- Investors
- Tenants
- Vendors and Service Providers
- Local Community
- The Media

Our Sustainability Policy underlines our commitment to the creation of a pathway towards carbon-neutral growth and aspirations for a carbon-free future. In line with this, our Sustainability Framework includes 'Environmental Consciousness' as one of the five Sustainability Pillars as a guide to manage and reduce the impact of our business activities on the environment.

Prior to 2019, Malaysia Airports had already taken concrete steps to be environmentally responsible. In 2015, we established a cross-departmental committee called the Environmental Management Committee (EMC) to drive company-wide efforts and monitor results in this area. In 2016, we announced an Environment Strategy Roadmap, a five-year strategic plan which set out the pathway to better environmental stewardship in key areas from 2016 till 2020. 2016 was selected as the baseline year as it was the starting point of the roadmap.

In July 2019, the Engineering Environment Committee (EEC) chaired by the General Manager of Engineering was set up to focus and follow through on the environmental initiatives at operational sites while the EMC will continue to monitor and track the performance of these initiatives up to 2020.

The committees lead Malaysia Airports to outline the Company's values and strategic priorities to deliver its green environment goals especially to manage use of energy and fuel, reduce carbon emissions, conserve water, reduce waste to landfills, manage waste water, reduce noise and reduce wildlife strikes, The committees also support and advise other departments on environmental initiatives across our airports.

These initiatives show our commitment to SDG 6: Clean Water and Sanitation; SDG 7: Affordable and Clean Energy; SDG 11: Sustainable Cities and Communities; SDG 12: Responsible Consumption and Production and SDG 13: Climate Action.

**Green Airport Strategy**

In 2019, Malaysia Airports introduced the Green Airport Strategy which focuses on environmental issues such as energy and water usage, waste disposal and recycling and the reduction of carbon emissions.

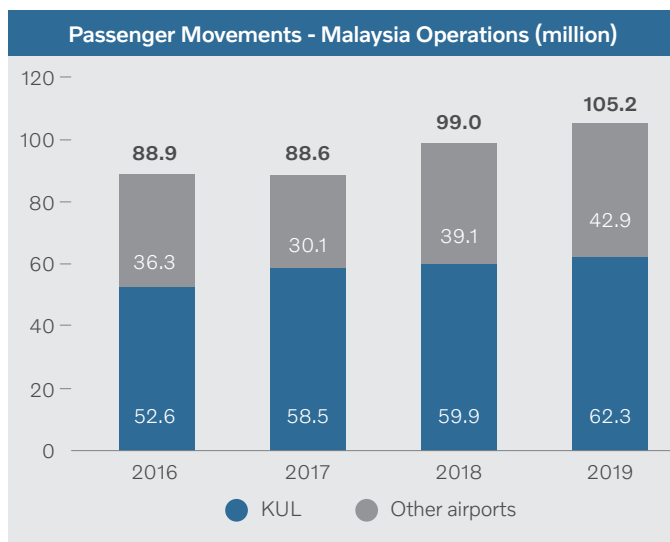
The Green Airport Strategy involves a five-phase rollout. Each phase has a specific time-frame and deliverables for more sustainable airport operations characterised by using affordable clean energy, recycling and reusing resources and waste, more efficient use of energy and water, lower carbon emissions and sustainable transport systems.



# Waste and Effluent Management

Unless otherwise stated, the data in this section refers to all airports in Malaysia managed by Malaysia Airports, excluding STOLports.

The indicators in this Report are measured in both absolute terms as well as in comparison with annual passenger movements. This enables the indicators and results to be viewed within the context of the growing size of our operations. We also provide past years' data to enable year-on-year (YoY) comparisons.



In 2019, the passenger movements for our operations in Malaysia crossed the 100 million threshold for the first time with 105.2 million passengers, a 6.1% YoY growth compared to 2018. 12 of the 21 main airports in Malaysia especially those in Sabah and Sarawak registered high double-digit growth in passenger movements.

KUL surpassed the 60 million mark for the first time with 62.3 million passengers, an increase of 3.9% over 2018. Passenger movements at both KLIA Main terminal and klia2 grew 3.9% YoY with KLIA Main terminal recording 29.2 million passengers and klia2 recording 33.1 million. The other airports in Malaysia accounted for 42.8 million passenger movements, a 9.5% increase YoY.

## WASTE AND EFFLUENT MANAGEMENT

**Definition:** Refers to the treatment of hazardous and non-hazardous waste.  
GRI 103, 306-2

Our Sustainability Policy calls for us to remedy the natural and economic environment affected by our activities and to continuously look for opportunities to improve our global environmental performance.

Waste and how it is treated has a great impact on the local communities. We have chosen 'Waste and Effluent Management' as a material matter as how we treat our waste and how we approach recyclable items impacts on our business, society and the environment in the long-run. As a result, we have become increasingly conscientious in how we manage our waste and our approach to recycling. This ties in especially with our commitment to SDG 12 which is to ensure sustainable consumption and production patterns.

All data presented in this section applies to KUL only.

### Waste Management

In the last two decades, waste management has steadily grown to become a major concern in Malaysia. As a result, Malaysia has developed a comprehensive set of legal provisions related to the management of toxic and hazardous wastes. Malaysia Airports abides by these legal provisions, namely the Environmental Quality Act 1974 and the Environmental Quality (Scheduled Wastes) Regulations 2005.

Scheduled waste is any waste that has hazardous characteristics that may potentially affect public health and the environment. There are 77 types of scheduled waste listed under the First Schedule of the Environmental Quality (Scheduled Wastes) Regulations 2005 and scheduled waste must be managed in accordance with the provisions of the Regulations.

Scheduled waste is collected twice a year from KUL, in March and September each year. The chart below shows the quantity of scheduled waste collected from 2016 to 2019.

In KUL, there was a total of 11 types of scheduled waste collected in 2019. These include batteries, contaminated waste and containers, electronic waste and pesticides.

## Waste and Effluent Management

### Types of Scheduled Waste

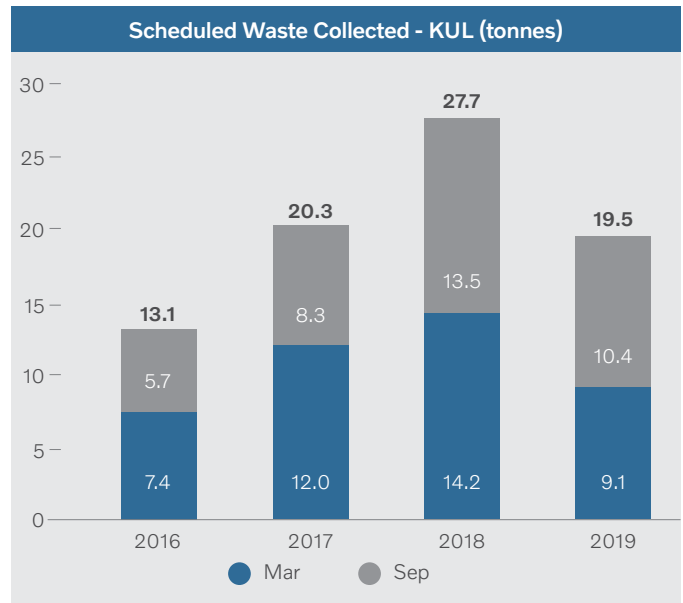
| Types of Scheduled Waste    | Tonnes      |
|-----------------------------|-------------|
| Batteries                   | 0.2         |
| Ni-Cd Batteries             | 0.2         |
| Mercury                     | 9.3         |
| Electrical Devices          | 2.5         |
| Lubricating oil             | 3.5         |
| Waste oil                   | 0.0         |
| Heavy Metal Resin           | 0.2         |
| Contaminated disposed waste | 2.0         |
| Contaminated waste          | 1.0         |
| Waste of Paints             | 0.4         |
| Biochemical waste           | 0.1         |
| <b>Total</b>                | <b>19.5</b> |

### Recycling

Recycling activities have been implemented progressively at KUL to reduce the amount of waste sent to landfills. These initiatives include the improvement of our recycling infrastructure and encouraging employees, retailers, airport guests and other stakeholders to recycle.

Malaysia Airports has collaborated with DRB-HICOM Environmental Services (DHES) on the KUL Solid Waste Management Project since 1 April 2016. According to a 2017 DHES report, 40% of KUL's waste is recyclable and recoverable. The waste includes newspapers, old corrugated cardboard, magazines, mix paper, plastic containers, plastic bottles, tin and scrap metal and other items.

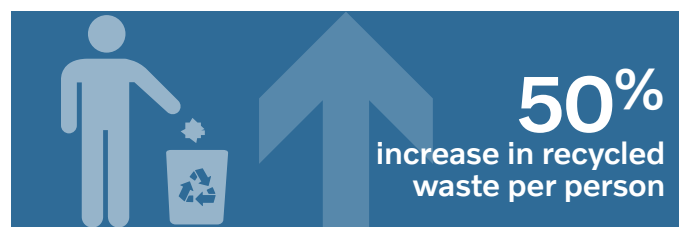
DHES and Malaysia Airports also conduct a 'Recycling Awareness Program at KUL' which involves the collection of recyclable waste at KUL's landside and airside areas, and Malaysia Airports' Corporate Office. This activity is run twice a month at designated locations



within KUL and once a month at our Corporate Office. Every collection is weighed, and monetary incentives are given based on the weight of the recyclable items.

As a result of this programme, from 2017 till 2019, the recycling rate at KUL has increased significantly, namely by 55%. The total recycled waste per passenger has also improved significantly, namely a 50% increase over the period.

The increase in recycling values is the result of intensified recycling initiatives at both KLIA Main terminal and klia2. The DHES Material Recovery Facility which commenced operations in March 2018 has also contributed to the increased recycling rate as the amount of recyclable waste collection and sorting capabilities has doubled. Malaysia Airports has also implemented a thorough sorting process to minimise waste sent to landfills.



# Carbon Emissions

## Waste Management at KUL

| Year        | Total waste sent to landfills (kg) | Waste intensity (kg/pax) | Recycled waste (kg) | Recycling rate (%) | Recycled waste intensity (kg/pax) |
|-------------|------------------------------------|--------------------------|---------------------|--------------------|-----------------------------------|
| 2017        | 14,384,260                         | 0.25                     | 1,292,615           | 9                  | 0.022                             |
| 2018        | 15,799,340                         | 0.26                     | 930,552             | 6                  | 0.016                             |
| <b>2019</b> | <b>14,554,840</b>                  | <b>0.23</b>              | <b>2,032,008</b>    | <b>14</b>          | <b>0.033</b>                      |

\*Waste figures for 2017 and 2018 have been restated for standardisation with the Airport Carbon Accreditation (ACA) Report. Recycling figures for 2017 and 2019 are for KUL while recycling figures for 2018 are for KLIA Main terminal only.

There were no reports of non-compliance in 2019 with regards to Waste and Effluent Management at KUL.

### CARBON EMISSIONS

**Definition:** Refers to the discharge of environmentally hazardous substances and greenhouse gas into the atmosphere such as dust, dark smoke, emissions with metallic compounds, carbon dioxide, methane and nitrous oxide.

GRI 103, 303-1, 305-2, 305-4

As a signatory of the Aviation Industry Commitment to Action on Climate Change (Geneva, 2008), Malaysia Airports is committed to reducing carbon emissions. Our Sustainability Policy reiterates this commitment and we have reduced carbon emissions even as our business grows. Our initiatives align us with SDG 7: Affordable and Clean Energy, SDG 12: Responsible Consumption and Production and SDG 13: Climate Action.

In June 2019, Airports Council International Europe (ACI EUROPE) announced a landmark resolution to achieve net zero carbon emissions by 2050. This commitment was made in response to latest scientific evidence compiled on climate change. It was a call for ACI Europe and its members and all aviation industry stakeholders worldwide to develop a long-term common ambition and vision towards achieving a net zero carbon emissions air transport system.

The Airports Council International (ACI) of which Malaysia Airports is a member, pledged to achieve carbon neutral airports under its Airport Carbon Accreditation (ACA) programme. The ACA programme was launched as an independent, voluntary programme in 2009 after the adoption of the 2008 resolution on climate change. Member airports, including Malaysia Airports, have committed to reduce carbon emissions from their operations, with the goal of becoming carbon neutral.

The Greenhouse Gas (GHG) Protocol Corporate Standard classifies GHG emissions for airports into three scopes:

**Scope 1:** Direct emissions from sources owned and controlled by the airport operator, such as energy generation and fuel for airport vehicles.

**Scope 2:** Indirect emissions from the generation of purchased energy by the airport operator.

**Scope 3:** Indirect emissions (apart from Scope 2) that occur in the value chain of the airport operator, such as sources owned and controlled by airport tenants and other stakeholders including aircraft activity in the airport area, airline and other tenant vehicles, ground service equipment, and ground access vehicles for employees and passengers including buses and trains.

Malaysia Airports has direct control over Scope 1 and Scope 2 emissions making it our responsibility to ensure we reduce absolute emissions to the furthest extent possible while addressing any residual emissions through investment in carbon removal and storage.

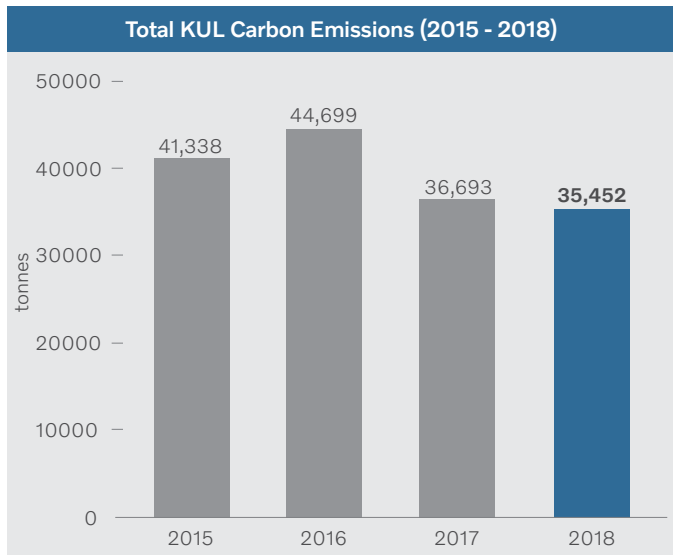
We obtain our carbon emissions data from total consumption of energy, fuel and waste in accordance with the GHG Protocol.

# Carbon Emissions

## CARBON EMISSIONS - KUL

| Year  | 2015    | 2016    | 2017    | 2018            |
|---|---------|---------|---------|-----------------|
| Scope 1 (tonnes)                              | 2,409   | 2,192   | 2,193   | <b>2,303</b>    |
| Scope 2 (tonnes)                              | 38,929  | 42,507  | 34,500  | <b>33,149</b>   |
| Total Scope 1 & 2 (tonnes)                    | 41,338  | 44,699  | 36,693  | <b>35,452</b>   |
| Carbon emissions intensity (tonnes/passenger) | 0.00085 | 0.00085 | 0.00063 | <b>0.000591</b> |

\* Figures for 2015 to 2018 only apply to KUL and have been restated to align with our annual ACA report. Figures shown have been verified by an approved independent third-party. Verification for 2019 will commence in 2020 and will be reported in next year's sustainability report



KUL has participated in the ACA Programme since 2016 and achieved Level 3: Optimisation in 2018. In 2019, KUL successfully renewed its Level 3: Optimisation certification with reference to FY2018 carbon inventory. From 2015 to 2018, KUL has demonstrated a total carbon emissions intensity reduction of 23.6%.

As Malaysia Airports took its first steps towards reducing carbon emissions, the Environmental Management Committee targeted an initial carbon emissions intensity reduction of 9% for the years

2015 to 2020. From the ACA accreditation certification and total carbon emissions intensity reduction of 23.6% since 2015, KUL has already surpassed this target.

### Recognition

klia2 continues to gain recognition as a building constructed to embody sustainability by virtue of its design, construction and operations. Its design concept applies sustainable architecture, green building and energy-efficiency in most aspects of its development and construction processes. These initiatives help conserve energy by optimising the design, functions and processes towards keeping the heat out and optimising the cooling systems at the terminal building.

In 2019, klia2 was a winner of the Energy Efficiency Awards. Conferred by the National Energy Awards, klia2 was named the best in the 'Energy Efficient Design' category. Factors that contributed to its win include extensive rainwater and condensate harvesting, a thermal energy storage district cooling plant to offset peak load demands, its 10 Mega-Watt peak (MWp) solar photovoltaic (PV) farm that generates 31% of the building's energy requirement, use of extensive daylighting, where natural ventilation and daylighting are provided at the entrance and its car park area which has been designed to encourage and incentivise hybrid and electric vehicle use.



# Water Management

## WATER MANAGEMENT

**Definition:** Refers to consumption and efficiency of water usage by Malaysia Airports.  
GRI 103, 303-5

Water is a finite resource that is important for our business operations. In line with our Sustainability Policy that encourages us to continuously look for ways to improve our global environmental performance we have chosen 'Water Management' as a material matter as we monitor water usage and use water in a more sustainable manner. This material matter aligns with SDGs 6, 12 and 13 as we are concerned with the conservation and increased efficiency in water consumption while we minimise the impact on the environment in the process.

### Water consumption

In 2019, the newly set up Engineering Environment Committee set a water management target with 2016 as the baseline year. The goal for water management for all airports under Malaysia Airports was to reduce water consumption by 20% by 2020. While water is required to support our growing operations and passengers, we are committed to be mindful of the need to conserve water.

### Water Consumption – Malaysia Operations

| Water Consumption                                      | 2016       | 2017       | 2018       | 2019       |
|--|------------|------------|------------|------------|
| Total water consumption (cubic metres-m <sup>3</sup> ) | 11,037,000 | 11,817,000 | 12,617,275 | 11,016,560 |
| YoY change (%)   | -          | 7.1        | 6.8        | -12.7      |
| Water consumption intensity (litre/passenger)          | 124.0      | 122.3      | 127.3      | 104.7      |

*\*Total water consumption for all airports in Malaysia*

In 2019, the total consumption fell to 11,016,560 cubic metres-m<sup>3</sup>, a YoY decrease of 12.7%. Water consumption intensity also fell to 104.7 litres per passenger, a decrease of 17.8% YoY.

### Rainwater harvesting

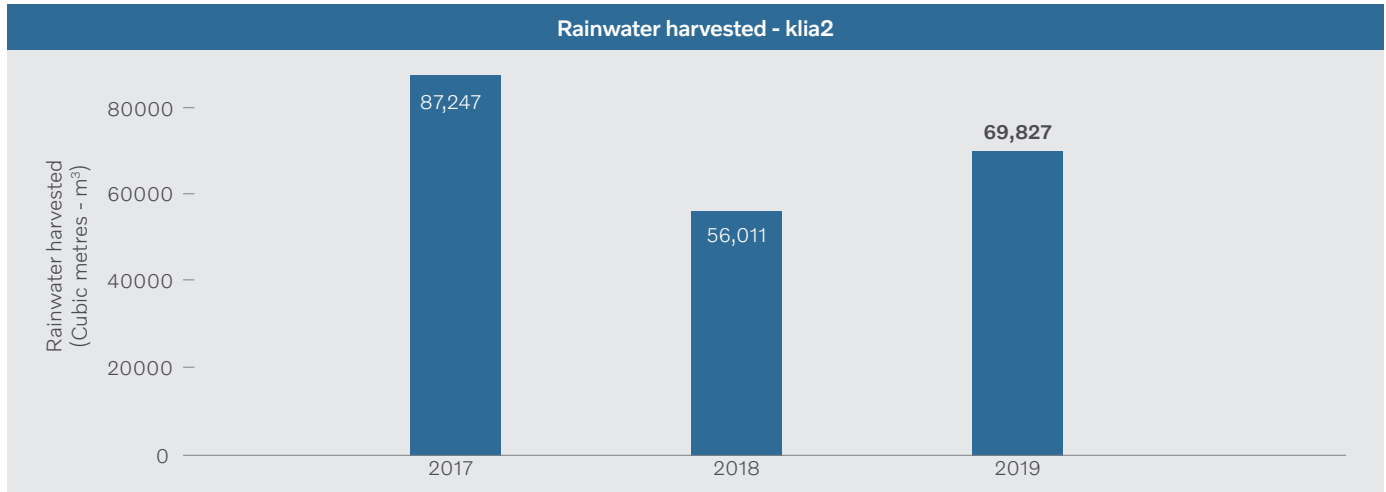
The rainwater harvesting system at klia2 collects rainwater from impervious areas and stores it. In 2019, 69,827 cubic metres of water were used from this system to flush toilets reducing the need for municipal water by 0.63%. Rainwater harvesting also helps mitigate flooding as it diverts rainwater from impervious areas such as the terminal buildings, tarmac, and runways to our storage tanks.

### Rainwater harvested – klia2

| Rainwater Harvesting                          | 2016 | 2017   | 2018   | 2019   |
|---|------|--------|--------|--------|
| Rainwater harvested (m <sup>3</sup> ) – klia2 | -    | 87,247 | 56,011 | 69,827 |
| YoY change (%)                                | -    | -      | -6.8   | 24.7   |

*\*Rainwater harvesting is carried out only at klia2*

# Energy Efficiency



In 2019, Sultan Ismail Petra Airport, Kota Bharu (IATA Code: KBR) received a notice with regards to the Sewage Treatment Plant Regulation: Environment Quality (Industrial Effluent) Regulations (2009).

After the matter was highlighted by the Department of Environment, KBR took action and installed final discharge point signages and water flow meters and implemented Online Environment Reporting submissions. Instructions on usage have been circulated to all airports (excluding under those operated by the municipal council and airports without a final discharge point) for future improvements.

Besides these actions, selected staff from Malaysia Airports attended a course for Certified Environmental Professionals in Sewage Treatment Plant Operation (CePSTPO).

## ENERGY EFFICIENCY

**Definition:** Refers to efficient use and consumption of electricity and energy generated from renewable sources.  
GRI 302-1, 302-3

Our Sustainability Policy reiterates the need for Malaysia Airports to be prudent in managing the finite resources as stakeholders have determined that 'Energy Efficiency' is a material matter. We are dedicated to using these finite resources in a sustainable manner and reducing our carbon footprint. This aligns our energy efficiency initiatives with SDGs 7, 12 and 13.

### Fuel Consumption

Fuel consumption contributes to our Scope 1 carbon emissions footprint. In 2019, total fuel consumption for all airports was 478,952 litres while fuel intensity was 0.0046 litres per passenger.

### Fuel Performance Measure

| Fuel Consumption                 | 2016    | 2017    | 2018    | 2019    |
|----------------------------------|---------|---------|---------|---------|
| Total consumption (litre)        | 493,142 | 488,133 | 491,403 | 478,952 |
| Fuel intensity (litre/passenger) | 0.0055  | 0.0051  | 0.0050  | 0.0046  |

\*Figures from 2016 to 2018 are for all airports in Malaysia. Data for January to March 2019 is incomplete for Sabah and Sarawak airports.



# Energy Efficiency

## Electricity Consumption

Electricity consumption is another main indicator tracked for energy usage at our operations. Electricity usage contributes to our Scope 2 carbon emissions footprint. In 2019, total electricity usage in all airports amounted to 541,466,390 kWh, an increase of 3.01% compared to 2018. However, within the context of our growing operations, our energy intensity decreased from 5.30 kWh in 2018 to 5.14 kWh in 2019, a 3.1% decrease YoY. This is despite an increase in passengers in 2019 by 6.2% YoY and by 18% compared to the baseline year 2016.

## Electricity Consumption – Malaysia Operations

| Electricity Performance Measure       | 2016        | 2017        | 2018        | 2019               |
|---------------------------------------|-------------|-------------|-------------|--------------------|
| Total consumption (kWh)               | 505,106,878 | 491,493,827 | 525,650,443 | <b>541,466,390</b> |
| YoY change (%)                        | -           | -2.68%      | 6.93%       | <b>3.01%</b>       |
| Electricity Intensity (kWh/passenger) | 5.68        | 5.09        | 5.30        | <b>5.14</b>        |

*The Greenhouse Gas (GHG) Protocol Corporate Standard classifies a company's Scope 1 GHG emissions for airports as direct emissions from sources owned and controlled by the airport operator, such as energy generation and fuel for airport vehicles and Scope 2 as indirect emissions from the generation of purchased energy by the airport operator.*

In 2019 we embarked on several energy saving initiatives. The results from the implementation of these initiatives have been encouraging as they have already started to yield savings.

## Energy Reduction Initiatives

| Initiatives   | Total savings in value (RM) | Total savings in consumption (kWh) |
|---|-----------------------------|------------------------------------|
| Upgrading of interior lighting to more energy efficient LED bulbs | 903,023                     | 2,474,036                          |
| Replacement/Upgrading/Optimisation of Chiller/AHU                 | 385,020                     | 1,054,851                          |
| Conveyor Optimisation   | 17,574                      | 48,150                             |
| BHS Peak Hour Initiatives   | 15,497                      | 42,460                             |

## Solar Energy

In our efforts to become more environmentally friendly, we have been using solar energy to complement traditional electricity sources at KUL since 2014.

In 2019, the solar panels generated 18,763 MWh of clean energy at KUL, reducing our carbon emissions and environmental impact as well as saving RM2.79 million in terms of costs. From 2014 to 2019, we generated 111,859 MWh of solar power contributing to Malaysia's goal of achieving 20% clean energy generation by 2030.

Moving forward, we have initiated the implementation of solar energy at airports such as Kota Kinabalu International Airport (IATA Code: BKI), PEN, Langkawi International Airport (IATA Code: LGK), Sultan Abdul Aziz Shah Airport, Subang (IATA Code: SZB), Sultan Ahmad Shah Airport, Kuantan (IATA Code: KUA) and Melaka Airport (IATA Code: MKZ). We expect these to be commissioned in early 2020.

BKI remains ISO 50001:2011 Energy Management Systems certified helping to create energy efficiency through the development of an energy management system. The National Energy Awards 2018 recognised the airport's efforts when it emerged runner-up in the Energy Efficiency and Management for Large Buildings category.

# Noise

## **NOISE**

**Definition:** Report on defining any noise targets or limits applicable to the airport, stating whether they are voluntary or legally binding and detail issues, solutions and future strategies at managing noise related issues.

GRI 103

Noise pollution is an environmental concern in the areas at and around our airports. In line with our Sustainability Policy that states we should strengthen community relationships with our stakeholders, we have taken steps to mitigate the production of excessive noise because of our operations.

Our Environment Management Strategy sets targets to keep noise at KUL within the permissible sound levels that have been determined by the Department of Environment (DOE) according to the category of land use and location.

Our noise monitoring assessment specifically follows:

- Volume 1 of Annex 16 of the Convention on International Civil Aviation (aircraft noise emission);
- The International Standards Organization document ISO R-996 Acoustic – “Assessment of Noise with Respect to Community Response” and
- The Department of Environment’s Planning Guidelines for Environmental Noise Limits and Control (2004).

The sound levels at and around KUL are measured at 20 monitoring stations within KUL boundaries and up to 20 km outside KUL. The sound levels are recorded for both day and night and are compared against the applicable permissible sound levels.

In 2018, Alam Sekitar Malaysia Sdn Bhd (ASMA) conducted a third-party study at our 20 monitoring stations. The results of the study showed that aircraft noise contributed significantly to noise levels at several locations, particularly the locations which were close to the aircraft path and where the latitude of the aircraft was lower to ground level. However, in many locations, there several other factors also contributed to noise levels including weather conditions, road vehicles and human activities.

This year, the same study was carried out at the same monitoring stations. The results showed that from the 20 monitoring stations, two locations had noise levels that exceeded the permissible noise levels in the day. Maximum permissible noise levels at 2 locations exceeded the DOE’s Planning Guidelines for Environmental Noise Limits and Control (2004) at night. However, the study also revealed that these areas were high-density residential areas with substantial vehicular traffic. As such, human activity and noise from the roads also contributed significantly to the noise levels.

Moving forward we plan to conduct a Safety, Health and Environment (SHE) campaign this year that touches on environmental issues at residential areas near KUL and hope to invite local communities to join us.

Furthermore, the SHE Committee for KUL will meet with Pejabat Daerah Sepang (the Sepang District Office) and Majlis Perbandaran Sepang (the Sepang Town Council) to communicate on noise environmental issues related to KUL and to revise and update the noise monitoring plan.

**PILLAR**  
**3**

# Creating An Inspiring Workplace

Value our employees, provide development opportunities and embed good governance.



Our Sustainability Policy emphasises we should nurture the professional and personal growth of our people and ensure that all Malaysia Airports employees work in a healthy, safe, secure and efficient manner. Seeing that our 9,799 employees are amongst our biggest group of stakeholders, Creating an Inspiring Workplace is one of the Sustainability Pillars for Malaysia Airports as we are committed to the welfare and development of our employees.

This pillar aligns with the following material matters, KUL Sustainability Charter Goals and key stakeholders.

**Material Matters**

Integrity and Anti-corruption  
Employee Engagement and Development  
Diversity

**KUL Sustainability Charter Goals**

Goal 5:  
Being a responsible service provider  
Goal 6:  
Promoting diversity and inclusivity

**Key Stakeholders**

Employees  
Regulators and Government

This puts our employees at the forefront of our priorities, and recognises that skilled and engaged employees are a vital component in the delivery of our goals and achievement of our targets. Their efforts and commitment are critical factors that will enable us to operate with a high level of competency and with the passion and mind-set that is needed for our success.

The matters stated under this section relate to all of Malaysia Airports' employees in Malaysia unless specifically stated otherwise.

# Integrity and Anti-Corruption

## INTEGRITY AND ANTI-CORRUPTION

**Definition:** Refers to the steps taken to minimise the risk of the abuse of entrusted power for private gain.  
GRI 102-17, 103, 205

Malaysia Airports' Sustainability Policy encourages us to take a leadership role in sustainability initiatives that strengthen the social well-being and community relationships with our stakeholders and the country we serve. In our continuous engagement with stakeholders, integrity and anti-corruption are among their top concerns. This makes 'Integrity and Anti-Corruption' a material matter that Malaysia Airports needs to address throughout the entire organisation and operations.

Integrity is the foundation of the relationship between Malaysia Airports and their employees. Truth and honesty, the main aspects of integrity, help foster trust and confidence. This in turn creates a working atmosphere that inspires our people to work better together and achieve better results.

Corruption impacts the business and other non-convicted staff negatively. As such, in our efforts to minimise such occurrences we have put in place policies and measures to outline our stand on maintaining the highest standards of integrity and underscore our zero tolerance for corruption. These are in addition to Malaysian laws that impose penalties for corrupt practices.

All Malaysia Airports employees are expected to abide by our Code of Ethics and Conduct. In addition, we are also regulated internally by a detailed Fraud Policy and Guidelines on Gifts, Entertainment, Sponsorship and Conflict of Interest as well as an Anti-Bribery and Corruption Guide. These align us closely to SDG 16: Peace, justice and strong institutions, specifically 16.5 to substantially reduce corruption and bribery in all their forms and 16.6 to develop effective, accountable and transparent institutions at all levels.

We also have in place a Whistleblowing Policy to ensure that stakeholders with genuine concerns about any aspect of our operations can come forward and voice those concerns.

A Whistleblowing Independent Committee has been set-up to administer, deliberate and appoint the investigating team, where necessary, and decide on the next course of action for the concerns raised through this channel. In 2019, there were a total of 10 concerns raised via the Whistleblowing Programme. All concerns have been addressed with disciplinary action taken in two cases.

A breach of the Policies will subject our employees to severe disciplinary action including termination of employment.

In 2019, Malaysia Airports was awarded the ISO 37001:2016 certification for the Anti-Bribery Management System used in our procurement processes. The internationally recognised Anti-Bribery Management System was designed to help Malaysia Airports establish, implement, maintain and improve our anti-bribery compliance programme, and to encourage better governance. The certification applies to Malaysia Airports' Corporate Office and MA Sepang, which runs KUL.

Moving forward, Malaysia Airports will embark on a full scope certification for our Corporate Office, MA Sepang and our other subsidiaries including MASB which runs our airports in Malaysia other than KUL.

In 2019, the Corporate Integrity Unit conducted awareness sessions for employees regarding recent legal and corporate developments on the prevention of corruption. Three main topics were covered – the Anti-Bribery and Corruption Guide, corporate liability under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 and the implementation of the Anti-Bribery Management System. This was further complemented by face-to-face sessions with employees on integrity, corruption and whistleblowing.

We also continued with the Vendor Integrity Programme that started in 2017. The Corporate Integrity Unit together with the Procurement and Contract Division organised briefings for our vendors to increase awareness of our Vendor Code of Ethics. The briefing also aimed to raise awareness of the provisions in our Employee Code of Ethics and Conduct that apply to vendors and our anti-corruption measures and whistleblowing safeguards that relate to them as well.

Malaysia Airports' Board of Directors and Senior Management view integrity and anti-corruption issues with utmost gravity. In the event of breaches, we take swift and stern action.

In 2018, there were six cases of corruption relating to bribery and false claims. The six cases are still being reviewed by the Malaysian Anti-Corruption Commission. Four of these employees have been dismissed after internal deliberation and investigation.

In 2019, five cases of corruption were discovered - two extortion cases and three fraud cases. In the extortion cases, the employees in question were given a warning and a serious warning. In the fraud cases, one of the employees was given a warning and the other a

# Employee Engagement and Development

strong warning. The third resigned before action could be taken. There were no business partners whose contracts were terminated on grounds of corruption.

## EMPLOYEE ENGAGEMENT AND DEVELOPMENT

**Definition:** Refers to the level of commitment our employees have to Malaysia Airports' goals, vision and initiatives; our approach to the training and upskilling of our staff, and our management of their career progression.

Malaysia Airports' Sustainability Policy encourages us to nurture the talent of our people through constructive social development projects, positive team-building activities and skill-enhancing training and education programmes. We believe these are crucial for increasing employee engagement which then translates into increased commitment to their roles and responsibilities and to the Company and our goals. As a result, 'Employee Engagement and Development' is a material matter for us.

In this section we report on employee remuneration and benefits; employee turnover and new hires and employee-related programmes along with issues related to Occupational Safety and Health. Our support in these areas put us in alignment with SDG 5 which advocates gender equality and SDG 16 which supports peace, justice and strong institutions.

## EMPLOYEE REMUNERATION AND BENEFITS

GRI 202-1, 401-2, 403-6, 405-2

Our employees are our stakeholders who make up a big part of the airport community. We view employee remuneration and benefits to be of great importance, and strive whenever possible to be fair and just in the treatment of our employees regardless of gender, race, religion and physical capability.

Malaysia Airports' standard entry level wage regardless of gender is RM1,200. Our entry level wage is higher than Malaysia's Minimum Wage Order 2019, which stipulates RM1,100 as the minimum wage.

To attract and retain employees, Malaysia Airports provides all full-time employees in Malaysia with attractive and competitive employment benefits as part of their terms of employment. They include:

- Life insurance under a Group Term Life Insurance scheme
- Health care covering medical, dental and optical treatment

- Parental leave for male employees
- 90 days maternity leave
- Grandparental leave for employees who have become grandparents
- Leave to perform the Umrah
- Loans - housing, vehicle and festival loans, and school advance (loans to employees to assist them with their children's back-to-school expenses)
- Employee education assistance scheme and scholarships
- Zakat contribution
- Flexible working hours
- Shorter working hours for pregnant women
- Dedicated parking for pregnant women
- Annual full medical check-ups for employees over 40 years old

Malaysia Airports provides employees and other workers at the airports and its Corporate Office with access to medical treatment by its panel of doctors. Some clinics are located within the airports while others are located nearby. The employees and workers covered by the panel doctors do not have to pay for medical treatment as Malaysia Airports is billed directly.

For disability and invalidity, an employee who is diagnosed with a critical illness will receive an accelerated payment of 25% of the sum insured under the Group Term Life Insurance scheme. In addition, we contribute to the Malaysian Government's social security scheme, SOCSO, for enrolled employees.

As required by statute, we contribute a monthly sum for all employees to the Employees Provident Fund (EPF), a retirement scheme which is run by the Malaysian Government. It is compulsory for all employees in Malaysia to enrol with EPF.

In addition to salaries and benefits, Malaysia Airports has in place an annual bonus and increment for eligible employees. The bonus and increments are determined by Management based on a performance appraisal, which is conducted for all employees.

At Malaysia Airports, we believe in gender equality and have consciously moved in the direction of developing progressive policies that promote equality between women and men.

In terms of total basic salary and remuneration, the ratio between female and male across Malaysia Airports is 1:1.

# Employee Engagement and Development

## COLLECTIVE BARGAINING

GRI 102-41

We have in place eight collective bargaining agreements which came into force on 1 January 2017 and remain in place for three years. These agreements are in accordance with the Industrial Relations Act 1967 and cover our non-executive employees. 81% of eligible employees are covered under the collective bargaining agreements.

| Collective Bargaining           | 2016 | 2017 | 2018 | 2019      |
|---------------------------------|------|------|------|-----------|
| % of eligible employees covered | 87   | 86   | 85   | <b>81</b> |

## FAMILY-FRIENDLY ORGANISATION

GRI 401-3

In our efforts to promote equality in the workplace, all our employees are entitled to parental and grandparental leave regardless of gender. In 2019, 505 employees representing 5.2% of our workforce took parental leave. 100% returned to work after that. After 12 months all of them remain in employment with us, resulting in a 100% retention rate.

| Parental Leave  | Male | Female |
|---|------|--------|
| Employees who took parental leave                                     | 338  | 167    |
| Employees who returned to work after parental leave                   |      |        |
| Employees who remained employed 12 months after taking parental leave |      |        |
| Employees who took grandparental leave                                | 123  | 57     |



## EMPLOYEE TURNOVER AND NEW HIRES

GRI 401-1

In 2019 the employee turnover rate for Malaysia Airports was 6.8%, with 671 people leaving employment at Malaysia Airports. Most departures were due to the expiration of employees' contracts.

At 93.2%, our overall employee retention rate is reflective of sustainable employee loyalty towards Malaysia Airports. Good leadership, engagement and recognition of talented and committed employees is crucial to the sustained success of any business and the successful retention of employees.

| Turnover           | Below 30 years of age |            | 31 - 50 years of age |           | Above 50 years of age |            | Grand Total |
|--------------------|-----------------------|------------|----------------------|-----------|-----------------------|------------|-------------|
|                    | Male                  | Female     | Male                 | Female    | Male                  | Female     |             |
| Senior Management  | -                     | -          | -                    | 1         | -                     | -          | <b>1</b>    |
| Management         | -                     | 1          | 8                    | 9         | 1                     | 9          | <b>28</b>   |
| Executive          | 12                    | 14         | 7                    | 20        | 5                     | 11         | <b>69</b>   |
| Non-Executive      | 130                   | 171        | 28                   | 64        | 35                    | 145        | <b>573</b>  |
| <b>Grand Total</b> | <b>142</b>            | <b>186</b> | <b>43</b>            | <b>94</b> | <b>41</b>             | <b>165</b> | <b>671</b>  |

## Employee Engagement and Development

| Turnover by Gender             | 2015       | 2016       | 2017       | 2018       | 2019       |
|--------------------------------|------------|------------|------------|------------|------------|
| <b>Gender</b>                  |            |            |            |            |            |
| Male                           | 423        | 255        | 491        | 467        | 445        |
| Female                         | 257        | 577        | 253        | 262        | 226        |
| <b>Total Employee Turnover</b> | <b>680</b> | <b>832</b> | <b>744</b> | <b>729</b> | <b>671</b> |

In 2019 Malaysia Airports was voted one of 45 Best Companies to Work for In Asia 2019 by HR Asia, Asia's most authoritative publication for HR professionals. In the same year we were also awarded the Graduates Choice Award 2019 for exceptional employer branding within Universities across Malaysia. These awards serve as recognition of the efforts Malaysia Airports has undertaken in employee relations and engagement to make Malaysia Airports an inspiring workplace.



# Employee Engagement and Development

## NEW HIRES

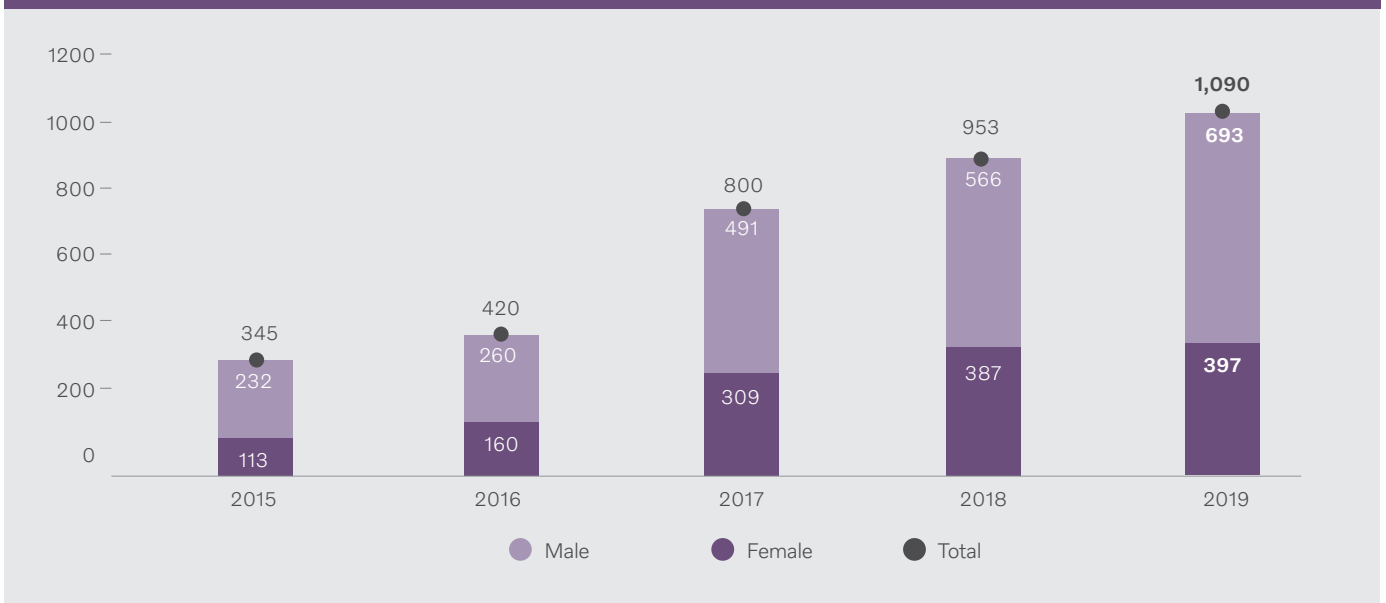
GRI 401-1

In 2019, Malaysia Airports recruited 1,090 new employees, of which 89% were under 30 years of age. These young talents, some fresh out of university, are eager to learn, ambitious and motivated to add value to our business while they commit to Malaysia Airports' mission, vision and purpose.

### New Hires in 2019 - Malaysia Operations

| New Hires          | Below 30 years of age |            | 31 - 50 years of age |           | Above 50 years of age |           | Grand Total  |
|--------------------|-----------------------|------------|----------------------|-----------|-----------------------|-----------|--------------|
|                    | Female                | Male       | Female               | Male      | Female                | Male      |              |
| Management         | -                     | 2          | 12                   | 29        | -                     | 8         | 51           |
| Executive          | 28                    | 49         | 4                    | 12        | -                     | 2         | 95           |
| Non-Executive      | 344                   | 552        | 9                    | 37        | -                     | 2         | 944          |
| <b>Grand Total</b> | <b>372</b>            | <b>603</b> | <b>25</b>            | <b>78</b> | <b>-</b>              | <b>12</b> | <b>1,090</b> |

New Hires by Gender (2015-2019)





## Employee Engagement and Development

### EMPLOYEE-RELATED PROGRAMMES

GR 103, 404-1, 404-2, 404-3

Our employees are at the heart of our business operations and are both stakeholders as well as a resource to Malaysia Airports. As such, in line with our Sustainability Policy, we have in place training programmes to continuously add value to our employees and focus not just on profit-making, but also on upskilling and the continuous education of this group of stakeholders.

We conduct training programmes regularly to strengthen our employees' competency and develop their skills to enable them to achieve their full potential. Training and education therefore cover technical and job-specific skills and also soft skills such as leadership, communication, presentation and other competencies that enhance their capabilities.

The goal of our training and education programmes is to equip them with the knowledge and skill-sets to thrive in the rapidly changing business environment in which Malaysia Airports operates. This also requires us to innovate as to the training needs of our people and how they are learning.

In 2019, in line with our business needs, we conducted training sessions that included the following:

**Happy Guests, Caring Hosts:** Launched in December 2018, Malaysia Airports' 'Host Culture Transformation Journey' is a five-year plan that aims to create a 'guest-centric' mindset amongst the KUL community. We kicked off this journey with the first phase of our service culture transformation programme called 'Happy Guests, Caring Hosts'.

Spearheaded by the Guest Advocacy Division this programme introduced the 3Ws (Warm, Welcoming, Wonderful) and 3Ps (Proud, Personal, Passionate) as key elements to create a memorable airport experience for guests at our airports. Although we had initially targeted to hold 128 training sessions to cover 7,500 participants, by the end of 2019, we had conducted a total of 197 sessions for 8,985 participants, all of whom were front liners at KUL. The next phase of 'Happy Guests, Caring Hosts' will feature behavioural assessments, on-site coaching, recognition programmes and increased usage of technology to drive results.

**'Bounce Higher as a Caring Host':** In February 2019, we launched the "Bounce Higher as a Caring Host" programme to complement the "Happy Guests, Caring Hosts" programme.

The two-and-a-half-day programme was targeted at Senior Management and Airport Managers. The aim of this phase was to help them achieve a mindset change and adopt an 'ever-ready-for action' mode to lead and drive the host culture transformation and to improve our Airport Service Quality (ASQ) and Quality of Service (QoS) ratings.

Moving forward, the entire Malaysia Airports workforce will receive training through the 'Bounce Higher as a Caring Host' Programme. To date, 13 sessions involving approximately 1,366 participants or 14% of our employees have been conducted. Training will continue into 2020.



Participants at the 'Bounce Higher as a Caring Host' at Sama-Sama Hotel

**Lean Six Sigma:** Lean Six Sigma is a methodology that relies on a team-oriented approach to improve performance by systematically removing waste and inefficiency and reducing variation. The Lean Six Sigma initiatives at Malaysia Airports were driven, implemented and monitored by the Transformation Management Office from 2018 until 2019. These initiatives now fall under the purview of the Operational Excellence Division.

Selected Malaysia Airports staff have attended this programme since 2018. In 2019, 47 participants attended training for Lean Six Sigma Yellow Belt while 57 others participated in the Lean Six Sigma Green Belt training.

## Employee Engagement and Development

The programme provides a better understanding of the principles of Lean Six Sigma, and introduces the learning tools to all the participants so they will then be able to initiate their own improvement projects. To date, a total of 364 Lean Six Sigma projects have been implemented.

**The Global ACI-ICAO Airport Management Professional Accreditation Programme (AMPAP):** This programme is a collaborative effort between Airports Council International (ACI) and the International Civil Aviation Organization (ICAO) to develop a new generation of airport leaders in all functional areas of the airport business. Successful completion of this highly rigorous programme leads to the issuance of the internationally recognised International Airport Professional designation (IAP).

Malaysia Airports is an advocate of this programme and is committed to developing internal talents. Six AMPAP graduates from the 2019 cohort have been promoted. In 2020 we will see a further 12 Malaysia Airports employees completing this programme and becoming certified International Airport Professionals.

**Skills Certification Programme (SKM):** Malaysia Airports and Jabatan Pembangunan Kemahiran Malaysia (the Department of Skills Development, Malaysia) have been conducting a Skills Certification programme since 2013. The objective of this programme is to enhance the knowledge and skills of eligible Malaysia Airports employees. It also aims to give recognition to individuals who can demonstrate skills outlined in the National Occupational Skills Standards based on prior experience and achievements.

To qualify for this programme, the applicant must be a non-executive employee with no formal certifications and with no less than three years work experience. To date, 91 candidates have successfully completed the programme. The details are as follows:

| No           | Qualification                | Level | Area   | No of employees |
|--------------|------------------------------|-------|--|-----------------|
| 1            | Malaysian Skills Certificate | 3     | Front Desk Operations                                    | 49              |
| 2            | Malaysian Skills Certificate | 3     | Kawalan Kualiti Penyelenggaraan Stok Kereta              | 14              |
| 3            | Malaysian Skills Certificate | 3     | Baggage Handling System Operation & Maintenance Services | 5               |
| 4            | Malaysian Skills Certificate | 3     | Aeronautical Ground Lighting Maintenance                 | 9               |
| 5            | Malaysian Skills Certificate | 3     | Passenger Boarding Bridge Operation and Maintenance      | 14              |
| <b>TOTAL</b> |                              |       |  | <b>91</b>       |

The graduates of this programme are now better equipped to further their careers at Malaysia Airports. 36 employees from the Customer Experience Management Division who participated in this programme were promoted in 2019.

### Employee Engagement

As a result of the policies, programmes and initiatives, we are pleased that our employee engagement rate for 2019 had further improved to 78%. This is an improvement by 4 percentage points compared to 2018.



Skills Certificate Programme Graduates

## Employee Engagement and Development

In 2019, we implemented a total of 334 training programmes via 780 training sessions throughout our airports in Malaysia. This is an 8.4% increase in training programmes implemented from 308 in 2018. In addition, Malaysia Airports invested RM12.6 million in training and development this year, a YoY increase of 38.5% from RM9.1 million in 2018.

### Investment in Training and Development (2016-2019)

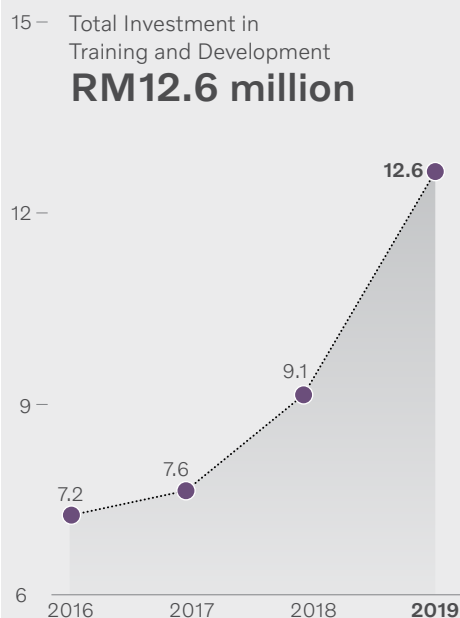
|  | 2016          | 2017          | 2018          | 2019                  |
|--|---------------|---------------|---------------|-----------------------|
| Investment in training and development | RM7.2 million | RM7.6 million | RM9.1 million | <b>RM12.6 million</b> |

### Training slots by Employee Category

|                               | 2018   | 2019          |
|-------------------------------|--------|---------------|
| Total employee training slots | 13,189 | <b>13,783</b> |
| Non-executives                | 9,022  | <b>8,252</b>  |
| Executives                    | 2,749  | <b>3,843</b>  |
| Management                    | 1,418  | <b>1,688</b>  |

### Training and Development by Gender

| Gender | 2018  | 2019         |
|--------|-------|--------------|
| Male   | 8,208 | <b>8,833</b> |
| Female | 4,981 | <b>4,950</b> |



### Average Training Hours



| ALL EMPLOYEES | MANAGEMENT  | EXECUTIVE   | NON-EXECUTIVE |
|---------------|-------------|-------------|---------------|
| <b>16.1</b>   | <b>15.3</b> | <b>16.1</b> | <b>11.0</b>   |

### Average training hours (2016 - 2019)

|               | 2016 | 2017 | 2018 | 2019        |
|---------------|------|------|------|-------------|
| All Employees | 12.4 | 14.6 | 10.8 | <b>16.1</b> |
| Management    | 18.1 | 15.3 | 10.2 | <b>15.3</b> |
| Executive     | 16.5 | 14.7 | 11.1 | <b>16.1</b> |
| Non-executive | 7.7  | 14.2 | 10.8 | <b>11.0</b> |

## Employee Engagement and Development

### Training Effectiveness

To continuously improve our training courses, we track the effectiveness and impact of all training and education programmes. Once training is completed, participants provide their feedback on the course content and delivery, as well as on the impact of the training. We gather this feedback and use that to improve our programmes.

We then also seek feedback from the supervisors of the employees who have undergone training to gauge the programmes' effectiveness. We ask if they have observed changes in employee behaviour patterns upon completion of the training. Training effectiveness for 2019 was on average 84%.

We continue to offer a specialised training programme to employees aged 49 and above that teaches them how to manage and have an enriching life after retirement.

### Sustainable Development Goals Awareness Training

As Malaysia Airports moves towards fully integrating sustainability into every layer of our operations, our employees must also have a firm understanding of what sustainability is and what it entails.

As a result, we conducted a series of training sessions this year for 165 members of our workforce to the Sustainable Development Goals (SDGs) and explained how they could relate SDGs to their work and support Malaysia Airports' contribution to the SDGs.

A briefing session was held in December 2019, to brief Malaysia Airports' Senior Management on the outcome of the training. The feedback on the training sessions have been very positive and we plan to continue SDG Awareness Training in 2020 as well.

### SDG Training in 2019



### SDG training objectives:

- ✓ Understand background, concept and importance of SDGs
- ✓ Understand how Sustainability Reports benefit Malaysia Airports
- ✓ Incorporate sustainability in day-to-day operations and align them to the goals and targets of the SDGs
- ✓ Increase awareness of the purpose and goals of the KUL Sustainability Charter

# Employee Engagement and Development

## EDUCATION ASSISTANCE PROGRAMME

GRI 404-2

Malaysia Airports also invests in its high-performing employees by providing financial assistance to these employees who wish to pursue a diploma or degree while working. Employees in this programme may use the financial assistance to pay for course-related expenditure such as registration, academic and examination fees. In return for this financial assistance, employees agree to serve Malaysia Airports for a period of five years.

In 2019, five out of 34 applicants succeeded in securing a place on this programme. All five are pursuing their Bachelor's Degree.

Since this programme was introduced in 2009, we have provided financial assistance to 49 employees, 11 of whom completed their courses in 2019.

The impact of this programme has been very encouraging as we support their self-development, add value to their careers, and help them pursue their dreams. In return we find that these employees are highly motivated and engaged. A total of 16 employees in this programme were promoted within or after their study periods.

## ON-THE-JOB TRAINING

GRI 103

We offer on-the-job training to enhance the employability of individuals in society outside the Malaysia Airports family.

There are currently two such programmes running at Malaysia Airports. The first is our Internship programme where we offer internship opportunities to students who are pursuing qualifications that include professional and academic certifications, diplomas and degrees. They must be in their final semester of their courses and have achieved a CGPA of 3.0 and above. The internship period is for a minimum of 10 weeks and the interns receive a monthly allowance of between RM250 to RM350.

In 2019, we offered internships to 170 students, consisting of 93 female and 77 male students.

The impact of this programme is that we help to provide students with invaluable job experience and expose them to real life work conditions and human interactions, making it a genuine growing experience for the candidates. In addition, having practical experience enhances their employability.

The second on-the-job training programme was initiated in 2011 and used to be known as Skim Latihan 1Malaysia. It has since been rebranded and is now called the Protégé programme and remains an initiative of the Malaysian Government to assist fresh graduates improve their marketability. Malaysia Airports has adopted this as a Corporate Responsibility programme. In 2019, we offered 470 graduates placements of six months within Malaysia Airports and its subsidiaries all around Malaysia.

On this programme, candidates get first-hand experience in a real working environment. Additional skills such as soft skill training, entrepreneurship, familiarisation with Malaysia Airports' culture and networking are imbedded into the programme. Many promising candidates have been recognised and employed within Malaysia Airports, making it sustainable a platform to source for Junior Executives. In 2019, we invested RM5.9 million in this programme to provide soft skills training, food and beverage and monthly allowances to the trainees.

As the Protégé Program is a government initiative, Malaysia Airports can claim double tax relief for the contribution to the programme. In addition to this, the programme is also part of the Bumiputera Empowerment Initiative which aims to empower the indigenous people of Malaysia. In 2019, out of the 470 participants of the programme, 421 were Bumiputera.

## Educational Scholarship Programme

Malaysia Airports' Educational Scholarship Programme is a platform for us to create a difference by nurturing young talents while contributing positively to the nation and its people. It is also an opportunity for us to create a sustainable pool of potential talents for Malaysia Airports in the future. The programme offers financial assistance to talented Malaysians to pursue undergraduate degrees both locally as well as overseas. The scholarship takes the form of a full bursary that covers all tuition fees, living allowances, book allowance, laptop allowances and project paper allowance.

The preferred courses of study are:

- Engineering (Electrical and Electronic, Civil and Mechanical)
- Management (Accounting, Economics, Business Administration, Finance and Marketing)
- Information Technology

# Employee Engagement and Development

Since the programme’s inception 2010, Malaysia Airports has sponsored 54 scholars as well as provided them with employment opportunities. Scholars under this programme agree to serve Malaysia Airports or its subsidiaries for specific periods upon completion of their studies.

In 2019, we awarded scholarships to four talented Malaysians to pursue their undergraduate degrees in various fields. Our investment each year in the scholarship programme amounts to approximately RM140,000.

## PERFORMANCE APPRAISAL

GRI 404-3

Performance appraisals are another important aspect of career development and sustainable growth. We conduct annual performance appraisals for all employees. This enables us to have a dialogue with our people to provide feedback on their performance and help them develop further. It also enables us to identify gaps and take steps to address them promptly. In 2019, all employees received a performance appraisal, irrespective of employee category or gender.

## OCCUPATIONAL SAFETY AND HEALTH

GRI 103, 403-1, 403-5, 403-6

With close to 10,000 employees working at Malaysia Airports, Occupational Safety and Health presents a crucial aspect of Malaysia Airports’ operations. We comply with the Occupational Safety and Health Act 1994 (OSH Act) and have set up a dedicated Occupational Safety and Health Department to drive initiatives in this area. There are 27 Safety, Health and Environment (SHE) Committees across our operations that investigate specific occupational safety and health concerns of employees at the workplace. The Committees are manned by 553 employees, representing 5.6% of our workforce across our business locations.

In 2019, there were 323 cases of workplace incidents. 34 were major and 289 were minor. Out of the 323 cases, two cases involved fatalities, 212 cases involved injuries while the remaining 109 cases involved property damage.

Compared against the number of workers in Malaysia Airports, our accident and occupational disease rates are shown in the following charts.

### Malaysia Airports - Accident Rate

| Accident Rate  | 2018 | 2019          |
|----------------|------|---------------|
| Incident rate  | 0.91 | <b>1.31</b>   |
| Frequency rate | 0.36 | <b>0.45</b>   |
| Severity rate  | 9.46 | <b>423.65</b> |

### Malaysia Airports – Occupational Disease Rate

| Occupational Disease Rate | 2018 | 2019     |
|---------------------------|------|----------|
| Incident rate             | 0.30 | <b>0</b> |
| Frequency rate            | 0.12 | <b>0</b> |
| Severity rate             | 4.89 | <b>0</b> |

The drastic increase in the accident severity rate was due to two fatalities recorded in 2019. One of these cases involved an employee at SZB during planned maintenance works on the runway. The other case occurred at PEN and involved an Aviation Security personnel during a routine perimeter inspection night round.

In response to the drastic increase in our occupational accident severity rate, the OSH programme for 2020 will be as follows:

1. To enhance OSH management across the Company by implementing ISO 45001:2018 Occupational Health and Safety Management Systems.
2. To participate in the Malaysian Society for Occupational Safety and Health (MSOSH) award to benchmark Malaysia Airports’ OSH standards against national standard.
3. To inculcate OSH awareness across the Company by developing and implementing OSH programmes and activities.

We recorded zero occupational disease rates in 2019. In 2018, we recorded higher occupational disease rates as we had identified employees who developed hearing impairments from persistent occupational noise exposure in that year. We have reduced employee exposure to occupational noise by provided them with personal protective equipment that include ear plugs or ear muffs and training to increase employee awareness. These employees were not included in our 2019 sample and we have not identified any new cases of employees with potential hearing impairments.

# Diversity

In line with the OSH Act, we have put in place measures to prevent work place accidents and occupational diseases. Over and above that, our Occupational Safety and Health Department in collaboration with the SHE committees also take steps to involve our employees in safety and wellness initiatives to promote a culture of safety, good health and well-being throughout Malaysia Airports.

The safety and wellness initiatives conducted in 2019 include:

1. The ISO 45001:2018 Occupational Health and Safety Management System certification programme for Malaysia Airports' Corporate Office, KUL, Sultan Ismail Petra Airport, Kota Bharu (IATA Code: KBR), Sibul Airport (IATA Code: SBW) and Sandakan Airport (IATA Code: SDK)
2. Mega OSH Day 2019 - This was carried out on the premises of 19 airports and four subsidiaries. Some of the activities that were held on that day were:
  - Exhibitions by the Department of Occupational Safety and Health (DOSH), the Fire Department and the National Institute for Occupational Safety and Health
  - Safety talks by DOSH
  - Fire safety awareness demonstration
3. Health monitoring and wellness day
4. Engagement sessions - The main objective of these engagement sessions was to improve and promote occupational health and safety at Malaysia Airports. As at 31 December 2019, 27 safety engagement sessions were conducted involving internal and external stakeholders
5. OSH technical training - 20 OSH technical training sessions were conducted by internal trainers from the OSH unit and was attended by 443 employees. As at 31 December 2019, in preparation for ISO 45001 Occupational Health and Safety Management System certification readiness, a total of 12 workshops and seven training sessions were conducted and attended by 300 employees from Malaysia Airports' Corporate Office, KBR, SBW and SDK.

## DIVERSITY

**Definition:** Refers to diversity in workforce, Management and the Board which is characterised by the gender and age. GRI 102-8, 103, 202-2, 405-1

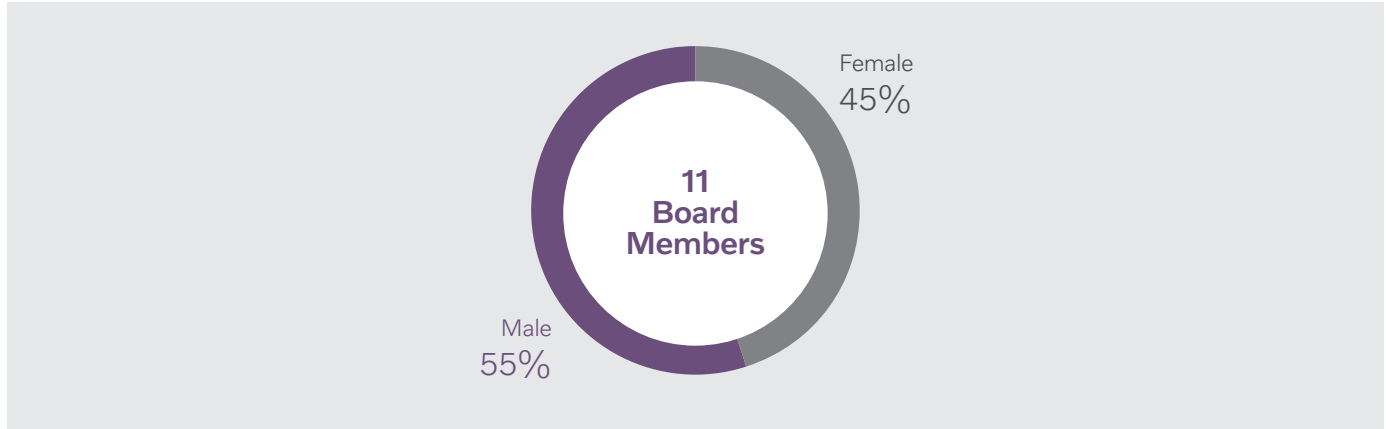
Our Sustainability Policy underlines the importance of Malaysia Airports taking on a leadership role in sustainability initiatives that reinforces the social well-being and community relationships with our stakeholders and the country we serve. As we serve a diverse group of stakeholders, it is important that we have a diverse workforce that can engage with all our stakeholders on varying issues.

Diversity in the workplace is also important for employees because it manifests itself in building a great reputation for the company leading to increased profitability and opportunities for employees. A diverse workplace offers more exposure to employees from different cultures and backgrounds and provides the opportunity for our employees learn from fellow employees whose work styles and attitudes may vary from their own. To this end, 'Diversity' has been included as one of our material matters. As this matter concerns gender equality and fairness it is most closely aligned to SDG 5: Gender equality.

At Malaysia Airports, we believe in empowering women and have taken steps to address structural issues such as social norms and attitudes as well as develop progressive policies that promote equality between women and men regardless of age and physical capability.

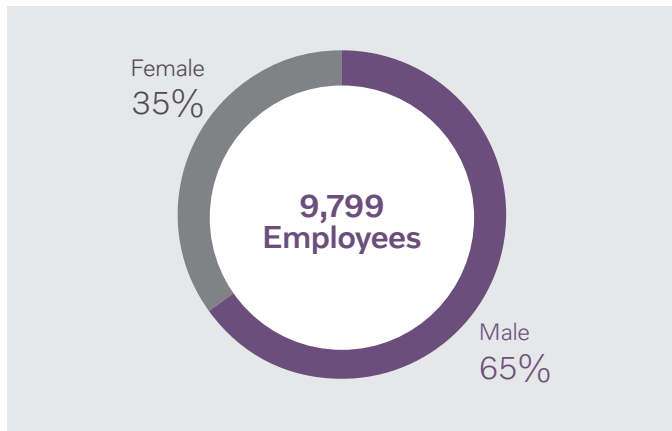
As an equal opportunity employer, we are committed to providing equal opportunity, without discriminating against gender, age, religion and physical disabilities. Almost 100% of Malaysia Airports' Senior Management employees in Malaysia are Malaysians or Malaysian permanent residents. One of our Senior Management team members is an expatriate holding a Residence Pass-Talent. The 10-year renewable pass is issued by TalentCorp in collaboration with Immigration Malaysia for highly qualified expatriates to continue residing and working in Malaysia – to provide greater diversity to the nation's talent pool.

# Diversity



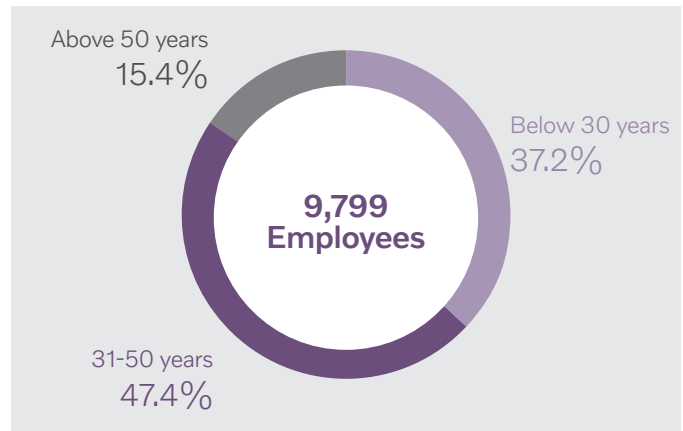
Malaysia Airports - Board of Directors by gender

| Gender | BOD Headcount | Percentage |
|--------|---------------|------------|
| Female | 5             | 45%        |
| Male   | 6             | 55%        |



Employees by gender

| Gender       | Employee Headcount | Percentage  |
|--------------|--------------------|-------------|
| Female       | 3,390              | 35%         |
| Male         | 6,409              | 65%         |
| <b>Total</b> | <b>9,799</b>       | <b>100%</b> |



Employees by age group

| Age group    | Headcount    | Percentage  |
|--------------|--------------|-------------|
| Below 30     | 3,646        | 37.2%       |
| 31-50        | 4,647        | 47.4%       |
| Above 50     | 1,506        | 15.4%       |
| <b>Total</b> | <b>9,799</b> | <b>100%</b> |

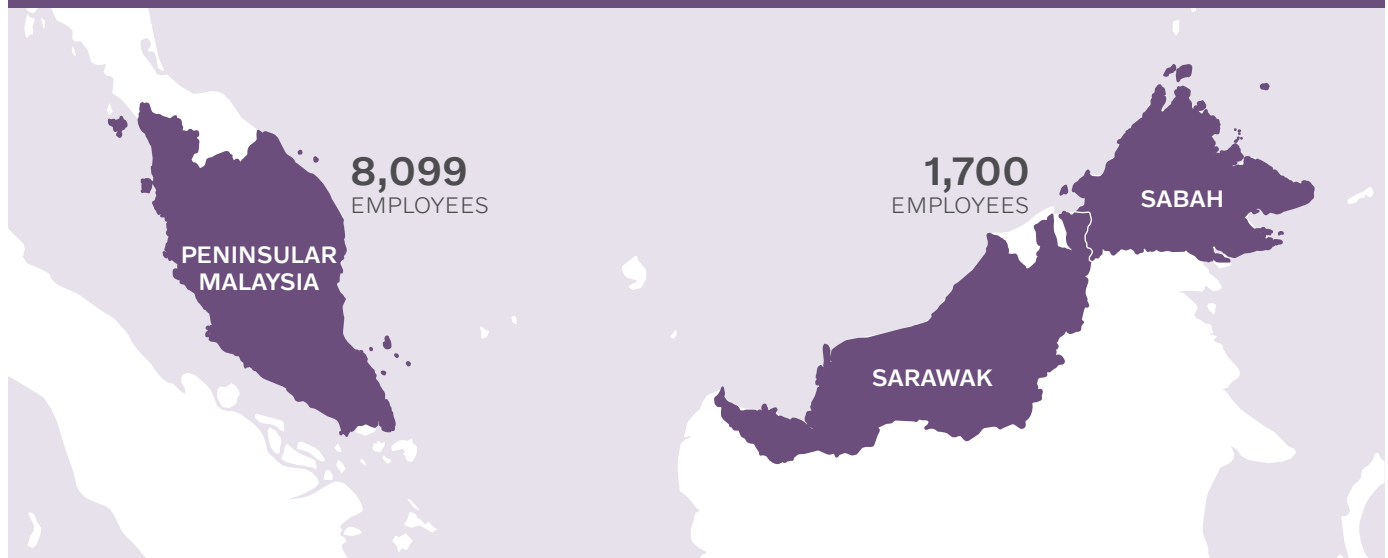


# Diversity

## Employees by categories

| Employees         | Full Time    |              |            |            | Total        | Part Time |           | Trainee    |            | Grand Total  |
|-------------------|--------------|--------------|------------|------------|--------------|-----------|-----------|------------|------------|--------------|
|                   | Permanent    |              | Contract   |            |              | Female    | Male      | Female     | Male       |              |
|                   | Female       | Male         | Female     | Male       |              |           |           |            |            |              |
| Senior Management | -            | -            | 2          | 7          | 9            | -         | -         | -          | -          | 9            |
| Management        | 125          | 265          | 9          | 27         | 426          | -         | -         | -          | -          | 426          |
| Executive         | 398          | 657          | -          | 4          | 1055         | -         | -         | -          | -          | 1,059        |
| Non-executive     | 2,623        | 5,132        | 110        | 100        | 7,965        | 13        | 16        | 110        | 201        | 8,305        |
| <b>Total</b>      | <b>3,146</b> | <b>6,054</b> | <b>121</b> | <b>138</b> | <b>9,459</b> | <b>13</b> | <b>16</b> | <b>110</b> | <b>201</b> | <b>9,799</b> |

## Employees by Region



# PILLAR 4

## Community-Friendly Organisation

Support and strengthen community engagement and efforts to develop programmes to meet the needs of local communities.



Our Sustainability Policy reiterates our aim to take a leadership role in sustainability initiatives that strengthen the social well-being and community relationships with our stakeholders and the country we serve.

Therefore, one of the pillars of our Sustainability Framework is 'Community-Friendly Organisation'. Malaysia Airports has further developed a Corporate Responsibility Framework to focus its community building efforts into three main areas: Education and Youth Leadership, Community Enrichment and Malaysia Branding.

This pillar aligns with the above SDGs and the following Material Matters, KUL Sustainability Charter Goals and key stakeholders.

### Material Matters

Contributions to Local Community  
Human Rights

### KUL Sustainability Charter Goals

Goal 7:  
KUL Community development through partnerships

### Key Stakeholders

Employees  
Regulators and Government  
Local Community  
The Media

This puts our employees at the forefront of our priorities, and recognises that skilled and engaged employees are a vital component in the delivery of our goals and achievement of our targets. Their efforts and commitment are critical factors that will enable us to operate with a high level of competency and with the passion and mind-set that is needed for our success.

The matters stated under this section relate to all of Malaysia Airports' employees in Malaysia unless specifically stated otherwise.

# Contributions to Local Community

## CONTRIBUTIONS TO LOCAL COMMUNITY

**Definition:** Refers to Malaysia Airport's community building efforts.  
GRI 103

## Community-Friendly Organisation



### EDUCATION AND YOUTH LEADERSHIP

Supporting the national education agenda by elevating academic performance and leadership development in students.



### COMMUNITY ENRICHMENT

Elevating community livelihoods by providing a broad range of programmes from micro entrepreneurship support, environmental consciousness collaborations and other community goodwill activities.



### MALAYSIA BRANDING

Collaborating with state tourism organisations, and relevant agencies to leverage our airports as gateways into Malaysia to promote our Malaysian culture, heritage and unique local brands.

At Malaysia Airports giving back to the local community and building strong bonds with them is supported by our Sustainability Policy and our stakeholders. As such, 'Contributions to Local Community' is a material matter in our Sustainability Framework. To translate the three objectives of the Corporate Responsibility Framework into tangible projects that reflect our material concerns, Malaysia Airports has established a dedicated Corporate Responsibility unit that sits within the Corporate Communications division that is tasked with planning, organising and implementing corporate responsibility initiatives.

A key feature of our programmes is staff involvement. Our airports, particularly outside KUL's ambit, are also encouraged to seek out corporate responsibility opportunities to strengthen ties with the community around the airports.

Our employees have stated that they are proud to work with Malaysia Airports – not only do we place importance on community-building, but we also create opportunities for employees to also give back to the community.

In 2019, we continued to make progress in this area, contributing substantial financial resources amounting to RM1.1 million.

## EDUCATION AND YOUTH LEADERSHIP

Education and Youth Leadership focuses on elevating academic achievements, leadership skills and character development of students. There are three main programmes in this focus area:

- Beyond Borders
- High Fliers
- Airport@Sports

## Contributions to Local Community



### Beyond Borders

'Beyond Borders' is Malaysia Airports' flagship Corporate Responsibility initiative under this pillar. Under this school adoption programme, Malaysia Airports adopt and nurtures selected schools in three-year cycles with the aim of empowering the children in our adopted schools, enriching their learning environment and elevating academic standards.

The key feature of this programme is the close partnership between Malaysia Airports and the school community comprising school administrators, teachers, students and parents.

Since the programme's inception in 2007, a total of 32 schools have come under our wing. The current cycle of Beyond Borders began in 2017 and ended at the end of 2019. This was our fourth cycle and involved four primary schools in the vicinity of KUL:

- Sekolah Kebangsaan Dengkil
- Sekolah Jenis Kebangsaan (Cina) Wah Lian
- Sekolah Jenis Kebangsaan (Tamil) Dengkil
- Sekolah Jenis Kebangsaan (Asli) Bukit Bangkong

The combined enrolment of the four schools is approximately 500 students while also reaching out to almost 2,000 teachers, parents and other members of the local community.

In 2019, the programme continued to focus on improving English proficiency and the overall academic achievement at the schools. A teacher-training workshop was held involving enrichment exercises and classroom practice for teachers. This gave the teachers a new perspective on delivering English grammar lessons making it fun, engaging and enjoyable for students to learn English.

To better prepare them for the UPSR examinations, we provided English workbooks for all Year 6 students and English teachers. The workbooks help them get additional comprehension, grammar, writing, vocabulary and topical exercises before they sit for the actual examinations. A UPSR clinic focused on examination technique also helped the students in their examination preparation.

Improving English is not just about examinations, and we believe that inculcating a love for reading is a good way to improve their language skills. We continued the 'Read and Reward' programme where we donated books to encourage the students to read more English books. Students had to read a book, complete a book report on it and collect a star when they were done. At the end of the year, we rewarded the most prolific readers in each school with prizes.

We are pleased that our focus on improving English proficiency at the adopted schools showed good results. At the inception of the programme in 2017, the mean passing rate for English was 53%. That rose by 13 percentage points over the three-year period to 66% at the end of 2019. It was a proud moment for all of us at Malaysia Airports when the four schools graduated from the 'Beyond Borders' programme at the end of 2019.

In 2019, 'Beyond Borders' was expanded to include the refurbishing of the computer lab at the Pusat Perkembangan Kemahiran Kebangsaan Serendah (the National Skills Development Centre). There, Malaysia Airports breathed new life into the centre's computer lab. We furnished it with new ICT equipment and furniture such as computers, projector and screen, network cables as well as tables and chairs to provide a more conducive environment for learning.

The funding for 'Beyond Borders' in 2019 amounted to RM347,280.

## Contributions to Local Community

### High Fliers

'High Fliers' is our five-year leadership development programme for children of eligible employees. The current cohort began this programme in 2017 and will continue through 2021. A total of 25 young leaders are enrolled in this programme and are in their third year of secondary school.

In 2019, we focused on nurturing a high performing mind set to enhance their leadership capabilities and nurture academic excellence. To this end, the young leaders attended a "Smart Learning Camp" to enable them to explore new ways of learning. It was also a good opportunity for the cohort to build camaraderie and improve their social skills.

They also underwent a public speaking course to improve their communication skills and increase their confidence, especially among strangers.

The funding for 'High Fliers' amounted to RM108,214 in 2019.

### Airport@Sports

This programme aims to elevate sporting standards among students and encourages participation in sports as a means to build character. For 2019, 'Airport@Sports' continued its focus on rugby, with its sponsorship of the Super Schools Rugby Fifteens tournament, offering the Malaysia Airports Chairman's trophy and cash prizes as top prizes for the tournament.

The tournament, which is intended to develop the talent of young players in Malaysia, attracted eight teams this year, an increase from six teams in 2018. Sekolah Menengah Sains Hulu Selangor lifted the Malaysia Airports Chairman's Challenge Trophy in 2019, beating defending champions Malay College Kuala Kangsar in the finals.

In addition to the tournament, Malaysia Airports also provided funding for grassroots rugby development. In collaboration with Super Schools Rugby, a Grassroots Development Programme involving two primary schools namely Sekolah Kebangsaan Subang and Sekolah Kebangsaan Taming Jaya was launched. The programme aims to teach rugby at primary school level so that the schools can build their rugby teams towards becoming the best state-level teams.

In total, Malaysia Airports' funding for 'Airport@Sports' amounted to RM52,500 in 2019.

### COMMUNITY ENRICHMENT

For 'Community Enrichment', Malaysia Airports gives back to society through elevating community livelihood, micro industry development, environmental initiatives, as well as involving employees in volunteerism activities. The major initiative under the 'Community Enrichment' pillar is the "Airport@Community" programme.

'Airport@Community', a programme run around the vicinity of our Corporate Office and KUL, saw nine initiatives being carried out in 2019. A total of RM391,689 was invested in 'Airport@Community' projects in 2019 of which RM208,600 was from our Asnaf Fisabillah zakat fund for various community development projects and events which aimed to uplift the local Muslim community.

This programme has a strong focus on children and through it our employees brought cheer to disadvantaged young children during festive periods and by helping them prepare for the new school year. The programmes – 'Ceria Ramadhan', 'Ceria Aidilfitri' and 'Ceria Kembali Ke Sekolah' – were very much appreciated by the children and their families.

120 students from one of our adopted schools were selected for a memorable outing to the edutainment theme park, KidZania in Kuala Lumpur. Children of our employees also had a chance to visit their parents' work place during our annual 'Bring Your Kids to Work Day'. On that day, the children were given a tour of Malaysia Airports' Corporate Office and surrounding facilities, with the highlights being the stops at the Air Disaster Unit and Airport Fire and Rescue Service stations.

The 'Pay It Forward' programme continued to make progress this year with Malaysia Airports working with the community to inculcate good toilet etiquette. A total of 10 schools from Sepang joined the programme in 2019. This programme culminated in the World Toilet Day celebration at the KLIA Main terminal together with other government agencies such as the Ministry of Housing and Local Government and the Sepang District Council which aimed to promote good toilet etiquette among the public and airports users.

The 'Desa Harapan' programme is a new initiative to help showcase the products and services of cottage industries in Langkawi at the Langkawi International Airport (IATA Code: LGK). Over a period of four months, the community of Kampung Kuala Temonyong, Langkawi were able to introduce their goods and wares to a larger market, enabling them to generate extra income. This programme

## Contributions to Local Community

is the result of a collaboration between Malaysia Airports and the Ministry of Rural Development of Malaysia.

In addition to the above, employees at our airports throughout Malaysia organised a total of 50 local-level community enrichment programmes in 2019. A total of RM 45,269 was invested in all 50 programmes carried out across 17 other airports, namely Bintulu Airport (IATA Code: BTU), Kota Kinabalu International Airport (IATA Code: BKI), Kuching International Airport (IATA Code: KCH), Labuan Airport (IATA Code: LBU), Lahad Datu Airport (IATA Code: LDU), Langkawi International Airport (IATA Code: LGK), Melaka Airport (IATA Code: MKZ), Miri Airport (IATA Code: MYY), Penang International Airport (IATA Code: PEN), Sandakan Airport (SDK), Sibul Airport (IATA Code: SBW), Sultan Ahmad Shah Airport, Kuantan (IATA Code: KUA), Sultan Abdul Halim Airport, Alor Setar (IATA Code: AOR), Sultan Azlan Shah Airport (IATA Code: IPH), Sultan Mahmud Airport, Kuala Terengganu (IATA Code: TGG), Sultan Ismail Petra Airport, Kota Bharu (IATA Code: KBR) and Tawau Airport (IATA Code: TWU).

The projects selected by the airports are guided by the needs of the local communities. Examples of projects in each of the categories are as follows:

### Local-level community enrichment projects around airports in Malaysia



#### 9 Clean Environment:

beach clean-up, mangrove restoration, Earth Hour celebrations



#### 38 Airport Community Enrichment:

blood donation, donations to disadvantaged members of the community, festive cheer programmes, community clean-up efforts, school restoration, fire safety awareness



#### 3 Micro Industry Support:

promotion of local products at the airport concourse

### MALAYSIA BRANDING

#### Joyful Malaysia

Through our airports, we have the capability to reach a large local and international audience and showcase initiatives which provide them with insights into Malaysian arts, culture and heritage – namely, 'Joyful Malaysia'. Our airports are not only gateways to Malaysia, but also act as gateways to Malaysian culture.

One of the key highlights for 2019 was the Malaysian Traditional Dance Festival held at KLIA Main terminal. This was the third year we had organised this event in collaboration with Majlis Belia Malaysia (Malaysian Youth Council) to preserve and further promote our local traditions and culture. This year, the festival focused on the 'Zapin', a popular traditional dance form. Over 200 youth dancers from all over Malaysia competed in this event over a three-week period.

Visitors to KLIA Main terminal were able to witness this vibrant and colourful showcase of Malaysian culture and talent while the concourse of the airport reverberated with the melodious traditional music accompanying the 'Zapin' performances. This programme also encourages youth groups to continue to learn traditional Malaysian dances and keep these traditions alive. Throughout 2019, a total of 15 'Joyful Malaysia' programmes were held across various airports in Malaysia including PEN, LGK, BKI, KCH, IPH, TGG, SDK and LBU.

In addition, a Sense of Malaysia zone is taking shape at our international airports. Sense of Malaysia aims to showcase Malaysian hospitality and products which make Malaysia a unique destination. As a preview of the Sense of Malaysia stores, Little Malaysia and Delicacies of Malaysia opened at KLIA Main terminal and klia2, whilst Delicacies of Penang opened at PEN, offering unique local delicacies and treats that embody the best of Malaysia. Himpun, a campaign which ran in September and October 2019 at KUL, also served as a preview for the Sense of Malaysia concept stores. The campaign showcased a curated selection of fashion, craft, delicacies and beauty items produced by home-grown Malaysian enterprises that give visitors a cultural perspective.

In 2019, Malaysia Airports' funding for 'Malaysia Branding' projects amounted to RM127,570.

**PILLAR**

# 5

## Memorable Airport Experience

Enhance the travel experience of airport guests to support our mission of creating joyful experiences.



Our mission is centred on creating joyful experiences especially at our airports while our aim is to become a service leader by embedding a customer-centric culture within our operations.

In our Sustainability Policy, we recognise our customers as one of our major groups of stakeholders. Our customers include the passengers and airlines using our airports as well as the other members of the airport community who perform roles and functions in and around our airports. To address their needs and concerns and the impact our business has on them, the Sustainability Framework includes ‘Memorable Airport Experience’ as one of the five Sustainability Pillars.

This pillar aligns with the above SDGs and the following material matters, KUL Sustainability Goals, KUL Sustainability Charter goals and key stakeholders.

**Material Matters**

- Airport Safety and Security
- Total Airport Experience
- Transportation and Connectivity

**KUL Sustainability Charter Goals**

- Goal 8: Providing exceptional customer experience
- Goal 9: Optimisation through technological advancement
- Goal 10: Strengthening safety and security at KUL

**Key Stakeholders**

- Employees
- Regulators and Government
- Airlines
- Passengers
- Investors
- Tenants
- The Media

In creating a memorable airport experience, we recognise that the journey through the airport passes through many touchpoints and facilities. In this regard, three Material Matters which are relevant are ‘Total Airport Experience’, ‘Airport Safety and Security’ and ‘Transportation and Connectivity’ to address our customers’ top concerns. If implemented well, we believe that our customers will enjoy a truly memorable experience at our airports.

This pillar is also in line with Malaysia Airports’ corporate mission which is ‘Together we create joyful experiences by connecting people and businesses’.

# Airport Safety and Security

## AIRPORT SAFETY AND SECURITY

**Definition:** Refers to the techniques and methods used to protect passengers, staff, aircraft, and airport property from accidental or malicious harm, crime, terrorism, and other threats.  
GRI 103

Our Sustainability Policy stresses that it is our responsibility to operate in a healthy, safe, secure and efficient manner. 'Airport Safety and Security' matters have major impact on our stakeholders as many aspects of our operations rely on safety and security measures being in place. In our consultation with stakeholders, 'Airport Safety and Security' was among the top on their list of material concerns.

### Aerodrome Certification

Aerodrome certification is crucial as it signifies that our airports are certified for safe, secure and efficient operations and that they adhere to international standards and guidelines on aspects of airport operations, thereby reducing safety risks.

Malaysia Airports complies with the national and international standards and guidelines set by the Civil Aviation Authority of Malaysia (CAAM) and the International Civil Aviation Organisation (ICAO). In particular, we comply with Malaysia's Civil Aviation Acts and Regulations, CAAM Aerodrome Standards Directives and ICAO's Standards and Recommended Practices. Part of the certification requires Malaysia Airports to continuously monitor compliance with the requirements of CAAM and ICAO.

Therefore aerodrome certification demonstrates standardisation with other airports in line with ICAO's requirement that all airports which are open to public use provide uniform conditions for aircrafts and that the aerodrome's facilities, operations, personnel competency and procedures meet standard requirements that ensure the safety of air travel.

All airports in Malaysia managed by Malaysia Airports have been certified since 2004 except for four airports – Sultan Ahmad Shah Airport, Kuantan (IATA Code: KUA), Lahad Datu Airport (IATA Code: LDU), Labuan Airport (IATA Code: LBU), Mulu Airport (IATA Code: MZV) and the 18 STOLports. With these certifications, safety management systems are addressed accordingly with the Runway Safety Team, Safety Action Group and the process of Hazard Identification Risk Assessment and Risk Control and Acceptable Level of Safety Performance. KUA, LBU, LDU, MZV and the 18

STOLports are currently undergoing the process of certification and are scheduled to be certified by 2025.

### Safety Management System

Safety Management System (SMS) is another aspect of airport safety and security. Malaysia Airports complies with ICAO Annex 19 on Safety Management and is guided by the SMS guidelines contained in ICAO Document 9859 on Safety Management Manual and ICAO Document 9981 on Procedures for Air Navigation Systems - Aerodrome.

This provides for the development, establishment and progressive enhancement of safety mitigation strategies to avoid unwarranted accidents or incidents. The Safety Management Manual provides a structured management approach to control safety risks in airport operations which include safety hazard identification, implementation of action to maintain an acceptable level of safety and continuous monitoring of safety levels at our airports.

There are no changes to the information disclosed in our previous Sustainability Report on this matter. 16 airports in Malaysia are SMS-certified airports while the remaining ones are being prepared for SMS certification in stages. Malaysia Airports continues to conduct on-site inspections to ensure there is continuous improvement to the overall level of safety as required by the certification standards. Training is also conducted for employees involved in SMS certification to instil a positive safety culture and a high level of competence.

### Runway Safety

Malaysia Airports complies with the CAAM Airport Standards Directive 106 – Runway Safety Programme and is also guided by the runway safety guidelines in the ICAO Document 9870 – Manual on the Prevention of Runway Incursions. In line with these runway safety standards, there are Runway Safety Teams at 17 airports, namely all 16 SMS-certified airports in Malaysia and Sultan Abdul Aziz Shah Airport, Subang (IATA Code: SZB).

Each Runway Safety Team comprises CAAM air traffic controllers, aircraft pilots and our employees. The Runway Safety Teams meet four times a year for KUL, three times a year for the other international airports and twice a year for the other 12 domestic airports. When these teams meet, they discuss methods to improve the collection of runway safety data, ensure that signage and markings are ICAO-compliant and visible, identify new methods or technologies to improve runway safety and review existing procedures to ensure compliance with ICAO standards.



## Airport Safety and Security

Upgrading works on Runway 3 at KUL began in October 2019 in line with the KUL Runway Sustainability Master Plan. The works which start with pavement rehabilitation are expected to be completed mid-2020. The exercise will ensure continuous safety of the runway and address potential future issues such as airfield pavement roughness identified through a Boeing Bump Index analysis. Once works are completed on Runway 3, upgrading works are expected to commence for Runway 1 in 2021 and Runway 2 in 2023.

The impact of these measures is that our airports adhere to national and international best practice on runway safety. The measures also help to prevent and mitigate occurrences relating to runway safety such as runway incursions and excursions, thereby reducing the number of runway related accidents and incidents.

### Airport Emergency Exercises

Airport emergency exercises are safety exercises that involve simulations of emergency scenarios at the airport such as aircraft crashes, hijackings and an act of aggression at the airport. They are designed to test the efficacy of the Airport Emergency Plan (AEP), the readiness of our people and the inter-agency coordination needed to respond effectively in different emergency scenarios.

Malaysia Airports complies with mandatory safety requirements relating to safety and security exercises as specified by ICAO and CAAM. These requirements are set out in ICAO Annex 14 Chapter 9.1 and Civil Aviation (Aerodrome Operations) Regulations 2016. Among the requirements are for certain safety and security exercises to be conducted at specified frequencies as follows:

- Full scale exercises – at least once every two years
- Partial exercises – at least once a year
- Table-top exercises – bi-annually



In 2019, a total of 77 safety and security exercises were conducted at 28 airports by the Airport Fire and Rescue Services Division (AFRS):

- eight full scale exercises at: PEN, TGG, KUA, MYY, SBW, MZV, TWU and KUD
- 16 partial exercises at: KUL, LGK, BKI, KCH, IPH, AOR, SZB, KBR, MKZ, TOD, BTU, LMN, LWY, SDK, LDU and LBU
- 26 table top exercises
- 27 evacuation drills

Besides the 77 exercises which were conducted by the AFRS, our Aviation Security Division also organised an act of aggression exercise codenamed 'Ex-RAMPAS' at LGK. Simulating a few emergency scenarios including riots, kidnapping, hostage crisis and chemical, biological, nuclear and explosive threats, Ex-RAMPAS involved 32 parties including LGK staff, emergency response agencies, regulators, state government departments and members of the airport community at LGK. The five-day exercise covered workshops, table top exercises, full scale simulations as well as a post-mortem. The AFRS was also involved in Ex-RAMPAS to test their effectiveness in responding and handling the chemical and biological threats simulated during the exercise.

Also, in view of the high traffic Hajj season, we collaborated with Tabung Haji on safety exercises. This ensures better preparedness for the benefit of Hajj pilgrims during their travel on their pilgrimage.

The impact of conducting these exercises is that Malaysia Airports' employees as well as the emergency services can better understand the roles and responsibilities of each party during emergencies. There is also an opportunity to improve the coordination, communication and cooperation among the parties. Most importantly it enhances safety for all airport users.

### Leveraging Technology

Malaysia Airports also leveraged on new technology to improve safety and security. One of the measures was the installation of new security body scanners at KUL. The new scanners are able to detect both organic and non-organic foreign objects on the body without requiring a manual pat-down. They are also more effective as they can detect all kinds of materials unlike the old walk through detectors that can only detect metal contraband. The new scanners are also faster and safer as they do not involve X-rays or radiation.

## Airport Safety and Security

### Foreign Object Debris (FOD)

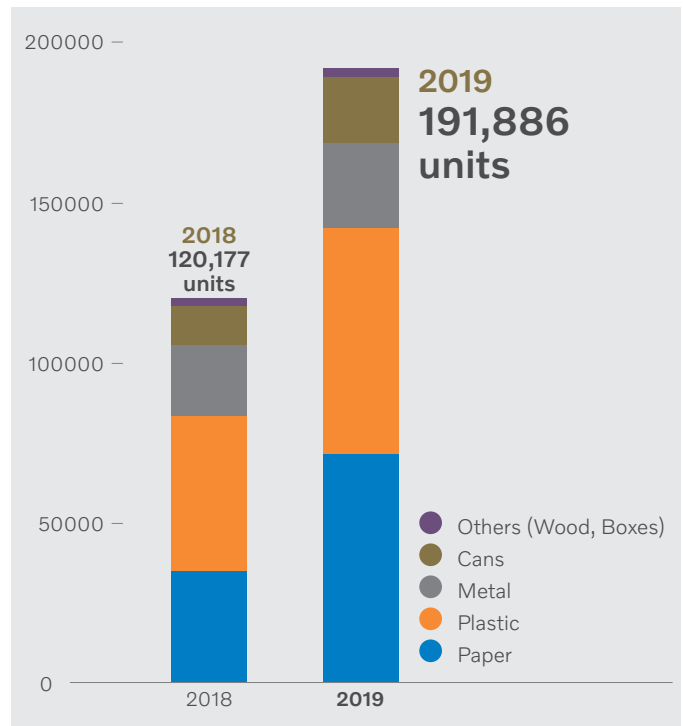
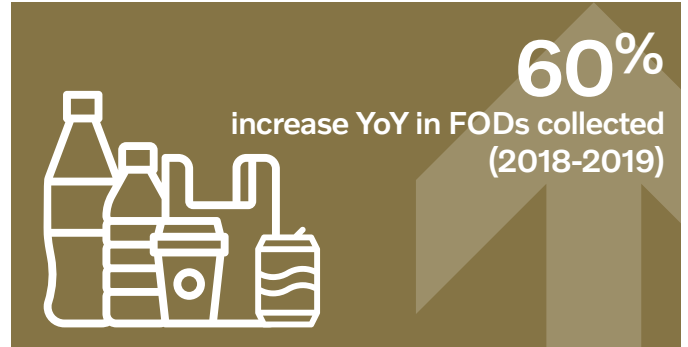
Following the tripartite collaborative effort between Malaysia Airports, Hitachi Kokusai Electric (HiKE) and Universiti Teknologi Malaysia (UTM) as disclosed in our previous Sustainability Report, the Foreign Object Debris (FOD) Detection System was officially launched in April 2019 in the presence of the Deputy Minister of Transport Malaysia and Vice-Minister Internal Affairs and Communication Japan.

Installed at Runway 2 of KUL, the FOD Detection System infrastructure was completed in October 2019 while the advanced radar system is currently being installed. Once fully functional, the development of an Airside Safety Inspection Solution application will provide the Airside Services Department and the Airport Operations Control Centre with real-time data to enhance FOD inspections and manual removal of the FOD by runway inspectors.

This application will support and integrate the operations of the new system into our current monitoring and tracking centres to ensure efficient and effective FOD clearance to improve safety at KUL. The System can spot FOD the moment it is deposited on the runway before it poses a hazard to aircrafts. The system will provide a safe environment to our airport partners, improve FOD management on runways and provide real-time FOD information while optimising the use of our resources.

While the use of advanced technology will help us to further improve safety and the collection of FOD items on the runways of KUL in the future, Airside Services Department will persist in the implementation of initiatives and improvement of current processes to continuously minimise the risk of damage or unwanted incidents from FOD items at KUL.

Besides regularly discussing FOD matters during Airside Safety Committee meetings, Airside Services Department also conducts joint walkabouts at KUL each quarter with representatives from the airlines and ground handlers to increase the awareness on FOD issues. To further improve processes, ground handlers at KUL have implemented a routine 10-minute FOD inspection on the apron before and after an aircraft arrives and leaves its designated parking bay. Airside Services Department has also increased its FOD collection and reporting procedures where even the smallest of items are now counted as one item whereby previously, these small items are not reported as such.

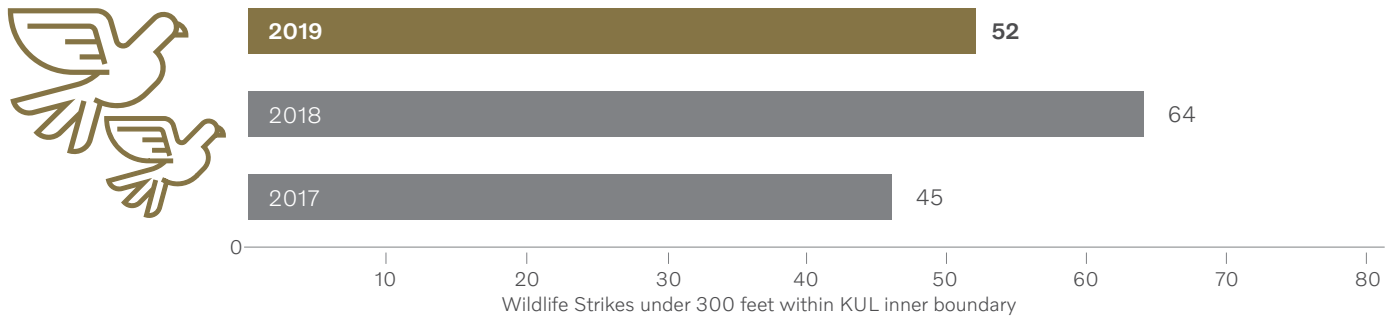


Collection of FOD at KUL 2018-2019

|                         | 2018           | 2019           |
|-------------------------|----------------|----------------|
| Others (Wood and Boxes) | 2,518          | <b>2,566</b>   |
| Cans                    | 12,239         | <b>20,816</b>  |
| Metal                   | 21,991         | <b>26,355</b>  |
| Plastic                 | 48,524         | <b>70,902</b>  |
| Paper                   | 34,905         | <b>71,247</b>  |
| <b>TOTAL (units)</b>    | <b>120,177</b> | <b>191,886</b> |

## Airport Safety and Security

### Wildlife Strikes Occurrence



Due to these efforts to increase awareness and improve FOD collection in the interest of safety, we have witnessed a 60% YoY increase in the number of items collected at KUL, from 120,177 items in 2018 to 191,886 items in 2019. This is also attributable to the increase in flight movements observed at KUL as most of the FOD items reported were commonly found at the cargo handling and aircraft apron areas.

FOD collected consisted of items such as cargo and baggage labels, cargo wrapping, baggage zip locks, zip pull-tabs, screws, nuts, bolts, empty jet fuel cans, empty drink cans, wooden cargo pallets and empty boxes from tenants and concessionaires.

While we continue to prioritise safety through more enhanced cross-collaborations with our stakeholders and identify areas for improvement to our internal processes, the introduction of the FOD Detection System will further enhance our current system which in turn will improve the surveillance measures of our runways as we aim towards strengthening KUL's position as a global hub.

### WILDLIFE STRIKES

[AO9]

Wildlife strikes such as bird strikes are a hazard to aircraft as well as a concern for wildlife conservation. A bird strike can cause serious consequences such as uncontained engine failure, stalled engines, damaged airframes and others. That can endanger the aircraft and passengers. This is particularly important for KUL which sits along the migratory route that birds take from the northern hemisphere to the southern hemisphere in September to March each year. The data for wildlife strikes is derived from KUL only.

Our Airside Services Department established the Wildlife Hazard Management Committee comprising internal and external stakeholders in wildlife management for a coordinated approach

to managing wildlife at and around the airport. The internal stakeholders include Malaysia Airports departments such as Airside Services Department, Engineering, Utilities & Environment, Landside, the Airport Fire and Rescue Services Division and the Aviation Security Division. External stakeholders include CAAM, Department of Wildlife and National Parks, the Sepang Municipal Council, airlines and ground handlers.

The target for wildlife strikes set by Malaysia Airports in its Environment Strategy Roadmap in consultation with CAAM is to keep the number of occurrences to below 71 cases per year. This safety performance target also ensures that KUL is well within the "very low risk" category based on the international benchmark set by the Airports Council International Bird Strikes Index in which one strike per 1,000 aircraft movements is regarded as very low risk.

A total of 30 bird and 14 other wildlife carcasses were found on the runways, taxiways and other areas within the perimeter of KUL in 2019, while the remaining eight cases were reported by airlines and our airport partners. There were no reports of wildlife strike cases that have resulted in any major incidents or accidents involving any of our airport partners in 2019.

Besides the Wildlife Hazard Management Committee, Malaysia Airports has also taken measures to continuously manage the occurrences of bird strikes every year in the interest of safety for our airport guests, airlines and other airport partners.

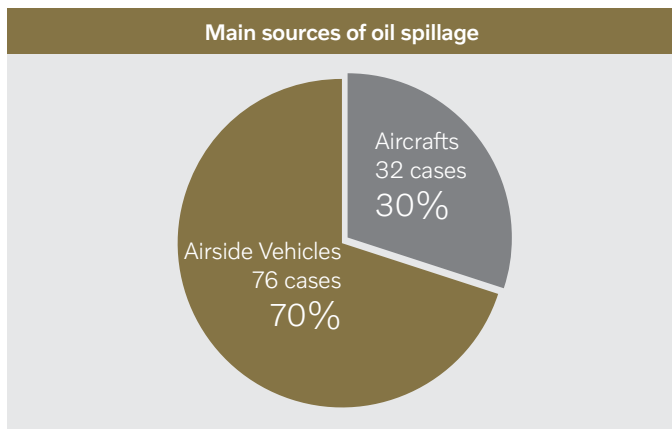
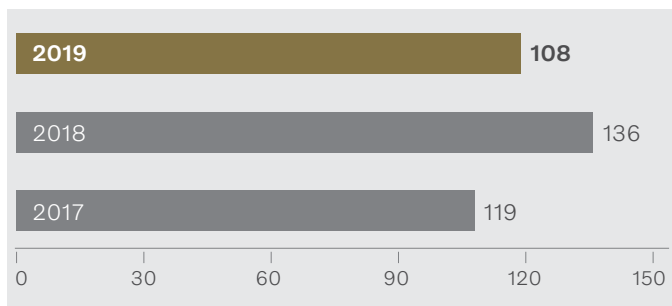
In 2019, we improved the design of the waste chutes at klia2 by installing strip curtains at the hammerhead of each aircraft parking bay to prevent birds and other wildlife from being attracted to exposed waste bins. We also have bird deterrent measures in place to distract and discourage birds from flying perpendicular to the runways, reducing the risk of bird strikes during take-offs and landings.

## Airport Safety and Security

### Oil Spillage

In our operations, the main source of contamination is oil spillage. This has always been an area of importance to Malaysia Airports as oil spillage occurrences on aprons when aircrafts are stationary during turnaround or overnight parking can drastically affect the quality of the pavement surface and the safety of our airport guests.

Under our Environment Strategy Roadmap, we set safety performance targets in consultation with CAAM. The targeted performance target is to keep oil spillage incidents from airside vehicles to below 79 a year by 2020. Apart from oil spillage from airside vehicles such as ground handler vehicles and equipment, we also monitor, record and report on fuel spillage occurrences originating from aircrafts.



### Oil Spillage cases at KUL (2017-2019)

|                           | 2017       | 2018       | 2019       |
|---------------------------|------------|------------|------------|
| Airside Vehicles          | 99         | 98         | 76         |
| Aircrafts                 | 20         | 38         | 32         |
| <b>Total Cases in KUL</b> | <b>119</b> | <b>136</b> | <b>108</b> |

The data shown for oil spillage refers only to KUL unless otherwise indicated. In 2019, we recorded a total of 108 oil spillage cases at KUL, a YoY reduction of 20% compared to 136 cases in 2018. We have also managed to achieve CAAM’s target to keep oil spillage incidents originating from airside vehicles to below 79.

In terms of the main sources of oil spillage for 2019, airside vehicles and equipment account for more than 70% of oil spillage cases. The Airside Safety Committee meets on this and other matters and our concerns are discussed and shared with ground handlers to improve their performance and safety record in this area.

To tackle the problem of oil spillage from airside vehicles, better collaboration between Airside Services Department (ASD) and the Motor Transport Workshop of the Engineering division enabled Malaysia Airports and airside service providers to identify aging vehicles and equipment.

We set new age limits on the vehicles and new rules on maintenance and replacements. Among the new requirements is the submission of dedicated maintenance plans for airside vehicles and equipment of over 10 years of age to ASD. We also set suspension penalties for non-compliance. These suspended vehicles are only allowed to return to operations in KUL once their maintenance records and conditions are inspected and verified by ASD. Ground handlers have also cooperated by refurbishing old units and purchasing new equipment. This has resulted in significant improvements in oil spillage incidents in 2019.

Fuel spillage from aircrafts come mainly from engines during turnaround and overnight parking at the aircraft bays when maintenance works are carried out. The effects of oil spillage are not as severe at KLIA Main terminal as they are at klia2. At klia2, the pavement structure and composition are more susceptible to change when exposed to foreign chemicals. Oil spillages could create safety concerns at klia2 as small loose materials arising from the break-up of the contaminated pavement surfaces could generate FOD and cause unscheduled closures of parking bays for repair works.

In 2019, we implemented a simple yet effective solution where we coat the pavement surface directly underneath where the engines would be. This layer of coating prevents fuel from contaminating the integrity of the pavement surface at klia2, reducing the likelihood of FOD incidents and delays due to unplanned closures of parking bays.

# Total Airport Experience

## TOTAL AIRPORT EXPERIENCE

**Definition:** Refers to the reporting on processes and procedures to measure service quality and the steps taken to improve the quality of the interaction between our guests, and our employees and the airport community.  
GRI 103

Malaysia Airports views providing our guests with a memorable airport experience in a holistic manner where the experience is an amalgamation of different factors. One key aspect is to offer efficient and effective delivery of airport services to our guests through operational excellence. We also place equal importance on the interaction between guests and our employees and the larger airport community. The Guest Advocacy Division provides strategic direction on this aspect and drives initiatives to improve guest experience.

### Improving Service Levels

In 2018, MAVCOM introduced the Quality of Service (QoS) framework to improve airport service levels. The QoS framework outlines key performance indicators (KPIs) and service levels for airports in four service quality categories:

- passenger comfort and facilities
- operator and staff facilities
- queuing times, and
- passenger and baggage flow

Sub-sections for the above categories include washroom cleanliness, Wi-Fi connectivity, queue times for check-in and security screenings, aerotrain and aerobridge operations as well as baggage handling. The assessment of service quality is made through passenger surveys as well as MAVCOM inspections.

The initial roll out to KUL in 2018 involved three elements and was expanded in stages. At the beginning of 2019, we started with 15 at KLIA Main terminal and 14 at klia2. Effective July 2019, MAVCOM introduced three additional elements which relate to the baggage handling systems (BHS) at both these terminals bringing the total QoS elements to 18 for KLIA Main terminal and 17 for klia2.

These new elements measure our performance in:

- the number of mishandled outbound baggage
- the timing of the first inbound baggage received by our airport guests and
- the timing of the last inbound baggage received by our airport guests at the baggage reclaim areas.

If Malaysia Airports fails to meet the service levels set by MAVCOM, there will be financial penalties that may be as high as 5% of the aeronautical revenue for KUL. As such, Malaysia Airports has in place four working group committees to look into the critical areas of the QoS – Passenger Comfort and Facilities, Passenger and Baggage Flows, Operator and Staff Facilities, and Queueing Times.

KLIA Main terminal failed in all months to meet the requirements set by MAVCOM in the first and last bag retrieval timings since that element was introduced in July 2019. Meanwhile, klia2 was consistent in meeting those targets from July until December 2019.

KLIA Main terminal did not meet the target for the number of mishandled outbound baggage in August 2019. This one-off non-compliance in was due to a network disruption at KUL during which check-in information and flight information were not available to enable the timely loading of baggage onto aircrafts.

The performance of KLIA Main terminal in the timing of first and last baggage and mishandled outbound baggage is an area of concern to Malaysia Airports. Our Board Risk Management Committee acknowledges the severity of this issue and we are taking steps to address it. We have started to work even more closely with ground handlers to improve their performance in delivering baggage from the aircrafts to the BHS loading area upon arrival.

### KUL's QoS results for 2019

| Terminal           | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul*  | Aug   | Sep   | Oct   | Nov   | Dec   |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| KLIA Main terminal | 14/15 | 13/15 | 13/15 | 14/15 | 14/15 | 14/15 | 15/18 | 14/18 | 15/18 | 16/18 | 15/18 | 15/18 |
| klia2 terminal     | 12/14 | 12/14 | 12/14 | 13/14 | 13/14 | 13/14 | 16/17 | 17/17 | 16/17 | 16/17 | 16/17 | 16/17 |

\*January to June measures 15 elements for KLIA Main terminal and 14 elements for klia2. June to December measures three additional elements as advised by MAVCOM. The table shows the number of QoS elements fulfilled by KLIA Main terminal and klia2 out of the total evaluated.

## Total Airport Experience

In September 2019 and January 2020, Malaysia Airports' subsidiary, Malaysia Airports (Sepang) Sdn Bhd was fined RM1.18 million and RM856,875 by MAVCOM for failing to meet certain elements of the QoS from January to March 2019 and from April to June 2019, respectively. Following the results and penalties in the QoS framework, we have taken steps to improve service levels at KUL.

### Benchmarking Service Quality

Malaysia Airports benchmarks the performance of its airports against international standards so that it is able to compare its performance against its peers and competitors. Benchmarking service quality also enables Malaysia Airports to better track our performance and changes in performance over time. By focusing on passengers' requirements, we are able to improve our service based on specific service quality indicators.

For KUL, LGK and PEN, Malaysia Airports subscribes to the Airports Service Quality (ASQ) programme by the Airports Council International (ACI). As PEN is undergoing major expansion works, the ASQ programme has been suspended during the works period. In 2019, PEN and other international airports – BKI, KCH – as well as the domestic SZB, were evaluated on the Airport Customer Satisfaction Performance Programme (ACSPP), which mirrors the standards and methodology framework of the ASQ programme.

In 2019, KUL successfully increased its ASQ overall score to 4.76 out of 5.0, an improvement from 4.70 in 2018 and 4.65 in 2017. It also represents the highest score that KUL has achieved.

### Service Quality - Overall Scores 2017-2019

| Service Quality Scores | 2017 | 2018 | 2019        |
|------------------------|------|------|-------------|
| KUL (ASQ)              | 4.65 | 4.70 | <b>4.76</b> |
| LGK (ASQ)              | 4.47 | 4.64 | <b>4.48</b> |
| PEN (ACSPP)            | 4.36 | 4.34 | <b>4.36</b> |
| BKI (ACSPP)            | 4.48 | 4.40 | <b>4.34</b> |
| KCH (ACSPP)            | 4.49 | 4.60 | <b>4.53</b> |

### Happy Guests, Caring Hosts

The 'Happy Guests, Caring Hosts' service culture transformation programme was launched in 2018. It aims to instil a guest-centric mind-set among the 20,000-strong KUL community comprising airline partners, ground handlers, government agencies and others.

In 2019, the programme gained momentum and by the end of the year 197 training sessions had been conducted involving 8,985 of our front liners from the KUL community including Airport CARE Ambassadors. These sessions were conducted by in-house trainers to spark a mindset change among participants. The training covered all Malaysia Airports employees at KUL. As it was crucial that the benefits of this programme could be shared with the rest of our colleagues at Malaysia Airports, 'Train-the-trainer' sessions were conducted to roll out the programme to the rest of the KUL community as well as the other four international airports – BKI, KCH, LGK and PEN.

The results of this programme were immediately apparent with improvements in KUL's score in the benchmark ASQ ratings, in particular the overall score as well as scores for staff courtesy and helpfulness. Complaints on KUL lodged with our feedback management system, the CAREsys, had also reduced by 20% from 1,118 in 2018 to 895 in 2019.



# Total Airport Experience

Happy Guests, Caring Hosts  
Service Culture Transformation Programme

**197** training sessions

**8,985** attendees

**37** divisions and subsidiaries

**9** business partners

### Outcome



Improved ASQ scores involving courtesy and helpfulness of airport community

#### Feedback from participants

“Host yang baik akan menghasilkan product yang baik dan kita perlu saling membantu”

**Zulkefli Akmal Zainal Abidin**

*Aviation Security Assistant, Malaysia Airports (Sepang)*

“Bagus untuk meningkatkan customer service”

**Agnes Anak Abang**

*Customer Service Assistant, Malaysia Airports (Niaga)*

“Very good programme to internalise and embrace the Caring Host culture”

**A Gopinaath Atmalinggam**

*Senior Manager, Human Resources (Rewards & Performance), Malaysia Airports*

“Useful session for airport community to work together in achieving our vision to make KLIA the best airport”

**Ahmad Asmadi Rozali**

*AeroDarat Services*

“A super wonderful programme that provided important information to enhance our career”

**Vinothini Ravi Chandran**

*Immigration*

#### Improvements in ASQ Elements at KUL

Being ranked highly in the ASQ rankings is a selling point when marketing our airports to airlines, passengers, the authorities and the public. Given the breadth of stakeholders we serve, service quality is key to maintaining our reputation and credibility with them. Research has also indicated that happy passengers produce more non-aeronautical revenue for us, for example at our retail and F&B outlets, while unhappy passengers spend less. It is estimated that a 1% increase in the customer satisfaction index will lead to a 1.5% increase in our non-aeronautical revenue.

Among the key drivers of service quality improvements are the upgrading of service quality following the implementation of the QoS framework as well as Malaysia Airports’ ‘Happy Guests, Caring Hosts’ service culture transformation programme mentioned below.

#### Improvements in ASQ Elements at KUL

| ASQ Elements                            | 2018        | 2019        | YoY %       |
|---|-------------|-------------|-------------|
| Courtesy, helpfulness of airport staff  | 4.50        | <b>4.62</b> | 2.7%        |
| Courtesy, helpfulness of inspection     | 4.42        | <b>4.54</b> | 2.7%        |
| Courtesy, helpfulness of security staff | 4.45        | <b>4.57</b> | 2.7%        |
| Courtesy, helpfulness of check-in staff | 4.44        | <b>4.57</b> | 2.9%        |
| <b>Overall KUL ASQ Score</b>            | <b>4.70</b> | <b>4.76</b> | <b>1.3%</b> |

#### Recognition for personification of Caring Hosts culture

To recognise the efforts of the KUL community in embracing and projecting the Caring Hosts culture, Malaysia Airports organised a series of recognition events. At the CARE Summit Awards in 2019, we recognised and acknowledged top performing front liners at our airports in categories such as ‘The Most Efficient Award’, ‘The Social Star Award’, ‘The Top Front Liner Award’ and ‘The Best CARE Agent Award’. These recognitions are not only reserved for our employees but also for our partners working together with us in delivering the best airport experience to our guests.

In addition, the GCEO Merit Award for employees was introduced in 2019. The award identifies, recognises and rewards outstanding employees who are regarded as “Best of the Best”, “Role Model” or “Ambassador” of Malaysia Airports for their exemplary achievements and significant contributions beyond expectation and the call of duty, and personified the ‘Happy Guests, Caring Hosts’ service culture. Three employees were granted the GCEO Merit Award in 2019 out of 74 nominees.

## Total Airport Experience

### Deploying Digital Solutions

Malaysia Airports also leverages the use of technology to improve service quality, and in 2019, we made progress in simplifying the journey of passengers through the airport. One of the enhancements was the pilot scheme for the introduction of a single token passenger journey.

The single token passenger journey is powered by facial recognition technology, big data analytics and the Internet of Things (IoT). This initiative, which is in its pilot phase for certain flights departing from KUL, enables the deployment of electronic gates with facial recognition capabilities to simplify the journey of passengers through the airport. As a result of this technological advancement, passengers only verify their travel documents only once upon check-in, and from then onwards, facial recognition capabilities within the airport will verify the passenger until they board the aircraft. This paves the way for a seamless journey through various security checkpoints and procedures.

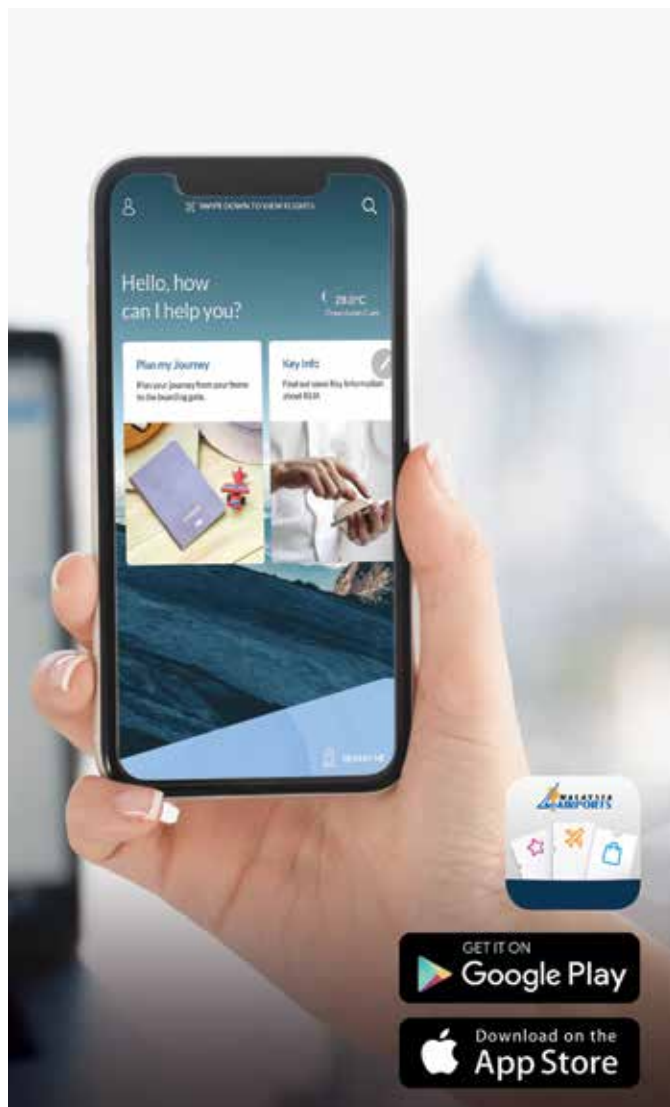




## Total Airport Experience

### MYairports app

In addition to the social media platforms, the MYairports app helps passengers navigate their way from their homes until their boarding gates in the shortest time possible. Apart from navigation assistance, the app also provides live updates on flight information, shopping and dining promotions and other important airport announcements. Since the launch of the mobile application in June 2018, it has been downloaded more than 20,000 times as of 31 December 2019. We will continue to upgrade the mobile application to enhance user experience and include more exciting features that will benefit and improve the airport experience for our guests.



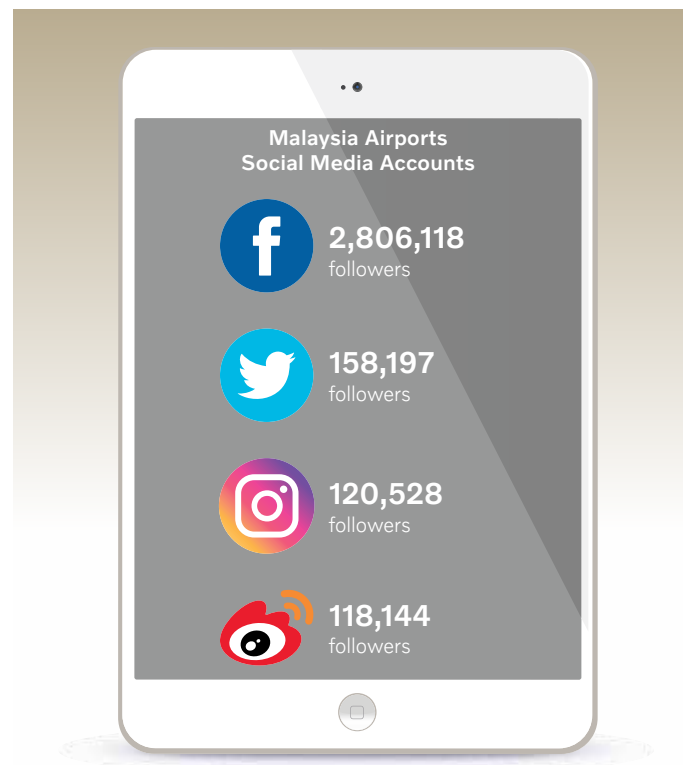
### Social Media

Enhancing communications with our guests is also important in to improve their airport experience. Social media is a method employed to communicate with a wider audience and to keep them informed of developments at the airports. This includes regular updates to passengers on airport and flight information such as weather disruptions, flight delays, infrastructure upgrades, traffic delays and announcements on new facilities, outlets, destinations and promotions. Social media also enables guests to provide instant feedback to us on their experience at the airport.

In 2019, the total number of followers across Malaysia Airports' social media platforms passed the three million mark.

### Social Media Followers

| Social Media Networks | 2018      | 2019             |
|-----------------------|-----------|------------------|
| Facebook              | 2,575,922 | <b>2,806,118</b> |
| Twitter               | 133,427   | <b>158,197</b>   |
| Instagram             | 95,447    | <b>120,528</b>   |
| Weibo                 | 55,647    | <b>118,144</b>   |



# Transportation and Connectivity

## TRANSPORTATION AND CONNECTIVITY

**Definition:** Refers to ground transportation and connectivity for passengers (passenger or guest), employees, vendors and service providers within, to and from the airport.

GRI 103

Our guests' airport experience begins before they step foot at the airport premises. The ease of getting to the airport is an important factor in this regard – the more convenient it is for passengers to get to and from the airport, the more likely they are to use the airport regularly. As such, Malaysia Airports seeks to constantly improve the connectivity to the airport, especially in terms of public transport, to establish itself as the preferred hub for travel in the region. The information for this section relates only to KUL.

KUL is connected by a comprehensive road system to ensure easy access to the airport. As a result, coach services are among the popular means for passengers to reach the airport. There are 25 coach service providers operating routes to and from KLIA Main terminal and 16 for klia2. These include express, stage and shuttle busses. They provide connectivity to KLIA Main terminal from 39 local destinations and two international destinations and from 33 local destinations to klia2.

The bus services to KLIA Main terminal were streamlined and optimised in 2019 with the introduction of a Central Bus Ticketing System. This eliminates touting, opens more space for seating arrangements, and makes it easier for new bus services to operate at the terminal.

KUL is also linked to public transportation in Kuala Lumpur through an Express Rail Link (ERL) comprising the KLIA Ekspres and the KLIA Transit rail links. The KLIA Ekspres connects both terminals at KUL with KL Sentral, the main city transportation hub in Kuala Lumpur while the KLIA Transit also makes stops at other intermediate stations between the airport and the city. By using the rail links, guests may connect to other public transportation modes in Kuala Lumpur.

In addition, we also improved private transportation facilities. A dedicated lane for e-hailing vehicles was designated at Level 1 of the terminal to decrease kerbside congestion at the Arrivals level at KLIA Main terminal building. The Long Term Car Park (LTCP) at KUL was also upgraded with the refurbishment of its bus stop to make it an attractive option for passengers to drive and park at the airport.

As we explore opportunities and potential for interlining KLIA Main terminal and klia2, we also provide landside connectivity via a free shuttle service to our guests transferring airport between these two terminals. KLIA Ekspres and KLIA Transit also remain an attractive option for our transferring airport guests.



# GRI Content Index

References to page numbers are to pages in this Sustainability Report unless preceded by 'A' which denotes pages in the Annual Report. The Annual Report, Financial Statements and Sustainability Report are part of Malaysia Airports' reports provided to shareholders for the year ended 31 December 2019.

| GRI Standard   | Description   | Page number or URL          | Omissions |
|--|---|-----------------------------|-----------|
|  | <b>General Disclosures</b>  |                             |           |
| GRI 102: General Disclosures 2016<br>Airport Operators<br>Sector Disclosures | 102-1 Name of organisation  | Inside front cover          |           |
|  | 102-2 Activities, brands, products and services<br>AO 3.2                           | 14-15<br>A14-A15, A22-24    |           |
|  | 102-3 Location of headquarters  | Inside front cover          |           |
|  | 102-5 Location of operations  | 16-17<br>A16-A17            |           |
|  | 102-5 Ownership and legal form<br>AO 3.2  | A14, A18-A19                |           |
|  | 102-6 Markets served<br>AO 3.2  | 16-17<br>A14, A16-A17       |           |
|  | 102-7 Scale of organisation<br>AO 3.2   | 12, 15<br>A15, A23, A83-A90 |           |
|  | 102-8 Information on employees and other workers                                    | 72-73                       |           |
|  | 102-9 Supply chain  | 47<br>A22-A24               |           |
|  | 102-10 Significant changes to the organisation and its supply chain                 | A57-A84                     |           |
|  | 102-11 Precautionary Principle or approach  | A162-A167                   |           |
|  | 102-12 External Initiatives   | 20, 35                      |           |
|  | 102-13 Membership of associations   | 14                          |           |
|  | 102-14 Statement from senior decision-maker   | 6-11                        |           |
|  | 102-15 Key impacts, risks and opportunities   | 6-11<br>A57-A84, A162-A167  |           |
|  | 102-16 Values, principles, standards and norms or behaviour                         | 14,18-20                    |           |
|  | 103-18 Governance structure   | 18<br>A133-A141             |           |
|  | 102-20 Executive-level responsibility for economic, environmental and social topics | 18<br>A38                   |           |

## GRI Content Index

| GRI Standard | Description  | Page number or URL    | Omissions |
|--------------|--|-----------------------|-----------|
|              | <b>General Disclosures</b>   |                       |           |
|              | 102-22 Composition of the highest governance body and its committees           | A99-A110, A137-A140   |           |
|              | 102-23 Chair of the highest governance body                                    | A99                   |           |
|              | 102-24 Nominating and selecting the highest governance body                    | A137, A138, A144-A148 |           |
|              | 102-25 Conflicts of interest   | A156-A157             |           |
|              | 102-26 Role of highest governance body in setting purpose, values and strategy | 10, 18<br>A132-A135   |           |
|              | 102-28 Evaluating the highest governance body's performance                    | A150                  |           |
|              | 102-32 Highest governance body's role in sustainability reporting              | 4                     |           |
|              | 102-33 Communicating critical concerns   | A137                  |           |
|              | 102-35 Remuneration policies   | A137, A152-A155       |           |
|              | 102-36 Process of determining remuneration                                     | A137, A152-A155       |           |
|              | 102-40 List of stakeholder groups  | 27<br>A24             |           |
|              | 102-41 Collective bargaining agreements  | 62                    |           |
|              | 102-42 Identifying and selecting stakeholders                                  | 27<br>A24             |           |
|              | 102-43 Approach to stakeholder engagement                                      | 28-32<br>A24-28       |           |
|              | 102-44 Key topics and concerns raised  | 28-32<br>A24-28       |           |
|              | 102-45 Entities included in the consolidated financial statements              | A18-A19               |           |
|              | 102-46 Defining report content and topic Boundaries                            | 4                     |           |
|              | 102-47 List of material topics   | 22-26<br>A30-A37      |           |

## GRI Content Index

| GRI Standard                       | Description   | Page number or URL   | Omissions |
|------------------------------------|---|--|-----------|
|                                    | <b>General Disclosures</b>  |  |           |
|                                    | 102-48 Restatements of information  | 53<br>Waste figures for 2017 and 2018 have been restated for standardisation with the Airport Carbon Accreditation (ACA) Report.<br>54<br>Carbon emission figures for 2015 to 2018 have been restated to align with our annual ACA report. |           |
|                                    | 102-49 Changes in reporting   | 21   |           |
|                                    | 102-50 Reporting period   | 4  |           |
|                                    | 102-51 State of most recent report  | 4  |           |
|                                    | 102-52 Reporting Cycle  | 4  |           |
|                                    | 102-53 Contact point for questions regarding the report                           | Inside front cover   |           |
|                                    | 102-54 Claims of reporting in accordance with GRI standards                       | 4  |           |
|                                    | 102-55 GRI content index  | 91-97  |           |
|                                    | 102-56 External assurance   | 4, 98-100  |           |
|                                    | <b>Topic-Specific Disclosures: Economic</b>                                       |  |           |
|                                    | <b>Economic Performance</b>   |  |           |
| GRI 103: Management Approach 2016  | 103 Management approach disclosure  | 37<br>A23, A33, A55-A82  |           |
| GRI 201: Economic performance 2016 | 201-1 Direct economic value generated and distributed                             | 37<br>A33  |           |
|                                    | <b>Market Presence</b>  |  |           |
| GRI 103: Management Approach 2016  | 103 Management approach disclosure  | 48   |           |
| GRI 202: Market Presence 2016      | 202-1 Ratio of standard entry level wage by gender compared to local minimum wage | 61   |           |
|                                    | 202-2 Proportion of senior management hired from the local community              | 48   |           |

## GRI Content Index

| GRI Standard                             | Description   | Page number or URL      | Omissions |
|--|---|-------------------------|-----------|
|  | <b>General Disclosures</b>  |                         |           |
|  | <b>Procurement Practices</b>  |                         |           |
| GRI 103: Management Approach 2016        | 103 Management approach disclosure  | 46-47<br>A76            |           |
| GRI 204: Procurement Practices           | 204-1 Proportion of spending on local suppliers                                       | 47                      |           |
|  | <b>Anti-corruption</b>  |                         |           |
| GRI 103: Management Approach 2016        | 103 Management approach disclosure  | 46, 60<br>A31, A76      |           |
| GRI 205: Anti-Corruption 2016            | 205-1 Operations assessed for risks related to corruption                             | 60-61                   |           |
|  | 205-3 Confirmed incidents of corruption and action taken                              | 60                      |           |
|  | <b>Anti-competitive behaviour</b>   |                         |           |
| GRI 103: Management Approach 2016        | 103 Management approach disclosure  | 41                      |           |
| GRI 205: Anti-Competitive Behaviour 2016 | 206-1 Legal actions for anti-competitive behaviour, anti-trust and monopoly practices | 41                      |           |
|  | <b>Topic-Specific Disclosures: Environmental</b>                                      |                         |           |
|  | <b>Energy</b>   |                         |           |
| GRI 103: Management Approach 2016        | 103 Management approach disclosure  | 49-51, 56-57<br>A76-A78 |           |
| GRI 302: Energy 2016                     | 302-1 Energy consumption within the organisation                                      | 56-57<br>A77            |           |
|  | 302-3 Energy Intensity  | 56-57<br>A77            |           |
|  | <b>Water</b>  |                         |           |
| GRI 103: Management Approach 2016        | 103 Management approach disclosure  | 55                      |           |
| GRI 303: Water 2018                      | 303-5 Water consumption   | 55                      |           |

## GRI Content Index

| GRI Standard                           | Description  | Page number or URL             | Omissions |
|--|--|--------------------------------|-----------|
|  | <b>General Disclosures</b>   |                                |           |
|  | <b>Emissions</b>   |                                |           |
| GRI 103: Management Approach 2016      | 103 Management approach disclosure   | 49-50, 53-54<br>A78            |           |
| GRI 305: Emissions 2016                | 305-1 Direct (Scope 1) GHG emissions   | 53-54                          |           |
|  | 305-2 Energy indirect (Scope 2) GHG emissions  | 53-54                          |           |
|  | 305-4 GHG Emissions intensity  | 54                             |           |
|  | <b>Effluents and Waste</b>   |                                |           |
| GRI 103: Management Approach 2016      | 103 Management approach disclosure   | 51-52                          |           |
| GRI 306: Waste 2016                    | 306-2 Waste by type and disposal method  | 51-52                          |           |
|  | <b>Environmental Compliance</b>  |                                |           |
| GRI 103: Management Approach 2016      | 103 Management approach disclosure   | 49-50                          |           |
| GRI 307: Environmental Compliance 2016 | 307-1 Non-compliance with environmental laws and regulations   | 56                             |           |
|  | <b>Topic-Specific Disclosures</b>  |                                |           |
|  | <b>Employment</b>  |                                |           |
| GRI 103: Management Approach 2016      | 103 Management approach disclosure   | 59-73<br>A23, A50-A51, A78-A79 |           |
| GRI 401: Employment 2016               | 401-1 New employee hires and employee turnover   | 62-64                          |           |
|  | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | 61                             |           |
|  | 401-3 Parental leave   | 61-62                          |           |

# GRI Content Index

| GRI Standard                                  | Description  | Page number or URL  | Omissions |
|---|--|---|-----------|
|   | <b>General Disclosures</b>   |   |           |
|   | <b>Occupational Health and Safety</b>  |   |           |
| GRI 103: Management Approach 2016             | 103 Management approach disclosure   | 70-71   |           |
| GRI 403: Occupational Health and Safety 2016  | 403-1 Occupational health and safety   | 70-71   |           |
|   | 403-5 Worker training on occupational health and safety                                    | 70-71   |           |
|   | 403-6 Promotion of worker health   | 61, 70-71   |           |
|   | <b>Training and Education</b>  |   |           |
| GRI 103: Management Approach 2016             | 103 Management approach disclosure   | 65-70<br>A50, A78-A79   |           |
| GRI 404: Training and Education 2016          | 404-1 Average hours of training per year per employee                                      | 67<br>A79<br>Data on average training hours by gender not available |           |
|   | 404-2 Programmes for upgrading employee skills and transition assistance programmes        | 65-66, 68-69, 71  |           |
|   | 404-3 Percentage of employees receiving regular performance and career-development reviews | 70  |           |
|   | <b>Diversity and Equal Opportunity</b>   |   |           |
| GRI 103: Management Approach 2016             | 103 Management approach disclosure   | 71<br>A78   |           |
| GRI 405: Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance body and employees   | 71-73   |           |
|   | 405-2 Ratio of basic salary and remuneration of women to men                               | 61  |           |
| GRI 103: Management Approach 2016             | Digitalisation   | 42-43<br>A37, A46-47, A52, A64                                      |           |
|   | Cybersecurity  | 44-45   |           |
|   | Airport Capacity   | 38-40<br>A35, A42-A43, A62-A64                                      |           |



## GRI Content Index

| GRI Standard                                    | Description  | Page number or URL  | Omissions |
|---|--|---|-----------|
|   | <b>General Disclosures</b>   |   |           |
|   | Noise  | 58  |           |
|   | Community-Friendly Organisation                                    | 74-78<br>A79-A80  |           |
|   | Airport Safety and Security  | 80-84<br>A32, A42-A43, A63  |           |
|   | Total Airport Experience   | 85-89<br>A34, A42-A45, A50-A54,<br>A63-A66  |           |
|   | Transportation and Connectivity                                    | 90  |           |
|   | <b>Sector-Specific Disclosures: Airport Operator</b>               |   |           |
| Airport Operators<br>Sector Disclosures<br>(AO) | A01 Total number of passengers annually                            | 12<br>A59, A182-A183<br>URL:<br><a href="http://mahb.listedcompany.com/operating_statistics.html">http://mahb.listedcompany.com/operating_statistics.html</a> |           |
|   | A02 Total annual number of aircraft movements                      |   |           |
|   | A03 Total amount of cargo tonnage                                  |   |           |
|   | A09 Total number of wildlife strikes per 10,000 aircraft movements | 83  |           |

# Independent Assurance Statement



**SIRIM QAS INTERNATIONAL SDN. BHD.** (410334-X)  
 SIRIM Complex,  
 1, Persiaran Dato' Menteri, Section 2,  
 40700 Shah Alam, Selangor Darul Ehsan, Malaysia.  
 Tel : 603-5544 6400 Fax : 603-5544 6810  
 www.sirim-qas.com.my

## INDEPENDENT ASSURANCE STATEMENT

### Scope and Objective

SIRIM QAS International Sdn. Bhd., a third party Conformity Assessment Body in Malaysia, with extensive expertise and experience in the provision of sustainability-related assurance services, was engaged by Malaysia Airports Holding Berhad (hereafter referred to as Malaysia Airports) to perform an independent verification and provide assurance of the Malaysia Airports Sustainability Report 2019. The main objective of the verification process is to provide assurance to Malaysia Airports and its stakeholders of the accuracy and reliability of the information presented in this report. This was confirmed through reviewing and verifying claims made in the report. The verification audit by SIRIM QAS International covered all sustainability-related activities which had been included in the Malaysia Airports Sustainability Report 2019.

The management of Malaysia Airports was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this verification statement is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the Malaysia Airports Sustainability Report 2019.

### Verification team

The verification team from SIRIM QAS International consisted of:

- 1) Ms. Aernida Abdul Kadir : Team Leader
- 2) Mr. Shaiful Azmir A. Rahman : Team Member



A wholly-owned subsidiary of SIRIM Berhad

# Independent Assurance Statement

## **Methodology**

The verification process was carried out by SIRIM QAS International in February and March 2020. It involved the following activities:

- Reviewing and verifying the accuracy of data collected from various sources and that are presented in the report;
- Reviewing of internal and external documentation and displays such as awards, press releases, media publications, internal newsletters, etc.;
- Interviewing of key personnel responsible for collating information and writing various parts of the report in order to substantiate the veracity of the claims;
- Evaluating the adequacy of the Sustainability Report of Malaysia Airports and its overall presentation against the GRI Standards and GRI Airport Operators Sector Disclosures.

During the verification process, issues were raised and clarifications were sought from the management of Malaysia Airports relating to the accuracy of some of the data and statements contained in the report. The report was subsequently reviewed and revised by Malaysia Airports in response to the findings of the verification team. It can be confirmed that the changes that have been incorporated into the final version of the report satisfactorily address the issues that had been raised.

## **Limitations**

The verification process was subjected to the following limitations:

- The scope of work did not involve verification of information reported in the Malaysia Airports Annual Report 2019;
- The verification was designed to provide limited assurance irrespective of the organization's ability to achieve its objectives, targets or expectations on sustainability-related issues;
- Only the corporate office was visited as part of this assurance engagement. The verification process did not include physical inspections of any of Malaysia Airports' operating assets;
- The total computation of carbon footprint for Malaysia Airports has been based on the Airport Carbon Emission Reporting Tool (ACERT) under Airport Carbon Accreditation program. It covers scope 1, 2 and scope 3 in accordance with ISO 14064-1 standard requirements;

# Independent Assurance Statement

- With regards to energy and water consumption data, data sources were limited to that provided during the conduct of the verification activities;
- The verification team did not verify any contractor or third party data.

## Conclusion

Based on the scope of the verification process, the following represents SIRIM QAS International's opinion:

- The level of accuracy of data included in the Malaysia Airports Sustainability Report 2019 is fair and acceptable;
- The Sustainability Report was prepared in accordance with the GRI Standards: Core Option and GRI Airport Operators Sector Disclosures;
- The overall report content and quality were well established. The level of sustainability performance information in the report was found to be acceptable;
- The information has been presented in an appropriate manner;
- Most of the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data contained in the report;
- Malaysia Airports has satisfactorily addressed, in the final version of the report, all issues that had been raised during the verification audit;
- The report provides a reasonable and balanced presentation of the sustainability performance of Malaysia Airports.

Prepared by:



**AERNIDA ABDUL KADIR**

Verification Team Leader  
Management System Certification  
Department  
SIRIM QAS International Sdn. Bhd.

Date : 2 April 2020

Approved by:



**MOHD HAMIM BIN IMAM MUSTAIN**

Senior General Manager  
Management System Certification  
Department  
SIRIM QAS International Sdn. Bhd.

Date : 2 April 2020

**Note:**

This Independent Assurance Statement has been issued based on the content verified prior to the approval date. SIRIM QAS International Sdn Bhd will not be responsible for any changes or additions made after the referred date.



[www.malaysiaairports.com.my](http://www.malaysiaairports.com.my)

**MALAYSIA AIRPORTS HOLDINGS BERHAD**

Registration No. 199901012192 (487092-W)

Malaysia Airports Corporate Office,  
Persiaran Korporat KLIA, 64000 KLIA, Sepang,  
Selangor Darul Ehsan, Malaysia.

Tel : +603-8777 7000

Fax: +603-8777 7778

 Malaysia Airports

 @MY\_Airports

 malaysiaairports

 Malaysia Airports

 *This Annual Report was printed  
entirely on environment-friendly paper*

