



25 YEARS

SERVING THE NATION

SUSTAINABILITY REPORT 2017





The image shows the entrance to the KLIA Jungle Boardwalk. The entrance is framed by a green structure with the words "KLIA JUNGLE BOARDWALK" in large, gold, 3D letters. Below the letters are glass doors with "ENTRY ONLY" written in green. To the right, there is a large, white, curved architectural element that resembles a stylized tree or a modern sculpture. The ceiling is made of wood panels, and there are skylights above the entrance. A person's shoulder is visible in the bottom left corner.

KLIA JUNGLE BOARDWALK

OUR VISION

TO BE THE GLOBAL LEADER IN CREATING AIRPORT CITIES

OUR MISSION

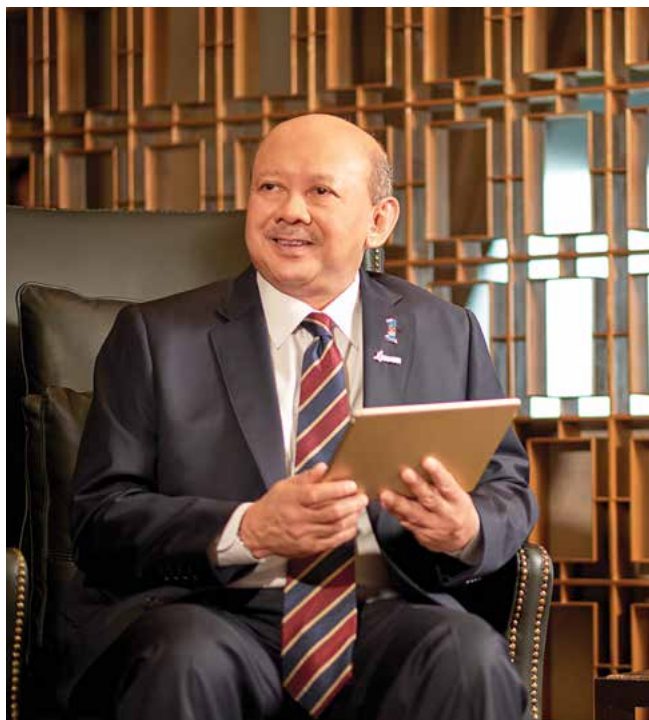
TOGETHER WE CREATE JOYFUL EXPERIENCES BY
CONNECTING PEOPLE AND BUSINESSES

JOINT ADDRESS BY OUR CHAIRMAN AND MANAGING DIRECTOR

[GRI 102-14]

DEAR VALUED STAKEHOLDERS,

It gives us great pleasure to present Malaysia Airports' Sustainability Report for the year 2017. While our vision to be a global leader in creating airport cities steers our plans and initiatives for development and expansion, we recognise the importance of growing in a sustainable and balanced manner.



Y.A.M. TAN SRI DATO' SERI SYED ANWAR JAMALULLAIL
CHAIRMAN



DATUK MOHD BADLISHAM GHAZALI
MANAGING DIRECTOR

JOINT ADDRESS BY OUR CHAIRMAN AND MANAGING DIRECTOR

2017 marked the 25th anniversary of Malaysia Airports and in line with this, we embarked on several initiatives including campaigns and community programmes to strengthen our commitment towards economic, environmental and social sustainability. Through this sustainability report, we are able to present our aspirations, the challenges we face and our progress in moving towards sustainable development.

Malaysia adopted the United Nations' 2030 Agenda for Sustainable Development and its seventeen Sustainable Development Goals (SDG) in 2015, to propel the country towards sustainable development. Our efforts towards economic, environmental and social sustainability are aligned to those SDGs that best represent the risks and opportunities embedded in our value chain. We believe these benchmarks motivate our organisation to strengthen its positive impact on the local economy, environment and community, in a manner that meets with international standards and the global aviation community.

Our consistent high performance on international benchmarks for corporate governance has led us to remain a constituent of the FTSE4Good Bursa Malaysia Index for the 6th time running. We believe that good governance builds the foundation for an effective, transparent and sustainable business. In 2017, we formalised a three-tiered governance structure, involving both top management and employees at the executive and non-executive level to effectively integrate sustainability across the organisation. Backed by a robust governance structure, we are confident that our all-round sustainability performance will continue to strengthen.

In February 2017, the Environment Management Committee was established involving various subsidiaries and divisions to integrate eight key environmental elements into our plan for environmental sustainability. The eight elements are energy, water, waste, carbon, wildlife, noise, land and water contamination as well as air quality. Our Environment Strategy Roadmap 2016-2020 completed its second year in 2017 which captures the main thrusts of our strategy in achieving environmental sustainability.



In 2017, having met the necessary targets, we received renewal at Level 2 (Reduction) of the Airport Carbon Accreditation (ACA). We achieved a 1.5% carbon reduction in 2017 towards our commitment of 9% carbon reduction by 2020. In the same year, we embarked on our journey towards ACA's Level 3 (Optimisation). Following this, we have been engaging with our external stakeholders, such as the airlines, ground handlers and tenants, to create a platform for knowledge sharing and coordination towards monitoring and reducing a wider scope of carbon emissions. Our target is to be certified for Airport Carbon Certification Level 3 (Optimisation) by the second quarter of 2018.

We were also recognised for our commitment and progress towards integrating environmental, economic and social sustainability practices into our operations. On the environmental front, KLIA was awarded the ACI Asia-Pacific Green Airports Recognition in 2017. For which, KLIA was the Platinum winner in the category for airports with 25 million passengers per annum (mppa). Furthermore, klia2 Terminal Building was awarded the Gold LEED Building Certification based on standards set by the U.S. Green Building Council.

JOINT ADDRESS BY OUR CHAIRMAN AND MANAGING DIRECTOR

Apart from our continuous contribution to the environment, we are also committed in providing a conducive environment for our employees to grow and meet their expectations by regularly engaging with them. Our employees are our greatest asset and we constantly provide opportunities and incentives for them to build their potential and bring out their best. One of our efforts in 2017 was to improve systems that our employees use which was the introduction of the e-MAGE - an integrated system which centralises five different HR systems into one, thereby making it more convenient and effective to use. Part of our mission to connect people to the business is to engage communities that require the support and build their resilience. The SL1M programme is a community - based programme that we actively participate in. In 2017, we recruited 541 unemployed graduates through this programme, which well exceeded our recruitment target of 440. It is worth noting that in 2017 Malaysia Airports was ranked 29 in Malaysia's 100 Leading Graduate Employers.

2017 was a good year for Malaysia Airports in terms of implementing strong initiatives for improvement, garnering public participation and meeting short and medium-term sustainability targets. On the social front, we introduced several campaigns and changes to improve the total airport experience (TAE) for passengers, airlines and retailers. Some of the milestones in KLIA Main Terminal and klia2 include the introduction of Airport CARE Ambassadors, upgrading of Airport

CARE InfoCentre, new children play area at Anjung Tinjau, door-to-gate service for premium passengers, improvement of parking facilities and the launch of online campaigns and promotions to further improve the dining, waiting and shopping experience at KLIA Main Terminal and klia2. Overall, these value-added initiatives have enhanced the end-to-end experience at KLIA Main Terminal and klia2; which has had a positive impact not only for passengers, but for airlines and retailers as well.

Having completed the second year of our five-year business plan - Runway to Success 2020 (RtS2020), we foresaw challenges in integrating the principles of environmental consciousness and sustainability in every phase of the KLIA Aeropolis development especially in ensuring the minimisation of possible adverse impacts. However, we take this challenge as an opportunity to strengthen our measures to guarantee sustainable growth.

To all our employees, customers and stakeholders, we thank you for your continued commitment to Malaysia Airports and for the role you have played in helping us build a strong name in the industry.



**Y.A.M. Tan Sri Dato' Seri Syed Anwar
Jamalullail**
Chairman



Datuk Mohd Badlisham Ghazali
Managing Director



SNAPSHOT 2017

[GRI 102-7, 102-8, A01]

**SUSTAINABILITY IS CENTRAL TO THE WAY WE THINK, THE WAY WE CONDUCT OURSELVES,
AND HOW WE APPROACH OUR DAY-TO-DAY BUSINESS**

39

NUMBER OF AIRPORTS IN MALAYSIA

9,295

STAFF STRENGTH

96,636,822

TOTAL PASSENGER MOVEMENTS

848,112

COMMERCIAL AIRCRAFT MOVEMENTS

49,453,634

INTERNATIONAL PASSENGER MOVEMENTS

47,183,188

DOMESTIC PASSENGER MOVEMENTS

45

NEW SERVICE

> 120

TOTAL DESTINATIONS

ABOUT THIS REPORT

[GRI 102-1, 102-2, 102-4, 102-5, 102-6, 102-12, 102-13, 102-45, 102-46, 102-50, 102-51, 102-52, 102-54]

We are pleased to present Malaysia Airports Holdings Berhad's ("Malaysia Airports") Sustainability Report for 2017. This is our ninth annual sustainability report and our second year of reporting in accordance with the Global Reporting Initiative (GRI) Standards-Core Option. The report also covers the relevant GRI Airport Operators Sector Disclosures (AO).

In 2017, our efforts to contribute towards the nation's targets for sustainability and to encourage the principles of sustainable growth align best with seven Sustainable Development Goals (SDG). These SDGs have been mentioned in the relevant sections of the report in a focused and meaningful manner.

Malaysia Airports holds membership to the Airports Council International (ACI) World Standing Committee, the Asia Pacific and Regional Environment Committee (AP-REC) and is a constituent of the FTSE4Good Bursa Malaysia Index. As a signatory to the 'Aviation Industry Commitment to Action on Climate Change [2008]', we are committed to our efforts towards achieving carbon-neutral growth and ultimately, a carbon-free future which has been captured in this report.

The following categories aptly define our main pillars for sustainability and form the main sections around which this report is structured as was done in our previous Sustainability Report in 2016.

PRACTISING SENSIBLE ECONOMICS

ENVIRONMENTAL CONSCIOUSNESS

CREATING AN INSPIRING WORKPLACE

COMMUNITY-FRIENDLY ORGANISATION

MEMORABLE AIRPORT EXPERIENCE

REFERENCE AND GUIDELINES

The report reflects Malaysia Airports' activities in relation to ISO9001, OHSAS18001 and ISO14001 standards where applicable. The Malaysian Ringgit (RM) is used as the standard currency in this report.

SCOPE AND BOUNDARY

This report covers our airports in Malaysia as reflected in the holding company's consolidated financial statements. In order to capture the progress of Malaysia Airports on the economic, environmental and social front, in a balanced and focused manner, we have not used a 'one size fits all' approach in defining the scope. Instead, we have selected those operations that have the biggest impact on the local economy, surrounding environment and local communities. For this reason, airports outside Malaysia owned or managed either fully or partially have been excluded from discussion in this report.

KLIA and its second terminal, klia2 amongst our Malaysian operations are the biggest in terms of size, capacity and impact. With this in mind, our efforts to set and achieve benchmarks against sustainability parameters that are in line with the targets of the international aviation community, focuses on KLIA Main Terminal and klia2.

The scope of this report includes Malaysia Airports' wholly-owned subsidiaries - Malaysia Airports (Sepang) Sdn Bhd (MA Sepang) and Malaysia Airports Sdn Bhd (MASB). While MA Sepang manages, operates and maintains KLIA Main Terminal and klia2; MASB manages, operates and maintains all airports under the management of Malaysia Airports except for KLIA Main Terminal and klia2.

REPORTING PERIOD

The report provides an overview of the key economic, environmental and social risks and initiatives that were identified and implemented respectively, from 1 January 2017 to 31 December 2017.

This report as well as our previous sustainability reports are available in PDF format and can be downloaded from Malaysia Airports' website at <http://www.malaysiaairports.com.my>

For information on Malaysia Airports, you can reach us via:

✉ care@malaysiaairports.com.my

f Malaysia Airports

🐦 @MY_Airports

📷 malaysiaairports

OUR SUSTAINABILITY APPROACH

SCALE OF THE ORGANISATION

We own and operate 39 airports in Malaysia including our international airports, domestic airports and STOLports (short take-off and landing ports) connecting remote areas, towns and cities throughout Malaysia and connecting Malaysia to several international destinations.

We have expanded our expertise in airport management and investment to airports overseas including the Istanbul Sabiha Gokcen International Airport in Turkey and the Rajiv Gandhi International Airport in Hyderabad, India. However, in 2017, Malaysia Airports operations did not undergo any structural changes in terms of expansion, acquisitions or closures. [GRI 102-10]

LIST OF AIRPORTS IN MALAYSIA [GRI 102-7]

KL International Airport (KLIA/KUL)	Sultan Abdul Aziz Shah Airport (SZB)	Mukah STOLport (MKM)
Penang International Airport (PEN)	Sultan Abdul Halim Airport (AOR)	Kapit STOLport (KPI)
Langkawi International Airport (LGK)	Sultan Ahmad Shah Airport (KUA)	Belaga STOLport (BLG)
Kuching International Airport (KCH)	Sultan Azlan Shah Airport (IPH)	Bario STOLport (BBN)
Kota Kinabalu International Airport (BKI)	Sultan Ismail Petra Airport (KBR)	Long Seridan STOLport (ODN)
Bintulu Airport (BTU)	Sultan Mahmud Airport (TGG)	Long Lellang STOLport (LGL)
Labuan Airport (LBU)	Tawau Airport (TWU)	Long Semado STOLport (LSM)
Lahad Datu Airport (LDU)	Mulu Airport (MZV)	Ba'kelalan STOLport (BKM)
Limbang Airport (LMN)	Pangkor STOLport (PKG)	Long Akah STOLport (LKH)
Melaka Airport (MKZ)	Redang STOLport (RDN)	Kudat STOLport (KUD)
Miri Airport (MYY)	Tioman STOLport (TOD)	Long Pasia STOLport (GSA)
Sandakan Airport (SDK)	Lawas STOLport (LWY)	Long Banga STOLport (LBP)
Sibu Airport (SBW)	Marudi STOLport (MUR)	Semporna STOLport (SMM)

Total Passenger Movements [GRI A01]

	2015	2016	2017
International Passengers	40,044,823	43,292,838	49,453,634
Domestic Passengers	43,784,946	45,684,093	47,183,188
Total	83,829,769	88,976,931	96,636,822

Total Commercial Aircraft Movements [GRI A02]














	2015	2016	2017
	815,546	811,584	848,112

Total Cargo Movements (Metric Tonnes) [GRI A03]

	2015	2016	2017
	974,330	885,672	956,616

STANDARDS AND CERTIFICATIONS

We consider standard setting and certifications as important benchmarks towards meeting our aspirations for quality, safety and sustainability. The following standards that our airports and subsidiaries have been certified for assure our stakeholders that we are a reliable organisation that is committed to ensure the quality of our systems and meeting their best interest.

STANDARD AND CERTIFICATIONS*			
	STANDARD	AIRPORT	SCOPE OF STANDARD
  	ISO 9001:2015	IPH, SZB, MKZ, KUA, KBR, SBW, LMN, LDU, TWU, SDK, MZV, Corporate Office, Malaysia Airports Niaga Sdn. Bhd., MAB Agriculture-Horticulture Sdn. Bhd., Malaysia Airports (Properties) Sdn. Bhd., Malaysia Airports Consultancy Services Sdn. Bhd.	This standard addresses the various aspects of quality management and provides guidance on improving quality products and services.
   	ISO 9001:2015 + ISO 14001:2015 + OHSAS 18001:2007 Integrated Management System	PEN, LGK, BKI, KCH, AOR, TGG, MYY, BTU, LBU, MA Sepang, Urusan Teknologi Wawasan Sdn. Bhd.	This standard integrates all of an organisation's systems and processes into one complete framework in order to work as a single unit with unified objectives.
  	ISO/IEC 27001:2013 Information Security Management System (ISMS)	PEN, LGK, Corporate Office (PCD ¹ and HR), MA Sepang (AOCC ² , SOC ³ , EOC ⁴ and FOC ⁵)	A set of policies and procedures for systematically managing and securing an organisation's sensitive data.
 	ISO 50001:2011 Energy Management System	BKI	The management of energy programmes in a comprehensive, systematic, planned and documented manner.
	MS ISO 1900:2005 Quality Management Systems-Requirements from Islamic Perspectives	Malaysia Airports Consultancy Services Sdn. Bhd.	This standard certifies the organisation to be Shariah compliant.

* Information above represents all operations in Malaysia Airports

¹ Procurement and Contract Division

² Airport Operation Control Centre

³ Security Operation Centre

⁴ Engineering Operation Centre

⁵ Flight Operation Centre

AWARDS AND RECOGNITION

In 2017, we continued to embark on our journey for excellence. Our accomplishments serve to motivate us further in achieving new heights and to continuously provide quality services. Some notable awards for our sustainability efforts in 2017 include Platinum Award for Asia-Pacific Green Airports and USGBC LEED Gold Award. We are pleased to share these achievements with our stakeholders as they play an important part in our journey to success.

AWARD	DESCRIPTION
Skytrax World Airports Awards 2017	KLIA won the 'World's Best Airport for Immigration' Award
SIRIM Quality Award 2017	MASB was recognised for outstanding quality management
Malaysia 100 Leading Graduate Employers 2017	Best Top 3 employers for graduate in leisure, travel and hospitality category – Ranked 29 out of 100 employers
Gold LEED Building Certification 2017	klia2 Terminal Building was awarded the Gold LEED Building Certification in Southeast Asia based on standards set by the US Green Building Council (USGBC)
Asia-Pacific Green Airports Recognition 2017	Platinum winner for airports with 25 mppa (million passengers per annum) and above category by Airports Council International (ACI)
ASQ Awards 2016	Langkawi International Airport won 3 rd place in the 2-5 mppa category at the ASQ Awards 2016 by Airports Council International (ACI)
ACCA Malaysia Sustainability Reporting Awards (MaSRA) 2017	Malaysia Airports' 2016 Sustainability Report was shortlisted as one of the top 20 stand-alone sustainability reports in Malaysia
MOE Public-Private Partnership Award Ceremony 2017	Recognised for our continuous commitment and contribution in education
Malaysian Investor Relations Association (MIRA) Event 2017	Datuk Mohd Badlisham Ghazali was awarded the Best CEO for Investor Relations
EU-Malaysia Chamber of Commerce and Industry (EUMCCI) 2017	Recognised as one of the finalists for Best Sustainability Report 2016
Uptime Awards for Best Green Reliability Programme at the 32nd International Maintenance Conference (IMC-2017)	Won the Uptime Award for their commitment in reducing carbon emissions and supporting the national goal of reducing carbon emissions by 45% by 2030

OUR SUSTAINABILITY APPROACH

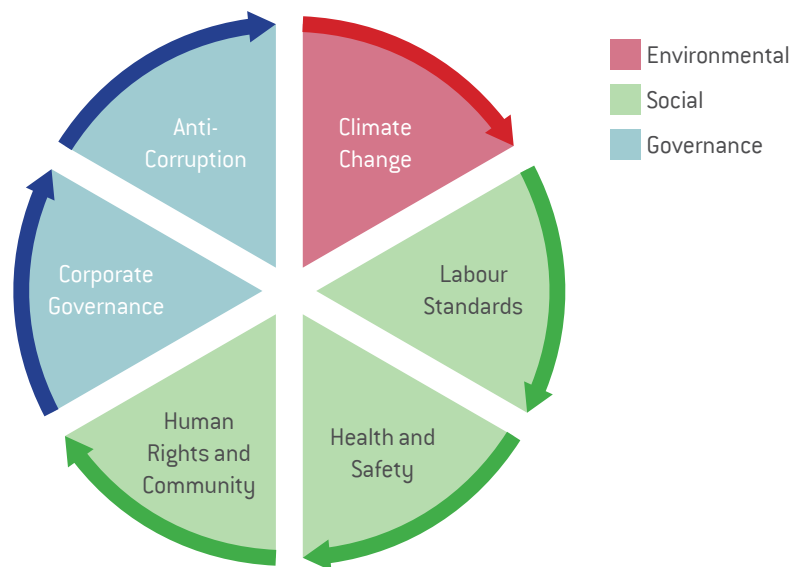
**“ADOPTING BUSINESS STRATEGIES AND ACTIVITIES THAT MEET THE NEEDS OF THE ENTERPRISE AND ITS STAKEHOLDERS TODAY WHILE PROTECTING, SUSTAINING AND ENHANCING THE HUMAN AND NATURAL RESOURCES THAT WILL BE NEEDED IN THE FUTURE”
(INTERNATIONAL INSTITUTE FOR SUSTAINABLE DEVELOPMENT, 1992)**

Our approach to sustainability is defined by the economic, environmental and social risks and opportunities embedded in our value chain and the on-going initiatives and measures we have implemented in addressing such risks. While infrastructure development and expansion contribute positively to the nation's economy in terms of improving connectivity for trade, investment and tourism, we recognise the importance of building a synergy between our vision for expansion and sustainable growth.

We believe that sustainability can only be achieved if we have a robust sustainability governance structure that captures the strong commitment of our top management and staff towards the pursuit of sustainability. With this in mind, we have developed a governance framework that is supported by our strategic thrusts in achieving sustainability which include building on successes to promote momentum, airport leadership championing the effort, and monitoring and adjusting programmes to maintain alignment with evolving goals of the airport and its stakeholders.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

It is worth noting that Malaysia Airports remains a constituent of FTSE4Good Bursa Malaysia Index and the FTSE4Good Emerging Index in 2017. Our qualification for this Index demonstrates our commitment in maintaining high standards in the following categories as we achieved the best practice score of three and higher, out of five.



We have been a constituent of this Index since 2014. Our consistent performance against this benchmark assures our stakeholders (especially, investors and shareholders) that we manage our ESG risks in a balanced and sustainable manner and that we provide a solid framework for corporate engagement and stewardship.

OUR SUSTAINABILITY APPROACH

SUSTAINABILITY POLICY

Our Sustainability Policy covers the key economic, environmental and social elements of sustainability and sets the standard by which we continue to operate on a day-to-day basis.



STRATEGY AND ROADMAP

Our strategy to embed sustainable best practices across the value chain is defined by the tenets of the Malaysia Airports' Sustainability Policy and our commitment to support the nation's vision for sustainability. Working towards our targets is most effective when working closely with our stakeholders and business partners. This means that the people we work with, the companies we engage with and the passengers travelling through the airports, all have a part to play. In this way, we continue to deliver work and perform in a manner that is well-aligned to achieving sustainability in the short, medium and long-term.

STRENGTHEN THE CORE



KUL HUB



Establishing KLIA as a preferred ASEAN Hub with increased connectivity and seamless transfers



TOTAL AIRPORT EXPERIENCE



Creating an innovative airport experience and embedding a customer-centric culture

EXPAND AND DIVERSIFY



KLIA AEROPOLIS



Stimulating economic activities through logistics, aerospace and leisure segments through the airport city development



INTERNATIONAL EXPANSION



Increasing international footprint and exporting core airport capabilities

OUR SUSTAINABILITY APPROACH

RUNWAY TO SUCCESS 2020 (RtS2020), OUR FIVE-YEAR BUSINESS PLAN GIVES US A FRAMEWORK TO ALIGN SUSTAINABLE PRACTICES WITH OUR CORE BUSINESS PLAN AND PUSH FOR PERFORMANCE IMPROVEMENTS. THE FIGURE DESCRIBES THE MAIN THRUSTS OF RtS2020: STRENGTHEN THE CORE AND EXPAND AND DIVERSIFY.

While most of the targets and benchmarks set by RtS2020 are on the economic and social front, our commitment towards environmental sustainability is captured in our Environment Strategy Roadmap (2016-2020).

This five-year Environment Strategy Roadmap has set ambitious yet achievable targets on reducing energy and fuel consumption, carbon emissions and managing waste. Moving beyond compliance, we have set our targets based on the best practices implemented internationally within the aviation industry.

SUSTAINABLE DEVELOPMENT GOALS



Globally, sustainability has become a priority with the United Nation's 2030 Agenda for Sustainable Development coming into force in 2016. With the Agenda, sustainability has been formalised into clear cut goals and targets, known as the Sustainable Development Goals (SDG). They represent a global system of targets for the challenges of the 21st century and are used to safeguard sustainable development on an economic, social and ecological level. Businesses around the world have been called upon to transfer these SDGs into their fields of action and make a key contribution to achieving them through innovation, pioneering technology and responsible supply chain.

Our efforts towards incorporating sustainability into our day-to-day operations are well-aligned to seven of the seventeen SDGs.

SDG 1 NO POVERTY
End poverty in all its forms everywhere

SDG 7 AFFORDABLE AND CLEAN ENERGY
Ensure access to affordable, reliable, sustainable and modern energy for all

SDG 8 DECENT WORK AND ECONOMIC GROWTH
Promote inclusive and sustainable economic growth, employment and decent work for all

SDG 11 SUSTAINABLE CITIES AND COMMUNITIES
Make cities inclusive, safe, resilient and sustainable

SDG 13 CLIMATE ACTION
Take urgent action to combat climate change and its impacts

SDG 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
To promote just, peaceful and inclusive societies

SDG 17 PARTNERSHIPS FOR THE GOAL
Revitalise the global partnership for sustainable development

SUSTAINABILITY GOVERNANCE FRAMEWORK

[GRI 102-15, 102-16, 102-18, 205-2]

A governance structure that is built on the principles of good governance and transparency and is well-represented by top management and the workforce is pertinent to integrate sustainability throughout Malaysia Airports' value chain. Our governance structure has the Board of Directors (the Board) at the apex, the Executive Committee (ExCo) reporting to the Board and the Sustainability Committee (SC) reporting to the ExCo. The Board takes on a supervisory and advisory role at the apex of the sustainability governance structure and provides strategic direction in institutionalising sustainability within Malaysia Airports' decision-making process.

The SC is a cross-departmental body that includes Human Resources (including Safety, Health and Environment), Corporate Communications, Risk Management, Operations, Engineering, and Procurement and Contract. This committee will be responsible to identify the economic, environmental and social risks within their respective business scope and collect data as well as monitor progress towards strengthening sustainability performance.

The ExCo deliberates and decides on all matters pertaining to the running and managing of Malaysia Airports including but not limited to policy, strategy and operational issues. Hence, its involvement in the sustainability governance structure is key in order to ensure the sustainability strategy aligns to the business vision of the organisation. The Chief Strategy Officer (CSO) will take the lead and communicate matters relating sustainability to the Board on behalf of the ExCo.

GOVERNANCE AND COMPLIANCE

We continuously review and improve our strategic direction, initiatives and policies in order to ensure sustainable growth for our core business segments. This enables us to cater to the fast-evolving and challenging economic and business environments as well as adopt strategies that ensure we meet according to the changing expectations of our stakeholders. This section covers the measures we have taken to guide our day-to-day operations and ensure we uphold good marketplace behaviour.

BUSINESS TRANSPARENCY

In defining Malaysia Airports' standard for governance transparency and ethical behaviour, we abide by the principles and recommendations of the Malaysian Code on Corporate Governance (MCCG) 2017. We believe that having a solid foundation based on the principles of good corporate governance that honours integrity, transparency, accountability and responsible business conduct, strengthens business resilience across the organisation.

Malaysia Airports has a Code of Ethics that sets out the standards of ethics and conduct expected from Directors and employees to engender good corporate behaviour. The Code enlists twelve rules which include matters relating to property, procurement and contract dealings, conflicts of interest, gifting, cartels and collusion, free competition, corruption, treatment of vendors and confidentiality. The Code of Ethics is available both in Bahasa Malaysia and English and can be

downloaded from the corporate website. Every employee upon being hired is briefed on the organisation's internal policies and guidelines which covers our expectations on matters relating to employee behaviour and business conduct. Most, if not all our policies are available on the intranet, corporate website and mentioned in the annual report. [GRI 102-16]

The 2017 review of our performance against the FTSE4Good Index Pillars (i.e. Environment, Social and Governance) demonstrates our commitment to good corporate governance practice. We achieved a score of 4.5 out of 5 for Governance and within Governance, we were given 5 out of 5 for Corporate Governance and 4 out of 5 for Anti-Corruption.

WHISTLEBLOWING POLICY

To augment the Code of Ethics, Malaysia Airports' Whistleblowing Policy outlines when, how and to whom a concern may be properly raised about the actual or potential corporate fraud or breach of ethics involving employees, including Management or Directors. It allows the whistleblower the opportunity to raise concerns outside the Management line. The identity of the whistleblower is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retribution. All concerns reported by the whistleblower are addressed to the Whistleblowing Independent Committee (WIC). The WIC will assess all information received and act in accordance to its terms of reference. Subsequently, the WIC will submit a report to the Board Audit Committee (BAC) at every BAC meeting.

SUSTAINABILITY GOVERNANCE FRAMEWORK

In 2017, 15 information cases were reported through these channels, out of which five were concerns and were investigated. Every case that was reported was addressed. [GRI 102-17]

Channels for Whistleblowing

-  Fill up the Concern Form online at www.malaysiaairports.com.my
-  Email the complaint to wic_secretariat@malaysiaairports.com.my
-  Call the hotline **019-659 2263**

ANTI-CORRUPTION AND COMPLIANCE MANAGEMENT SYSTEM

Malaysia Airports signed the Corporate Integrity Pledge when it was launched in 2011 and by doing so, made a unilateral declaration against corrupt practices and expressed its resolve to work towards creating a highly-principled Malaysian business environment. Malaysia Airports' Code of Ethics and Conduct, Disciplinary Management Guidelines and guidelines covering gifts, conflict of interest and entertainment, support managers and employees in ensuring legally compliant and ethical behaviour at the workplace.

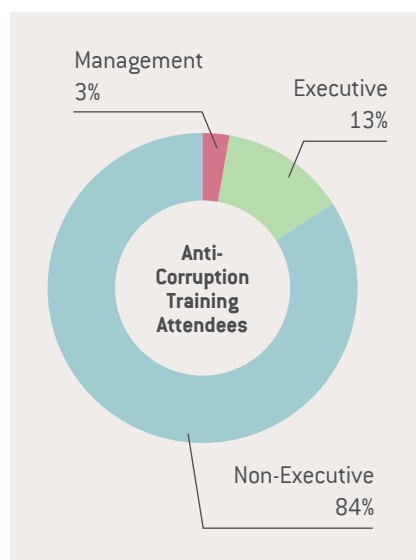
The No Gift Policy and the Fraud Policy, which serve to instruct employees to refrain from dishonest and fraudulent activities are available on the intranet and the corporate website. All instances of fraud or suspicion of fraud reported under this policy will be thoroughly assessed by the Head of Human Resources Division and if deemed necessary, further investigation will be carried out. Compliance failures in

these situations are liable to suspension or dismissal depending on the severity of the misconduct. Our Disciplinary Management Guidelines specifically state the course of action for a minor and major misconduct.

Anti-bribery was highlighted during risk assessment discussions and it was decided in 2017 that Malaysia Airports should move towards ISO 37001 Anti-Bribery Management Systems certification for which efforts have begun in 2018.

In 2017, briefing sessions were conducted to create awareness on Malaysia Airports' zero tolerance stance on corruption. It covered topics relating to anti-corruption, integrity and whistleblowing. This briefing has been taking place since 2015 and thus far, approximately 30% of our employees have attended the briefing.

The percentage break-up below represents those that attended the awareness session on the revised Code of Ethics and Conduct in 2017 which focused on topics such as anti-corruption.



REGULATORY COMPLIANCE

[GRI 102-11, 102-17]

The aviation business is highly regulated, given the potential risks and impact of its operations. We view regulatory compliance to be the first step towards managing our risks and ensuring the fundamental checks and measures are in place, in matters relating to finance, ecology and society. It is our firm belief that failure to comply with laws and regulations can damage our reputation and have negative financial and operational consequences.

The key national laws and regulations that we comply with, include:

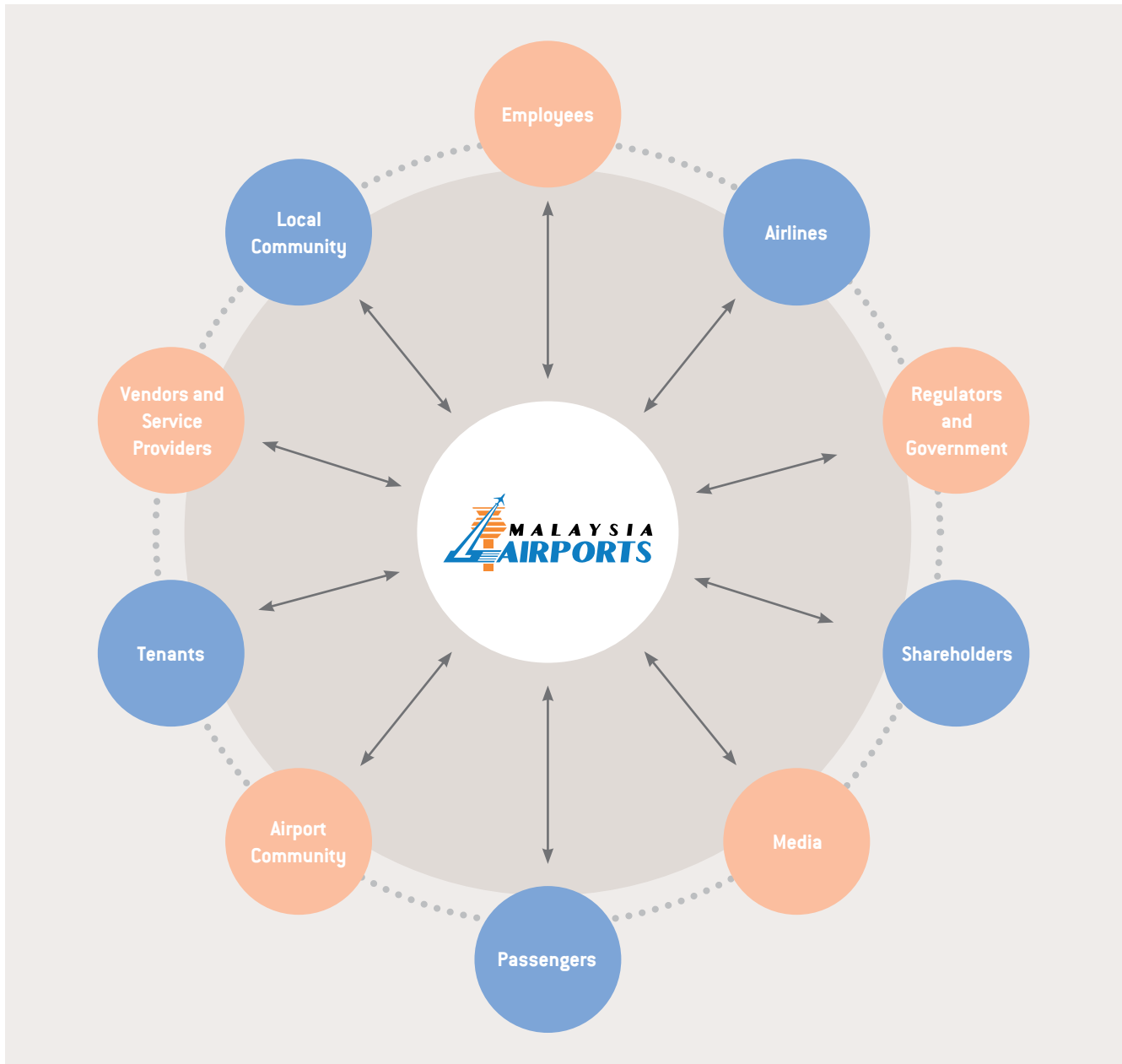
- Malaysian Civil Aviation Regulation, 1996
- Aviation Offences Act, 1984
- Malaysian Anti-Corruption Commission Act, 2009
- Personal Data Protection Act, 2010
- Environmental Quality Act, 1974
- Employment Act, 1955
- Occupational Safety and Health Act, 1994
- Companies Act, 2016
- Malaysian Aviation Commission Act, 2015

STAKEHOLDER ENGAGEMENT

[GRI 102-6, 102-40, 102-42, 102-43, 102-44]

Our stakeholders are key in the running of our day-to-day operations and suggestions from our stakeholders help shape the future of Malaysia Airports.

STAKEHOLDER GROUPS



STAKEHOLDER ENGAGEMENT

METHODS OF ENGAGEMENT

Malaysia Airports' operational success heavily relies on its cooperation with the various stakeholder groups. We have established mechanisms to elicit stakeholder feedback which management evaluates and actively responds to in a balanced and respectful manner, comprehending their requirements and expectations and integrating this input in strategy development and deployment.

Cooperation with our customers and business partners is facilitated through a structure of engagement practices (committee meetings, exercises, workshops, joint activities etc.) further to the day-to-day interface. For instance, we engage with airline companies on a regular basis and this includes the quarterly meetings such as the local carrier airlines meeting, foreign carrier airlines meeting, security facilitation meeting and airline operator committee general meeting. On a community engagement level, continuous interaction with authorities and their representatives facilitates identification of relevant sustainability issues and prioritisation of challenges and opportunities through a perspective of mutual trust and understanding. On a wider society level, we engage passengers and other consumers through various feedback mechanisms (satisfaction surveys, complaint management, etc.) aiming to compile evaluation data used for planning actions for improvement.

17

STAKEHOLDER GROUP	AREAS OF INTEREST	OUR RESPONSE
EMPLOYEES	<ul style="list-style-type: none"> • Employee Wellbeing • Workplace Safety • Work-Life Balance • Training and Career Development • Corporate Integrity • Employee Engagement 	<ul style="list-style-type: none"> • Employee Engagement Survey • Wellness Programmes • Employee Benefits and Medical Coverage • Whistleblowing Policy • Occupational Health and Safety Assessment • Childcare Centre/Kindergarten • Training Needs Analysis and Performance Appraisal • Integrity Plan • Code of Ethics and Conduct • Corruption-Free Pledge • Town Hall • 25th Anniversary Celebrations
AIRLINES	<ul style="list-style-type: none"> • Regular Engagement • Complaints and Feedback • Innovation and Technology Advancement • Airport Safety • Terminal and Building Infrastructure 	<ul style="list-style-type: none"> • Regular Meetings and Face-to-Face Discussions • Feedback Surveys • KLIA Awards • Runway to Success 2020 • Digital Free Trade Zone (KLIA Logistics Hub) • Runway Safety Programme and Runway Safety Team Meetings • Safety Drills • SMS and Aerodrome Certification • Renovating and Modernising Terminals • Malaysian Aviation Consumer Protection Code 2016

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	AREAS OF INTEREST	OUR RESPONSE
REGULATORS AND GOVERNMENT	<ul style="list-style-type: none"> • Carbon Emissions • Regulatory Compliance • Land Development and Gazetting Airport Area • Airport Competitiveness • Licensing 	<ul style="list-style-type: none"> • Environment Strategy Roadmap (2016-2020) • Airport Carbon Accreditation Programme • Carbon Score Card to Ministry of Transport (MoT) • Harnessing Renewable Energy • Regular Audits and Inspections • Communication, Navigation and Surveillance (CNS) Performance Verification • Standards and Certifications • Aerodrome Operator Licensing and Registration • Public-Private Partnership • Foreign Investments
SHAREHOLDERS	<ul style="list-style-type: none"> • Financial Returns • Governance Transparency • Company Reputation • Regulatory Compliance 	<ul style="list-style-type: none"> • Business Plan and Development • FTSE4Good Bursa Malaysia Index • Malaysian Code on Corporate Governance 2017 • Publications and Press Releases • Awards and Accolades • Sustainability Reporting Practice
PASSENGERS	<ul style="list-style-type: none"> • Airport Service Quality • Total Airport Experience • Customer Service • Cleanliness • Communication and Announcements • Immigration and Transit • Passenger Traffic • Curbside Congestion 	<ul style="list-style-type: none"> • Airport Service Quality (ASQ) Benchmarking Programme • Airport Customer Satisfaction Performance Programme • Customer Real Time Feedback Survey System (CRFSS) • Indulge Till You Fly Campaign and Cultural Showcases • Total Airport Experience Initiatives in 2017 • Cashless Payment Services • Pay It Forward Campaign and Washroom Refurbishment • Customer Experience Management (CEM) • Customer Affairs and Resolution Excellence (CARE) and iCARE • E-Convergence Magazine and Digital Communication Mediums (e.g. Digital Standee) • Airport CARE InfoCentre at KLIA Main Terminal • Track Transit and Crowd Management System • Identification of Critical Checkpoints and Infrastructure (e.g. curbside, immigration and waiting areas)
AIRPORT COMMUNITY	<ul style="list-style-type: none"> • Carbon Emissions • Airport Safety and Security • Commitment to Sustainability 	<ul style="list-style-type: none"> • Airport Carbon Accreditation Programme • Environment Strategy Roadmap (2016-2020) • Airport Energy Management Committee (AEMC) • Platinum Asia-Pacific Green Airports Recognition Award • Safety Simulation Training • Security Training at Malaysia Airports Training Centres (MATC) • Sustainability Reporting and MaSRA Awards • ACI and AP-REC Membership

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	AREAS OF INTEREST	OUR RESPONSE
TENANTS	<ul style="list-style-type: none"> • Airport Planning and Development • Airport Security and Safety • Comprehensive Internal Practices • Landlord-Tenant Relationship • Customer Satisfaction 	<ul style="list-style-type: none"> • KLIA Aeropolis Development • Runway to Success 2020 • Increased Security Measures in KLIA (e.g. CCTV surveillance) • Annual Emergency Evacuation Exercises • Contractual Covenant • Standard Contracting Procedure • Annual Concessionaire Conference and Half-Yearly Mini Concessionaire Conference • Cashless Payment System • ASQ Surveys
VENDORS AND SERVICE PROVIDERS	<ul style="list-style-type: none"> • Procurement Process • Prompt Payments • Compliance 	<ul style="list-style-type: none"> • Procurement Procedures and Guidelines • eProcure • Vendor Management System (VMS)⁶ • Procurement and Vendor Code of Ethics • Integrity Pact
LOCAL COMMUNITY	<ul style="list-style-type: none"> • Employment Opportunities • Access to Education • Environmental Impact • Corporate Citizenship 	<ul style="list-style-type: none"> • Increasing Employability in Rural Areas • Scholarship Programmes • Ministry of Education Appreciation Award • Environmental Monitoring • Harnessing Renewable Energy • Corporate Social Responsibility (CSR) Programmes • Corporate Donations
MEDIA	<ul style="list-style-type: none"> • Updates on Economic, Environmental and Social Issues • Financial Results • Media-Airport Relations 	<ul style="list-style-type: none"> • Regular Press Releases and Press Briefings • Sound and Transparent Decision Making • Announcement of Quarterly Financial Results • Social Media Platform • Interviews and Visits • Media Explore Hunt 2017⁷

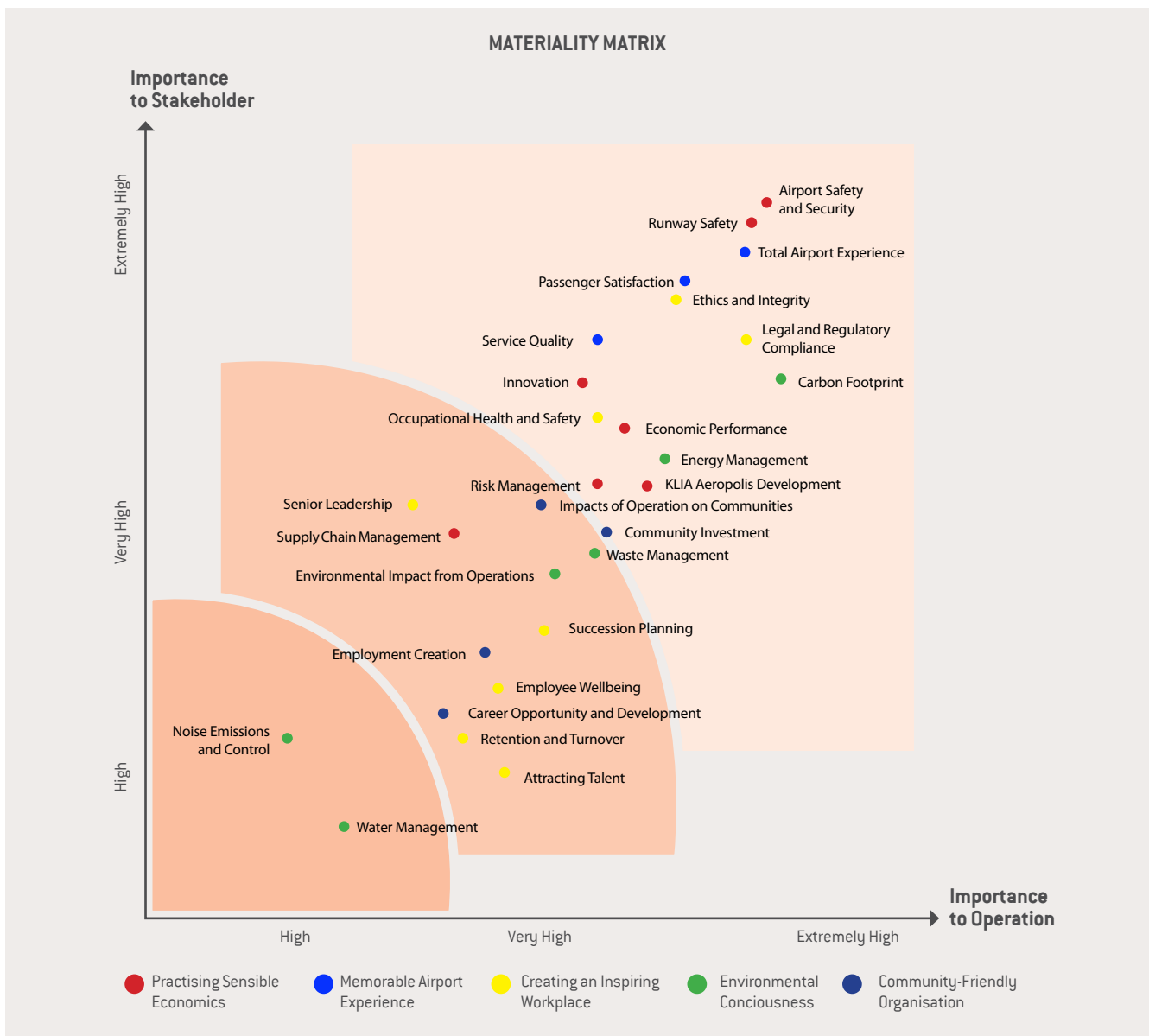
⁶ A system designed to shift vendor registration processes from manual, snail-pace exercise to an online environment where registration can be done at vendors' desktops, in their own comfort time from wherever they are.

⁷ Media Explore Hunt is an annual event organised for members of the media.

SUSTAINABILITY MATTERS

[GRI 102-47, 102-49]

To gauge which material matters are material to our business from both a company and a stakeholder perspective, we performed a materiality assessment. This process allows us to align the internal and external perspectives, to identify areas of potential optimisation and to further develop the sustainability-related management approach and reporting. The assessment was carried out in accordance to the methodology described in the Sustainability Reporting Guidelines published by Bursa Malaysia which involved members of the SC and representatives from the relevant departments within Malaysia Airports. Based on the assessment, the materiality matrix generated in 2016 was revised to encompass a total of 28 material sustainability matters, of which 15 were ranked to be of extremely high priority. Further, to align ourselves with best industry practices, we also benchmarked our materiality matrix to industry peers.



SUSTAINABILITY MATTERS

MAPPING MATERIAL SUSTAINABILITY MATTERS

The table maps 15 material matters which is extremely high priority to the five main sustainability thrusts of the report, to the stakeholder group[s] that it concerns and to the SDG that Malaysia Airports aspires to contribute towards in addressing the material matter. With this table, we have correlated the material sustainability matters to its immediate and foreseeable impact on the economy, ecology and society at large, thereby capturing our strategy for the short, medium and long-term.

[GRI 102-15]

MATERIAL SUSTAINABILITY MATTERS	STAKEHOLDER GROUP(S)	SDG
● Airport Safety and Security	All Stakeholder Groups	
● Runway Safety	Airlines, Passengers, Employees	
● Total Airport Experience	Passengers, Airlines, Media	
● Passenger Satisfaction	Passengers, Employees, Media	
● Ethics and Integrity	Regulators and Government, Employees, Shareholders, Vendors and Service Providers	
● Legal and Regulatory Compliance	Regulators and Government, Employees, Airport Community	
● Service Quality	Passengers, Employees, Media, Airlines, Tenants	
● Carbon Footprint	Airport Community, Shareholders, Regulators and Government	

SUSTAINABILITY MATTERS

[GRI 102-15]

MATERIAL SUSTAINABILITY MATTERS	STAKEHOLDER GROUP(S)	SDG
 Innovation	Airport Community, Passengers, Shareholders	
 Occupational Health and Safety	Employees, Regulators and Government	
 Economic Performance	Shareholders, Employees, Airlines	
 Energy Management	Airport Community, Shareholders, Regulators and Government	
 KLIA Aeropolis Development	All Stakeholder Groups	
 Risk Management	Shareholders, Employees, Airport Community	
 Community Investment	Local Community, Airport Community, Employees, Media	

AIRPORT SAFETY AND SECURITY

[GRI 102-15, 102-11]

Identifying and prioritising material sustainability matters is an important step towards realising the direction of an organisation in meeting its vision for sustainability. The materiality assessment conducted in 2017, ranked 'airport safety and security' as the material sustainability matter of highest priority.

At Malaysia Airports, we are conscious of security and safety incidents that can potentially disrupt airport operations and ultimately, airport users. With the rise of security related incidents and threats around the world, and in view of the incidents at our airports itself; the management of security risks has become an area of increasing importance.



AERODROME CERTIFICATION

The mitigation of airside safety risks is monitored through the Aerodrome Safety Management System (ASMS). Our safety processes are also subject to extensive internal and external inspections and audits by internal teams and regulators, who regularly test the effectiveness of our processes and identify improvement opportunities.

Aerodrome Certification is a process by which the airport operator demonstrates that their airports continuously meet regulatory safety requirements and provides standard conditions that aircrafts are required to meet. All of our airports are Aerodrome certified with the exception of Sultan Ahmad Shah Airport (KUA), Lahad Datu Airport (LDU), Labuan Airport (LBU) and STOLports.

SAFETY MANAGEMENT SYSTEM (SMS)

SMS is a formal, top-down, organisation-wide approach to manage safety risks and standardises safety protocols to assure the effectiveness of safety risk control. Most of our airports are SMS certified by the International Civil Aviation Organization (ICAO). Towards this certification, we have developed and established action plans on safety targets, hazard reporting, staff training, safety oversight, guidance material and satisfactory level of safety.

We recognise that a successful SMS prevents and reduces accident and incident, enhances communication and improves productivity, all of which help improve the sustainable growth of the organisation. Below is a list of our international airport and domestic airports that are SMS certified.

SMS Certified Airports

KUL	BKI	PEN	KCH
LGK	MKZ	IPH	AOR
KBR	TGG	SBW	BTU
MYY	TWU	SDK	LMN

RUNWAY SAFETY

The Airports Standards Directive 106, captures the priority given to runway safety by the Department of Civil Aviation (DCA) now known as Civil Aviation Authority of Malaysia (CAAM). This directive embodies the guidelines for Runway Safety and the Runway Safety Programme, to be adhered to by airports in Malaysia.

Our five international airports and 12 domestic airports have a Runway Safety Team (RST) each. The RST consists of multi-disciplinary stakeholders and that includes representatives from the following divisions: aerodrome operator, aircraft operator, air traffic service provider and ground service provider. From the operational side, the RST is responsible for ensuring all take-off and landing on the runway are safe and accident-proof.

The most common hazard that the RST attends to is making sure that the demarcation of the runways is always clearly visible and not obstructed. They also need to make sure that the airfield ground light fittings and lightings are functional at all times and that the pavement condition does not causes danger. At our international airports, the RST meets three times a year whereas the domestic airports' RST meets twice a year. KLIA is the only exception where

AIRPORT SAFETY AND SECURITY

the RST meets four times a year as it has the busiest runway in Malaysia, with high-volume air traffic flow. These meetings aim to bring together all stakeholders involved and discuss issues observed with regard to runway safety, as well as reasonable preventive and mitigation measures.

To further enhance runway safety, a runway incursion detection system has been installed to detect and alert any unauthorised entry into the restricted area. For example, loop sensors and stop bar⁸ lights are used at BKI. The same are being used at KLIA, and in addition, microwave sensors have been integrated with KLIA's stop bar lights. The lights play a crucial role in providing protection at runway intersections and reduce the risk of runway incursions. They also help minimise the risk of aircraft or vehicle identification error and enhance safety during low visibility operations.

SAFETY AND SECURITY EXERCISES

In view of the increasing risk relating to safety and security world-wide, we have ramped up security measures in KLIA Main Terminal and klia2. To mitigate security risks, we closely collaborate with key stakeholders and relevant Government Agencies such as Polis DiRaja Malaysia, National Disaster Management Agency (NADMA), Eastern Sabah Security Command (ESSCOM) within Malaysia as well as their international counterparts. In 2017, we carried out the highest number of planned exercises thus far and all 75 emergency exercises were successfully conducted with a completion rate of 100%.

**Aerodrome Emergency Exercises (2017)
100% Completion**



A four-day convention, 'EX klia2 2017', coordinated by the National Security Council was conducted for klia2 with the Department of Immigration, Royal Malaysian Customs Department (RMCD) and Royal Malaysia Police working closely with our Aviation Security (AVSEC) team. The purpose of the convention was to increase the emergency preparedness of all agencies in response to precarious situations. The first three days were seminars for the regulatory bodies to discuss aviation security and potential vulnerabilities. The last day was a full day simulation exercise to ensure readiness of the Emergency Response Team (ERT) and police in the event of threats, accidents and natural disasters. The simulation exercise included a number of scenarios such as chemical gas leakage, hostage situations and mobile explosive devices.

We successfully completed a similar full-scale on-ground act of aggression simulation exercise at SDK as well. This was held in collaboration with ESSCOM.

OTHER AIRSIDE ISSUES

Some of the airside issues an airport faces that can impede its safety are wildlife strikes and oil spillage. Both these issues have both an impact on the environment as well as the safety of the airport.

WILDLIFE STRIKES

Wildlife strikes are a concern the world over in terms of ensuring the safety of aerodrome operations and in terms of wildlife preservation. Details of our Airport Wildlife Hazard Management Plan (AWHMP) and related information are mentioned in the Airport Standards Directive 802 of the Department of Civil Aviation (DCA) now known as Civil Aviation Authority of Malaysia (CAAM). It is worth noting that the number of bird strikes and bird strike rate has decreased since 2014. The stakeholders involved in monitoring this data include pilots, air traffic controllers, airlines safety department, airlines engineering department and aerodrome operator.

⁸ Stop Bars are a series of unidirectional lights at right angles to the taxiway centreline. They are in operation 24 hours, seven days a week and are controlled by Air Traffic Control (ATC).

AIRPORT SAFETY AND SECURITY

Annual Number of Wildlife Strikes* [GRI A09]

	2015	2016	2017
Number of Bird Strikes	101	86	75
Number of Bird Strikes Below 300 ft	56	52	45
Bird Strike Rate per 10,000 Aircraft Movement	2.85	2.42	1.94

* For KLIA Main Terminal and klia2 only

OIL SPILLAGE

Since 2015, there has been a downward trend in the number incidents of oil spillage at KLIA. The implementation of stringent measures towards monitoring and reporting such incidents, and vehicle inspections, has an important part to play in its reduction. For instance, the Airport Safety Division reports such incidents every quarter at the Airside Safety Committee Meeting, KLIA SMS Action Group Meeting and Airport Facilitation Meeting. Other measures include revoking equipment that has caused spillage until they are repaired and re-inspected by the MA Sepang Motor Transport Workshop before being permitted to operate.

Annual Number of Oil Spillage Incidents* [GRI 306-3]

YEAR	2015	2016	2017
Fuel Spillage	18	16	20
Diesel Spillage	7	9	4
Hydraulic Spillage	102	93	90
Total Number of Incidents	127	118	114

* For KLIA Main Terminal and klia2 only

PRACTISING SENSIBLE ECONOMICS



GOAL 8

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

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services

GOAL 11

Make cities and human settlements inclusive, safe, resilient and sustainable

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



96.6 million passenger traffic movements in 2017

We recognise that conventional business models that operate on a linear supply chain require a fundamental paradigm shift in structuring their value creation and moving towards a more sustainable future. In the coming years, we plan to adopt features inherent in a circular economy, including the dematerialisation of our services and transition to systems that require less physical material. Moving away from a linear value chain, involves taking into account the continuous value of resources in order to keep them within the utility loop and reinforcing sustainable practices in procurement, development and planning.

PRACTISING SENSIBLE ECONOMICS

FINANCIAL PERFORMANCE

For the financial year ending 31 December 2017 (FY2017), economic value generated by Malaysia Airports Holdings Berhad increased by 11.1% to RM4.9 billion compared to the previous year. Most of the economic value generated were redistributed to our employees, capital providers and the government with increments of 10.6%, 3.8% and 3.5% respectively from the previous year. Malaysia Airports Holdings Berhad retained an economic value of RM1.2 billion as a result of the distributions above, which had also increased by 26.9% from 2016.

[GRI 102-7, 201-1]

In RM Million	2016	2017	% Change
Economic Value Generated			
Current income available for distribution	4,393.5	4,883.3	11.1%
Economic Value Distributed			
Operating costs	1,550.6	1,670.6	7.7%
Employee wages and benefits	770.3	852.1	10.6%
Payments to providers of capital	689.8	716.2	3.8%
Payments to government	472.6	489.2	3.5%
Economic Value Retained			
	910.3	1,155.2	26.9%

We recognise the importance of a properly funded retirement plan in attracting and maintaining employees, and supporting long-term financial and strategic planning on the part of the employer. The Employees Provident Fund⁹ (EPF) Act 1991 requires employees and their employers to contribute towards their retirement savings, and allows workers to withdraw these savings at retirement or for special purposes before then. The number of employees that retired from Malaysia Airports in 2017 was 152, i.e. 1.59% of the total employee strength of the organisation. [GRI 201-3]

These benefits become a commitment that members of the schemes plan on for their long-term economic wellbeing. In 2017, a total value of RM80,372,551 was contributed for our employees to EPF. This social security contribution works towards ensuring a sustainable future for the employees as well as for Malaysia Airports.

RM	Employer	Employees
EPF Contribution	80,372,551	48,729,915

Employment Period	EPF (contribution by Malaysia Airports)
Less than 5 years	15%
More than 5 years	17%

⁹ Employee's Provident Fund is the Malaysian Government fund where both employers and employees must contribute jointly for the social security of employees.

PRACTISING SENSIBLE ECONOMICS

GOVERNANCE TO STRENGTHEN LOCAL ECONOMY

[GRI 202-2]

Part of our efforts to build a strong, stakeholder-driven and sustainable management is to hire qualified local talent. In this context, local refers to candidates who are Malaysians by nationality and citizenship. We believe that local talent is a valuable asset as they have a solid understanding of the local market and at the same time, are well-versed in global trends and the international implications of our business.

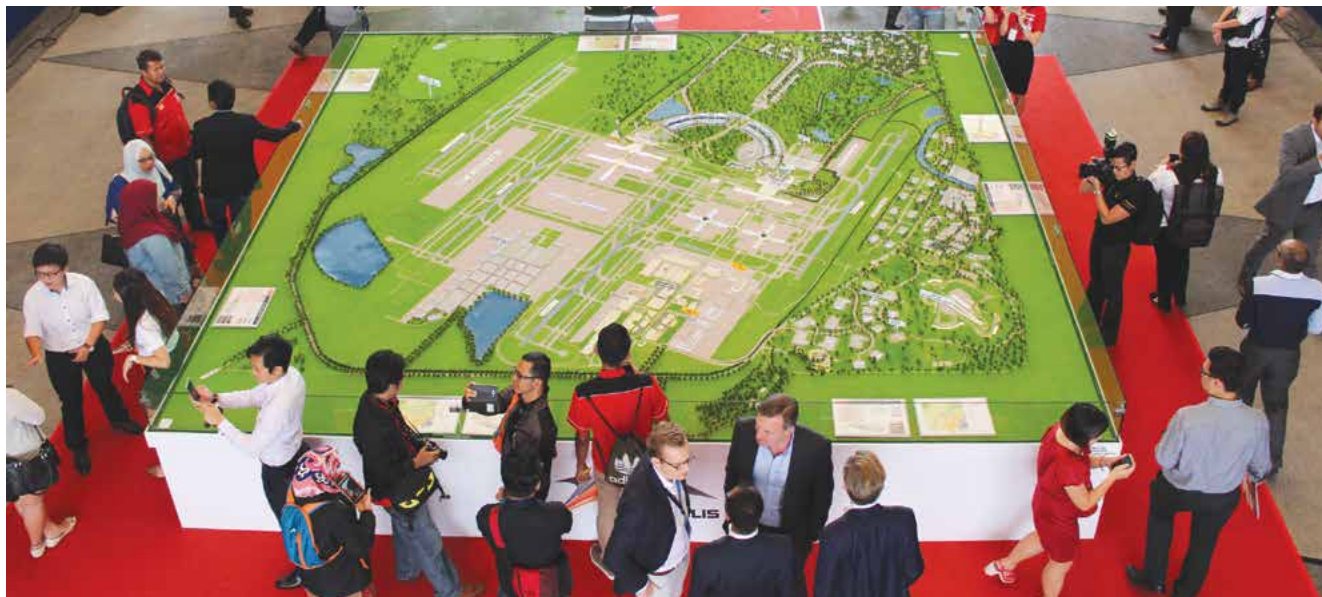
All eight members that constitute the senior management of Malaysia Airports, are Malaysian. Our senior management includes Senior General Managers of different divisions or subsidiaries and the C-Suite Senior Executives. Our Board of Directors which has a member strength of 11 is also 100% Malaysian.

	PERCENTAGE OF MALAYSIANS	BELOW 30 YRS		31 – 50 YRS		ABOVE 50 YRS		TOTAL
		Male	Female	Male	Female	Male	Female	
Senior Management	100%	-	-	1	-	6	1	8
Board of Directors	100%	-	-	-	-	8	3	11

PRACTISING SENSIBLE ECONOMICS

RUNWAY TO SUCCESS 2020 (RtS2020)

2017 was the second year of our five-year business plan, RtS2020, with key targets to be achieved by year 2020. The two main thrusts of this plan are to strengthen our core businesses as well as to actively expand and diversify our services.



Aeropolis Development

KLIA Aeropolis is at the centre of our thrust to expansion and diversification, which envisions to create a city that seamlessly integrates business and leisure. With strategic focus on three clusters: Aerospace & Aviation, Air Cargo & Logistics and MICE¹⁰ & Leisure, it will be the multimodal business nexus for leaders and visionaries across the entire ASEAN region.

Aerospace & Aviation: Given KLIA has the busiest air traffic in the country, the Second National Aerospace Blueprint 2015-2030 places the KLIA Aeropolis at the core of Malaysia's aerospace industry. 100 hectares of land is primed to make it the hub for aerospace manufacturing, original

equipment manufacturing and engineering services. Complementing the need for aircraft maintenance, the aerospace and aeronautical district will also serve to grow the industry within Malaysia.

Air Cargo & Logistics: Plans for a 100-hectare dedicated Logistics Park consisting of value adding logistics and regional distribution centres, serves to spur economic activities and high value trade opportunity for the country. The new Logistics Park will be built into the existing KLIA Cargo Village that has numerous industry players such as Maskargo, POS Malaysia and other international courier services.

MICE¹⁰ & Leisure: A joint venture between Malaysia Airports Niaga Sdn. Bhd. and Mitsui Fudosan Co. Ltd, Mitsui Outlet Park is the premium shopping outlet located next to KLIA that provides top-of-the-line shopping experience with fashion, lifestyle and luxury brands. Phase 2 was announced in November 2017 to sequentially add an additional 70 stores and becoming the largest outlet park in Malaysia with its 200 stores. The outlet park can be seen as the first step towards building the MICE & Leisure cluster of RtS2020 towards providing premium shopping experience.

¹⁰ MICE stands for Meetings, Incentives, Conventions and Events.

PRACTISING SENSIBLE ECONOMICS

Digital Free Trade Zone (DFTZ)

The most recent addition to the Logistics Park will be the launch of the Digital Free Trade Zone (DFTZ) that invites new players and connecting the logistics industry with e-commerce. On 3 November 2017, the Digital Free Trade Zone (DFTZ) was launched in Malaysia, embracing the rapid surge and potential of the e-commerce industry. The initiative aims to capitalise on the confluence and exponential growth of cross-border trade within digital economy, bringing Malaysian SMEs onto the world stage.

With a growing populace shifting towards online shopping, e-commerce is primed to be the norm of shopping in the future. In terms of sustainability, e-commerce has a lot of advantages over conventional retail business. Using websites and servers as a storefront, millions of orders and transactions can be processed and completed automatically in a few seconds, eliminating all the operational costs associated with physical stores.

The DFTZ initiative is expected to increase SME exports to USD38 billion, create 60,000 jobs and support USD65 billion worth of goods moving through by 2025, making Malaysia the leading transshipment hub in Asia. One of the key private partners in the initiative has started establishing their first overseas regional distribution hub in our former Low-Cost Carrier Terminal (LCCT) site and it is expected to be operational by the end of 2019.

Both KLIA Main Terminal and klia2 will be key to this initiative, providing support to the logistics infrastructure and services that caters to this ambitious venture. As a result, air cargo volume is projected to double from 700,000 tonnes to 1.3 million tonnes a year.



PRACTISING SENSIBLE ECONOMICS



SUSTAINABLE RETAILING

In 2017, 42% of the non-aeronautical revenue was contributed by Malaysia Airports Niaga Sdn. Bhd. also known as Eraman; Malaysia Airports' wholly-owned subsidiary in retail. With an employee strength of 999, Eraman provides premier shopping experiences to our stakeholders with a wide range of duty-free products and quality customer service.

We are committed to our customers who represent the passengers frequenting our retail outlets. Guaranteeing compliance with the relevant quality standards for the provision of products and services and responding to the needs of customers are our main thrusts towards ensuring customer satisfaction. Eraman is ISO 9001:2015 certified which demonstrates its commitment to overall quality management and building a sound foundation for initiatives to improve performance and business sustainability.

	2016	2017	PERCENTAGE GROWTH (%)
Total Revenue (In RM Million)	741.6	856.3	15.4
EBITDA ¹¹	32.6	51.6	57.9

The significant growth in 2017 in terms of total revenue and EBITDA¹¹ was an outcome of our efforts in four strategic areas: product margin management, overall discount management, aggressive sales and promotion activities and operational excellence.

In order to meet the expectations of our customers, we have expanded our business by opening a Christian Dior Boutique store, new duty-free sections and two Gloria Jeans Coffee kiosks in KLIA Main Terminal, and one convenience store, EXpress at klia2. We intend to continue to increase the attractiveness of our retail spaces and commercial offers thanks to the innovative and creative spirit of our team, leading to value creation for both the product brands as well as our customers.

Our commitment to sustainability includes encouraging eco-friendly products and services. Eraman is introducing eco-friendly packaging based on bio-degradable materials at certain outlets and for certain product categories. Moving forward, we intend to encourage green consumerism as we believe it will have a positive impact on the local socio-economic context and the environment.

Effective measures have been taken by Eraman to address some of the ongoing challenges. In 2017, there was a demographic change in the passenger profile and some of the store frontline employees were having difficulty communicating with customers due to language barriers. In order to address this challenge specifically, Eraman is recruiting multi-lingual staff. To overcome challenges relating to employee retention, measures such as reviewing the succession programme, offering better sales commission for achieving the sales target, rewarding top performers with an 'incentive trip' for their efforts, and planning for employee engagement programmes, have been implemented.

¹¹ EBITDA: Earnings Before Interests, Taxes, Depreciation and Amortisation.

PRACTISING SENSIBLE ECONOMICS

In 2017, Eraman won two awards. At the Concessionaires¹² Conference, it received the “Best Supporting Partner” and the “Kulinary Top 25 Dining Choice Award 2017”. For the latter, the outlets that won the title were Bibik Heritage at klia2 and Food Garden at KLIA Main Terminal.

ENGAGING RETAILERS

At Malaysia Airports, we consider engaging and recognising our retailers, who are our key stakeholders, as an essential step towards building sustainability throughout our value chain. In November 2017, we hosted the 8th Concessionaires Conference and Awards Night. The conference was attended by approximately 300 retail, F&B and services concessionaire¹² representatives from all five international airports as well as guests from the industry. This annual conference is a one-stop platform for concessionaires and airport related professionals to share insights on the current and future developments as well as participate in extensive networking opportunities. At the event, we presented a total of 19 awards to various deserving concessionaires to recognise their outstanding performance, and to inspire creativity and excellence amongst them.

SUPPLY CHAIN SUSTAINABILITY

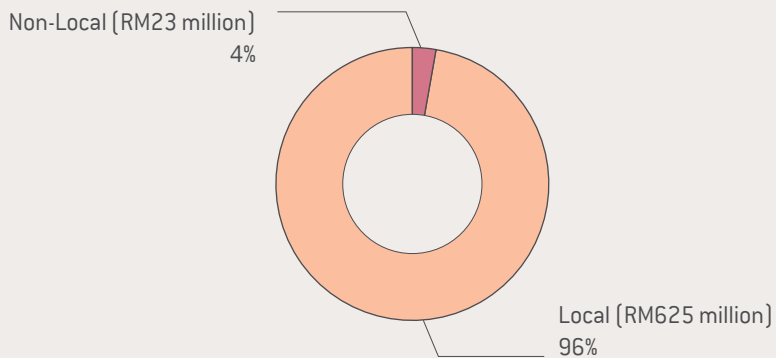
[GRI 102-9, 204-1]

As the primary airport operator, it is important for us to work with contractors and suppliers that share our principles of managing economic, environmental and social impacts responsibly. In contracting and tendering procedures, Malaysia Airports requires bidders to submit a declaration of commitment stating that they will undertake everything necessary to preclude corruption.

We expect our vendors to uphold the principles set in the Vendor Code of Ethics which outlines the minimum expectations when conducting business. This Code is complementary to Malaysia Airports’ Code of Ethics and Conduct, Procurement Policies, Procedures & Guidelines (3Ps) and Procurement Code of Ethics. The main principles of the Code include practising ethical business, avoiding conflict of interest, maintaining fair competition, complying to laws, honest representation of disclosures and responsible commitment. Compliance failures in this context are liable to sanctions, such as exclusion from the contracting process.

The Integrity Pact is another measure that is included in the vendor registration process, to increase awareness on the Malaysia Airports’ zero tolerance to corruption. The Pact along with Vendor Code of Ethics and the Procurement Code of Ethics is available on the Vendor Management System¹³ (VMS), making it publicly available. Such measures ensure that processes and transactions are transparent and traceable, both internally and externally. From the total list of vendors, 41 participated in our anti-corruption awareness programmes.

Expenditure on Local Suppliers



¹² A concessionaire is a person or company that has the right to sell a product or to run a business, especially in a building belonging to another business.

¹³ Vendor Management System is a system designed to shift vendor registration processes from a manual exercise to an online environment. Online registration reduces processing time very significantly, minimises human interfacing and errors, stores and archives registration data automatically in central server and a whole lot of other inherent benefits.

PRACTISING SENSIBLE ECONOMICS

Another measure that we have implemented in order to strengthen sustainability within our supply chain is to include an 'environmental clause' in our contracts for MA Sepang. This requires MA Sepang contractors to comply with environmental practices as stated in the contract and the country's environmental regulations.

In 2017, RM625 million was spent on local suppliers, which constituted 96% of our total procurement expenditure. There was a 2% increase in the amount spent on local suppliers in 2017 when compared to that of 2016. This trend to facilitate local suppliers, ties into our endeavour to move towards a circular economy model, as it generates local economic growth and minimises the environmental impact of long distance procurement.

	OVERSEAS	LOCAL	FOREIGN DIRECT INVESTMENT	TOTAL
Number of Vendors*	22	1,218	53	1,293
Expenditure (RM '000)	23,235	530,607	94,321	648,164
Percentage (%)	3.58	81.86	14.55	100

* Represents Malaysia Airports' operations in Malaysia except Malaysia Airports Niaga Sdn. Bhd. and Malaysia Airports Consultancy Services Sdn. Bhd.



FLOOD MITIGATION ACTION

Climate change poses potential risks to our operations and plans have been formalised to ensure sustainability in the way these risks are managed. The risks that climate change bring are mostly in the form of intense storms that result in flash floods.

A handful of our airports are located within flood prone areas; the most notable being Penang International Airport (PEN). With this in mind, a Flood Emergency Response Framework was established in 2016 to address issues related to flood mitigation. The main focus of the framework is to monitor the water level and possible entry of flood waters into critical areas of the airport such as the runway and terminal facilities, as it would affect accessibility. It also outlines the immediate restorative procedures to minimise time loss and impact to operational efficiency.

At PEN, two On-site Detention (OSD) Tanks were installed to combat and control flood levels. The tanks serve to temporarily store excess storm water runoffs and in return avoid rising water levels in critical areas. This engineering control system is actively monitoring and providing buffer for rising water levels during rain seasons. It proved to be an effective measure during the flood in November 2017, with the OSD tanks keeping water levels in check and the airport fully operational. However, the areas affected were the staff residences but they were promptly restored through the effective implementation of the Flood Emergency Response Framework without affecting operations. [GRI 201-2]

ENVIRONMENTAL CONSCIOUSNESS



GOAL 7

Ensure access to affordable, reliable, sustainable and modern energy for all

- 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
- 7.2.1 Renewable energy share in the total final energy consumption
- 7.a By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology

GOAL 13

Take urgent action to combat climate change and its impacts

- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
- 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning



2017 Environmental Highlights:



BKI certified as EnMS ISO 50001



KLIA Airport Carbon Accreditation Level 2



klia2 certified as GOLD LEED



ACI Green Airport for KLIA



KUL Journey for ACA Level 3

Environmental consciousness is at the core of our strategy to improve Malaysia Airports' performance on aspects of sustainability. Energy, carbon emissions, water and waste are the central environmental areas that we looked into in 2017, to improve efficiency and mitigate possible negative environmental impacts brought on by our operations.

2017 was the second year of our five-year Environment Strategy Roadmap monitored by Environmental Management Committee (EMC). This year was dedicated to continue our efforts in monitoring key environmental parameters at our airports. As a result, we have successfully achieved our target to reduce 1.5% of our carbon footprint, as well as commit to report our carbon savings to the Ministry of Transport (MoT).

We will continuously monitor the eight environment elements towards achieving target set for our five-year Environment Strategy Roadmap.

ENVIRONMENTAL CONSCIOUSNESS

Environmental Consciousness



ENERGY CONSUMPTION

[GRI 302-1]

The main energy consumption of our airports is in the form of electricity, which is classified as Scope 2 indirect energy consumption. In contrast to fuel usage by our airport-owned vehicles for business operations, electricity makes up more than 90% of our energy consumption. Therefore, our efforts are directed towards effectively monitoring, analysing and optimising electricity usage



**10.4%
REDUCTION
IN ENERGY
INTENSITY**

PERFORMANCE MEASURE	2015	2016	2017
Total energy consumption (international & domestic airports)*	496,445,802	505,106,878	491,593,827
Variance (%)	-	2%	-3%
Total passenger (international & domestic)	83,829,769	88,976,931	96,636,822
Energy per pax (kWh/pax)	5.92	5.68	5.09
Growth of Energy per pax (kWh/pax)	-	-4.1%	-10.4%

* Not including STOLports

The total electricity consumed by our airports has seen a slight decrease in 2017 despite increased passenger movement. This is indicative of the success of our initiatives towards efficient energy use. In fact, electricity use per passenger has decreased by 10.4% from 2016 to 2017, which is 2.5 times the reduction from 2015 to 2016.

FUEL CONSUMPTION

Fuel consumption across airports in Malaysia (except STOLports) has decreased by around 1% from 2016 to 2017 and the fuel intensity (per passenger) has become increasingly efficient with an 8.8% reduction from that of 2016.

FUEL CONSUMPTION
(LITRES)

ENVIRONMENTAL CONSCIOUSNESS

ENERGY SAVING INITIATIVES

[GRI 302-4]

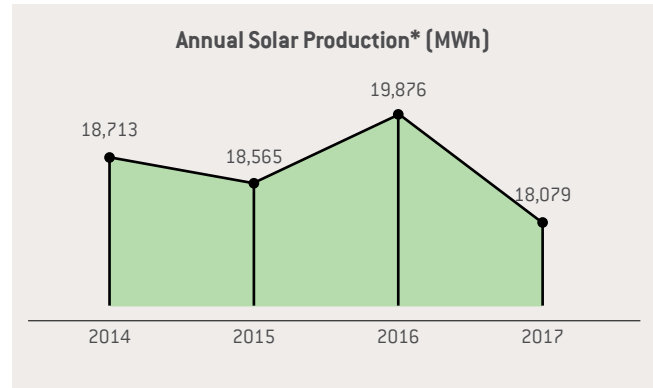
Before implementing effective solutions to improve our energy performance, Malaysia Airports' energy consumption was systematically labelled and monitored. In compliance with EMEER 2008¹⁴, Malaysia Airports implemented the Energy Management Information System (EMIS) initiated by the Energy Commission (EC). Through EMIS, energy performance data can be efficiently reviewed, verified and managed by the appointed Energy Manager (EM). Data submission to the EC has also accelerated as EMIS uses an online system which allows users to submit energy performance data online. As a result, manual submission by the EM is no longer needed.



In 2017, BKI becomes the first airport to be certified with ISO 50001:2011, which is a voluntary standard that details the continual improvement of quality and environmental management through the development of an Energy Management System (EnMS). The standard specifies requirements applicable to energy use, including the measurement, documentation and reporting, design and procurement practices for equipment, systems, processes and personnel that contribute to energy performance.

Among other energy saving initiatives implemented in KLIA Main Terminal and klia2 in 2017, the greatest energy savings was achieved by optimising 19 units of Ground Power Unit and the air conditioning in the Baggage Area and Tunnel. In total, the energy saving initiatives successfully reduced electricity consumption by 1,137 MWh.

SOLAR POWER



* For KLIA Main Terminal and klia2 only

To date, our solar power production has generated 75,200 MWh worth of clean energy since 2014, which adds up to a carbon emission reduction of 55,750 tonnes. On average, this is enough to power 2,097 homes every year.



¹⁴ Efficient Management of Electrical Energy Regulations (EMEER) 2008 requires any installations that draws more than 3 million kilowatt hour of electricity for 6 consecutive months to monitors and report their usage to the Energy Commission.

ENVIRONMENTAL CONSCIOUSNESS

Environmental Consciousness



MINIMISING CARBON EMISSIONS

[GRI 305-1, 305-2]



**14.5%
REDUCTION
IN CARBON
INTENSITY**

CARBON EMISSIONS PERFORMANCE MEASURE*	2015	2016	2017
Total CO ₂ e emissions (tonnes)	34,489	37,936	35,970
Change (%)	-21.53%	10.00%	-5.18%
Direct CO ₂ e emissions (Scope 1) ¹⁵ (tonnes)	2,220	2,001	1,645
Change (%)	5.59%	-9.86%	-17.77%
Indirect CO ₂ e emissions (Scope 2) ¹⁶ (tonnes)	32,269	35,936	34,325
Change (%)	-22.90%	11.36%	-4.48%
Emissions Intensity** (kg CO ₂ e/pax)	1.52	1.49	1.27
Change (%)	-13.6%	-2.5%	-14.5%

* For KLIA only

** Emission Intensity is inclusive of Scope 1 and Scope 2

Launched in 2009 by Airports Council International-Europe, the Airport Carbon Accreditation (ACA) is a voluntary programme that encourages airports to follow a common framework to measure, report and reduce its carbon emissions. On 25th April 2017, KLIA's ACA was renewed at Level 2 (Reduction), our 3rd year renewal of this accreditation. As a result, KLIA's scope 1 and 2 carbon emission reduced by 14.5% in 2017 versus 2016. The staggering 14.5% reduction was accomplished through a myriad of initiatives, including using energy efficient LED lightings and installing energy efficiency motors for the baggage handling system.

We are now embarking our journey towards securing ACA's Level 3 (Optimisation). Our target is to be certified for Airport Carbon Certification Level 3 (Optimisation) by the second quarter of 2018. It requires external stakeholder engagement, towards which we have begun engaging with the airlines, ground handlers and tenants, to create a platform for knowledge sharing and coordination towards monitoring and reducing a wider scope of carbon emissions. For starters, there was an Awareness and Education Training conducted specifically to engage these stakeholders on the issue of effective operations that lead towards reduced airport GHG emission in March 2017.

Carbon Accreditation Journey



¹⁵ Scope 1 (CO₂, CH₄ & N₂): Fuel and Diesel Use (tco2e/litre)

¹⁶ Scope 2: Electricity (tco2e/MWh)

ENVIRONMENTAL CONSCIOUSNESS

GREEN BUILDING RECOGNITION

[GRI 305-1, 305-2, 302-4, 302-3]

klia2 was designed to be an icon among energy efficient buildings in Malaysia, with a wide range of innovative initiatives addressing the seven criteria of LEED¹⁷. In recognising these initiatives, the klia2 Terminal Building was awarded the LEED Gold rating and the klia2 Integrated Complex was awarded the LEED Silver rating in June 2017.



The flagship airport is also recognised by the Malaysia’s Green Building Index (GBI), scoring a Building Energy Index of 205 and 200. This is the lowest and most energy efficient among all airports in Malaysia, earning klia2 the Malaysia GBI Silver accreditation.

One of the innovative energy savings initiatives that earn the recognitions was the use of high solar reflecting roof and low emissivity glass panels to naturally regulate indoor temperature. Other initiatives include:

ENERGY SAVINGS INITIATIVES



RAINWATER HARVESTING



AUTOMATED WASTE COLLECTION SYSTEM

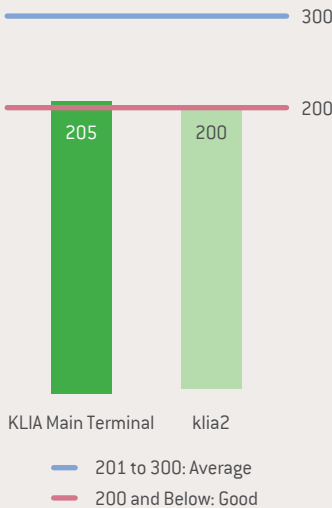


CONDENSATE WATER RECYCLING



MOTION ACTIVATED LIGHTS & ELEVATORS

Building Energy Index (BEI) (2016)



WATER CONSUMPTION

[GRI 303-1]

WATER USAGE PERFORMANCE MEASURE*	2015	2016	2017
Total water consumption ('000 m ³)	10,297	11,037	11,817
Change (%)	10.1	7.2	7.1
Total water consumption per pax (litres/pax)	123	124	122
Change (%)	9.1	1.0	-1.4

* Includes all airports managed by Malaysia Airports

¹⁷ The United States Green Building Council (USGBC) developed the Leadership in Energy and Environmental Design (LEED) rating system to recognise innovative efforts to introduce sustainability into design. LEED ratings focus on seven criteria: Sustainable Sites, Water Efficiency, Energy and Atmosphere, Material and Resources, Indoor Environment Quality, Innovation in Operations and Regional Priority.



Another key resource that we continuously strive to manage effectively is potable water supply. This requires a delicate balance between providing sufficient water for our operations and passengers, and limiting wastage by using it in the most efficient manner possible. In 2017, the total water consumption for all our airports amounted to 11,817,417 m³, resulting in an 7.1% increase in water withdrawal from that of 2016. We have been recording double digit passenger growth and this has attributed to a higher frequency of water usage at the airports. However, the water consumed per passenger has decreased from 124 litres/pax in 2016 to 122 litres/pax in 2017.

CONSERVING WATER

Some of the initiatives undertaken at klia2 in addressing the conservation of water are rainwater harvesting and condensate water recycling. Airports generally have large impervious areas such as the terminal buildings and runways which prevent rainwater from infiltrating into the soil. This creates significant surface runoffs that could cause flash floods and adversely impact the operations of an airport.

Capitalising on the surface runoffs, a rainwater harvesting system collects rainwater from these impervious areas and stores them, providing buffer against floods. The rainwater collected can then be used for various operations, reducing the need for tap water. Besides rainwater harvesting, klia2 also recycles its Air Handling Unit (AHU) condensate water. Both initiatives collected and consumed a total of 87,247 m³ of water, reducing the need for municipal water by 0.73%.

At MKZ, our water conserving effort becomes more prominent in which rainwater is collected in three newly installed tanks on the roof top. The elevation of the tanks takes advantage of gravity, providing natural water pressure for irrigation purposes without the need of additional power. Alternatively, the harvested rainwater is also used for fire vehicle tests thrice in a week by the Airport Fire and Rescue Service (AFRS) division.

PROMOTING RECYCLING AND REDUCING WASTE

Our recycling efforts are done with the objective of minimising the volume of waste disposal before being sent to the landfill. Some of the activities include providing recycle bins, organising a public road show and exhibition on recycling and environmental protection, conducting a seminar on the recycle campaign to motivate employees and tenants to recycle. Office recycling programmes are held every month at MA Sepang and Corporate Office to encourage employees to collect recyclables such as paper and magazines. Other areas where recycling programmes have been initiated are the Main Terminal Building (MTB), Satellite C25 and Contact Pier A5.

Efforts in promoting material recycling was a huge success in 2017. This reflected in the 30% increase of recycled waste in 2017 in comparison to 2016. Total recycled waste for KLIA Main Terminal and klia2 was 1,292 tonnes and contributed to 9.34% from total waste produced.

RECYCLED ITEMS 2017 (METRIC TONNES)

METAL	PAPER	PLASTICS
		
157.1	497.6	668.1

In 2017, both KLIA Main Terminal and klia2 generated a total of 13,841 tonnes of waste. Overall, 1,292 tonnes of waste were avoided at both KLIA Main Terminal and klia2 which accounts for 13.5% of the waste reduction relative to 2016. The combined waste generated per passenger for both airports was 0.18 kg/pax in 2016 and was reduced to 0.14 kg/pax in 2017, achieving a 23% reduction.



23%
Reduction
in Waste
Generation

ENVIRONMENTAL CONSCIOUSNESS

[GRI 306-2]

WASTE PERFORMANCE MEASURE*	2015	2016	2017
Total waste produced (kg)	18,012,550	15,995,406	13,841,395
Change (%)	-16.8	-11.2	-13.5
Total waste per pax (kg/pax)	0.215	0.180	0.139
Change (%)	-17.3	-16.3	-22.7
Total Recycled Waste (kg)	160,678	992,216	1,292,615
Change (%)	-23.6	517.5	30.3
Percentage of Waste Recycled (%)	0.89	6.20	9.34

* For KLIA Main Terminal and klia2 only

OPERATIONAL WASTE

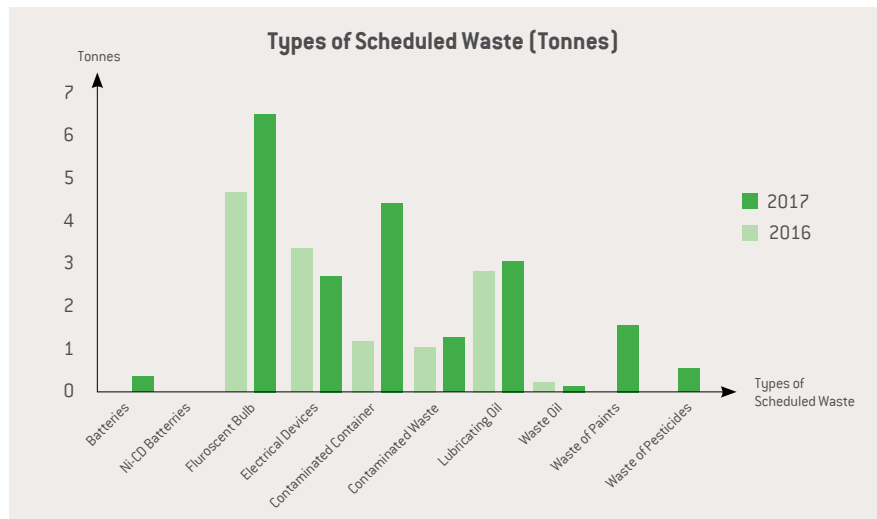
The contractor for waste collection is responsible to make the necessary arrangement for the collection of scheduled waste generated by MA Sepang within designated KLIA Main Terminal and klia2 areas. The contractor ensures the use of a licensed transporter and prescribed premises (registered with the Department of Environment) for the transportation and disposal of scheduled waste, respectively.

Another task that the contractor organises is the collection of scheduled waste from storage of each generator and transferring it to a temporary centralised collection point. At KLIA Main Terminal and klia2, scheduled waste is generated by the Engineering Department, Operation Department, AVSEC and AFRS.

In complying with the requirements of the Environmental Quality (Scheduled Waste) Regulations 2005, scheduled waste collection is done twice a year, which in the case of MA Sepang is in March and September. The contractor is also required to compile and submit a consignment note to MA Sepang for record purposes and to ensure that regulatory requirements are being met. In 2017, ten types of scheduled waste were generated in KLIA Main Terminal and klia2. These include lubricants, hydraulics, batteries, electronic waste, contaminated containers and rags.

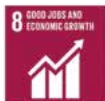
SCHEDULED WASTE	2015	2016	2017
Total Scheduled Waste Quantity per year (metric tonnes)	11.85	13.14	18.26

* For KLIA Main Terminal and klia2 only



CREATING AN INSPIRING WORKPLACE

Creating An Inspiring Workplace



GOAL 8

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

- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.



We regard our employees as our greatest asset and strive to continuously provide them with a wide range of training programmes to build their skills and learning. We believe that people who are motivated and enjoy their jobs are likely to engage more thoroughly with their work. Towards this, we do our best to provide a workplace that is conducive and motivating. This section covers our initiatives towards creating an environment that regularly engages with the employees and encourages transparent two-way communication.

CREATING AN INSPIRING WORKPLACE

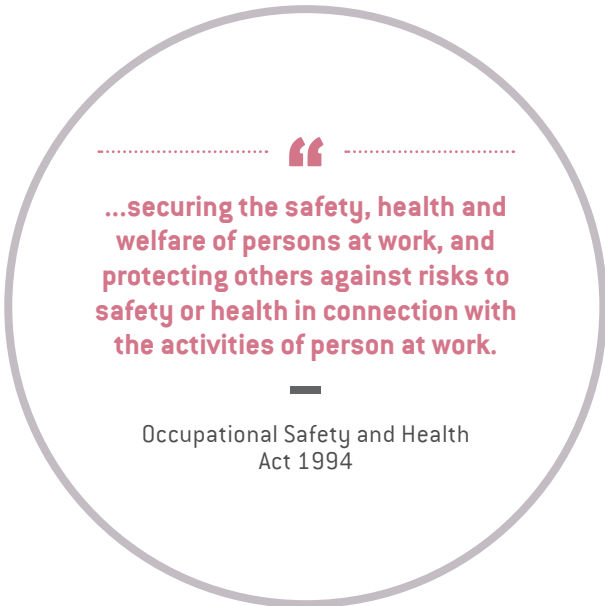
HEALTH, SAFETY AND WELLBEING

[GRI 403-1, 403-2]

We place a strong emphasis on occupational safety and health (OSH) to ensure the safety and wellbeing of our workforce. The percentage of workers represented in formal joint management-worker health and safety committees across Malaysia Airports in 2017 was 4.96%. These numbers cover all airports operated by Malaysia Airports and its subsidiaries.

Malaysia Airports complies with the Occupational Safety and Health Act 1994 and provides regular training to impart awareness to its employees on the importance of adhering to the organisation's health and safety measures.

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We also conduct wellness programmes every year to encourage employees to follow a healthy lifestyle. In 2017 such programmes include Healthstop Wellness Monitoring Day and OSH Yearly Programme. These programmes are aimed to increase health awareness, promote physical health and create a healthier and happier workplace, as well as encouraging cross-departmental working relationships amongst employees.

WELLNESS MONITORING PROGRAMMES

- Free Body Mass Index (BMI) Level Monitoring
- Body Fat Level Monitoring
- Visceral Fat Level Monitoring
- Blood Glucose Monitoring

Across 21 airports (not including STOLports) and subsidiaries, both in Peninsular Malaysia as well as Sabah and Sarawak 124 safety, health and environment (SHE) programmes were conducted in 2017. The programmes included blood donation campaigns, drug free workplace programmes in collaboration with MASwings, cancer awareness campaigns, ergonomic risk awareness training, health talks and AED¹⁸ training.

Our Occupational Safety and Health (OSH) Committees actively engage with Malaysia Airports' stakeholders through various methods as listed below:

List of Engagement Methods

- Intranet
- OSH Alert E-mail
- SHE Committee Meeting (every three months)
- SHE Regional Meeting (twice a year)
- OSH Strategic Engagement (as and when needed)
- OSH Intervention Action Meeting (as and when needed)

¹⁸ Automated External Defibrillator

CREATING AN INSPIRING WORKPLACE

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Our OSH teams record and report work-related injuries and incidents as required by the Department of Occupational Safety and Health Malaysia (DOSH).



In 2017, for every 1,000 workers we recorded an incident rate of 1.53, which is below the industry benchmark of 2.28 (as of 2016). The total number of incidents recorded during the reporting period was 64, of which 15 were major incidents and 49 were minor incidents.

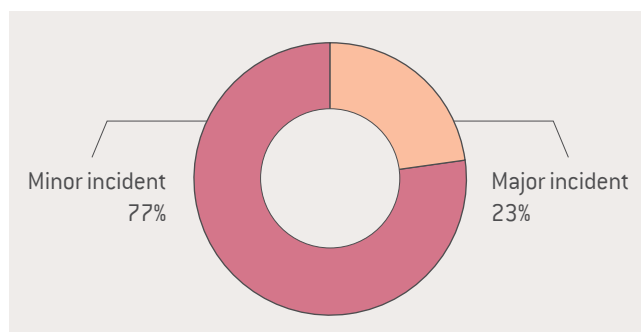
43

[GRI 403-2]

NUMBER OF CASES/DAYS IN MALAYSIA AIRPORTS*	
Total Incident	64
LTI Incident**	15
LTI (Days)	427
Occupational Disease	0
Fatality Cases	0

* Includes all airports managed by Malaysia Airports including its subsidiaries

** LTI incident is based on major incident only



[GRI 403-2]

LOCATIONS OF INJURIES IN MALAYSIA AIRPORTS*			
	Male	Female	Others**
Peninsular Malaysia	22	12	22
Sabah and Sarawak	4	1	3

* Includes all airports managed by Malaysia Airports including its subsidiaries

** Property damages and unsafe conditions

CREATING AN INSPIRING WORKPLACE

EMPLOYEE STRENGTH AND WORKFORCE DIVERSITY

[GRI 405-1]

Malaysia Airports' sustained growth and value creation are dependent on the diversity and the strength of our workforce. We continue to provide equal opportunity and do not discriminate based on gender, age, religion and physical disabilities.

[GRI 405-1]

EMPLOYEE CATEGORY*	BELOW 30		31 - 50		ABOVE 50		TOTAL
	Male	Female	Male	Female	Male	Female	
Management	1	0	166	101	63	19	350
Executive	138	101	400	237	88	24	988
Non-Executive	2,001	1,337	2,114	985	1,195	5,325	7,957
Total	2,140	1,438	2,680	1,323	1,346	5,368	9,295

* Includes all airports managed by Malaysia Airports including its subsidiaries

[GRI 102-8]

	PERMANENT		CONTRACT		PART-TIME/SECONDED/TRAINEE	
	Male	Female	Male	Female	Male	Female
	5,949	2,997	209	124	8	8

EMPLOYEE DISTRIBUTION	2015	2016	2017
Total Employees	10,238	9,548	9,295
Employment Level			
Management	332	337	350
Executive	893	937	988
Non-Executive	9,013	8,274	7,957
Region			
Peninsular Malaysia	8,388	7,856	7,425
Sabah and Sarawak	1,850	1,692	1,870
Gender			
Male	6,618	6,397	6,166
Female	3,620	3,151	3,129
Age			
Below 30 yrs	4,391	3,590	3,505
31-50 yrs	3,956	4,090	4,076
Above 50 yrs	1,891	1,868	1,714

CREATING AN INSPIRING WORKPLACE

Creating An Inspiring Workplace



At Malaysia Airports, we recognise the importance of encouraging women at the workplace and have taken measures towards this. Some of our initiatives include catering to the needs of pregnant women to ensure their safety. A number of parking spaces have been allocated for them near the lobby, to reduce walking distance to the office. Furthermore, 100% of our employees are entitled to get parental leave regardless of gender. In 2017, 2.4% of them took parental leave and returned to work after, resulting in a retention rate of 100%.

[GRI 403-1]

	MALE	FEMALE
Employee(s) Took Parental Leave	147	78
Employee(s) That Returned to Work After Took Parental Leave	147	78
Employee(s) That Returned to Work and Still Employed After 12 Months After Took Parental Leave	147	78

We also understand the indispensable role of parents and other adult caregivers in raising and taking care of their children. Since 2016, a child-care centre and kindergarten has been made available near the Corporate Office, for our employees to send their children. By assisting employees to meet the challenge of finding and managing their childcare responsibilities, we are able to retain talented and experienced people who can balance work and childcare responsibilities.

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EMPLOYEE RETENTION AND TURNOVER

In 2017, we hired 800 employees, of which 90% fell into the 'below 30' age bracket. This reflects our efforts to recruit talented and skilled Malaysian youth who are willing to commit to Malaysia Airports' mission, purpose and values. We are committed to building the country's economy and believe that our local talents are on par with their global counterparts, in skill and competency. In 2017, 100% of the new hires were Malaysian, out of which 61% were male.

[GRI 401-1]

NEW EMPLOYEE HIRES* [2017]	BELOW 30		31 - 50		ABOVE 50		TOTAL
	Male	Female	Male	Female	Male	Female	
Total	437	283	50	25	4	1	800

* Includes all airports managed by Malaysia Airports including its subsidiaries

CREATING AN INSPIRING WORKPLACE

EMPLOYEE DISTRIBUTION*	2015	2016	2017
Total			
New Employee Hires	345	420	800
Gender			
Male	232	260	491
Female	113	160	309

* Includes all airports managed by Malaysia Airports including its subsidiaries

Our turnover rate for the reporting period was 8.0%. 744 employees left the organisation in 2017 mainly due to expiration of employee contract. Our overall retention rate however, is 92% and this reflects our efforts towards building loyalty and employee satisfaction.

[GRI 401-1]

EMPLOYEE TURNOVER (2017)	BELOW 30		31 - 50		ABOVE 50		TOTAL
	Male	Female	Male	Female	Male	Female	
Total	241	167	103	60	147	26	744

EMPLOYEE DISTRIBUTION	2015	2016	2017
Total			
Employee Turnover	680	832	744
Gender			
Male	423	255	491
Female	257	577	253

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EMPLOYEE REMUNERATION AND BENEFITS

[GRI 401-2, 402-1, 405-2, 102-41, 202-1]

The standard entry level wage that we offer to employees, regardless of gender is RM 1,200, which is 20% higher than what is stipulated by Malaysia's Minimum Wages Order 2016. However, at the non-executive and executive level, the male to female ratio of the average salary in 2017 was 1.2:1 and 1.1:1.

We offer our employees bonuses, medical coverage, insurance benefits and the employee provident fund scheme. Additionally, we provide financial assistance and subsidies to eligible employees. The types of financial assistance include housing loan, vehicle loan, festival loan, school advance, employee education assistance scheme, scholarship and zakat¹⁹ contribution to eligible and deserving employees and their family members. These benefits, which are made available to our permanent employees have proven to be a key factor in retaining talent at Malaysia Airports.

We carry out the necessary announcements and consultations with our employees in the case of fundamental changes to the organisation such as reductions in size or the closure, relocation of production, or merger of companies or business units having a substantial impact on employment. Across the board, for our permanent staff, we have set the minimum notice period to one month. This provides enough time for the affected party to make necessary arrangements, handing over task in order to reduce any inconvenience and ensure the continuity of task deliverable.

MINIMUM NOTICE PERIOD [GRI 402-1]

Permanent Staff – One Month Notice
Staff under Probation – 14 Days Notice
Contract Staff – 14 Days Notice

We encourage a culture of transparency at the workplace. In creating sustainable lines of communication between the employee and employer, employees are encouraged to speak up and raise their concerns.

A Collective Bargaining Agreement (CBA) is the best mechanism to attain cordial employer-employee relations and this is in accordance with the Industrial Relation Act 1967. It is valid only once the consent of both parties – the representative of the employer and the union representative – is obtained. The percentage of beneficiaries that benefited under the 8th Collective Agreement which came into effect on 1 January 2017 (valid for three years) was 86%.

“ ... promote and maintain industrial harmony and to provide for the regulation of the relations between employers and workmen and their trade unions and the prevention and settlement of any differences or disputes arising from their relationship and generally to deal with trade disputes and matters ... ”

Industrial Relations Act 1967

[GRI 102-41]

COLLECTIVE BARGAINING	2015	2016	2017
Beneficiaries (%)	88	87	86

¹⁹ Zakat is payment made annually under Islamic law on certain kinds of property and used for charitable and religious purposes, one of the Five Pillars of Islam.

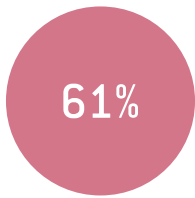
CREATING AN INSPIRING WORKPLACE

EMPLOYEE SATISFACTION

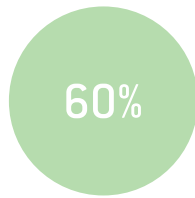
To integrate sustainability in all planning and development decisions, we have further improved our mechanism for employee engagement and in welcoming their ideas and feedback for improvement.

The latest innovation is e-MAGE which aims to standardise the existing systems and provide better employee experience. The e-MAGE system is more accessible and convenient to use as it streamlines all HR processes online and is available even as a mobile application. To date, e-MAGE has incorporated features that help with employee profiling, claims and payslips. In the future, more features will be included to the system to help employees with their HR inquiries.

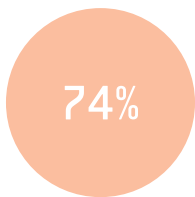
One of the channels whereby we gather employee feedback is the Employee Engagement Survey (EES) which is conducted by an independent third party on a regular basis. In 2017, the EES's major focus was on brand identity, senior leadership, work task and human resource efficiency. The following figures are the EES benchmarks within the country and industry that was set for 2017.



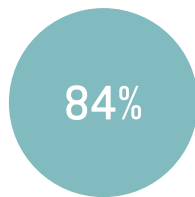
MALAYSIA COUNTRY NORMS



GLC MALAYSIA



MALAYSIA AIRPORTS INDEX



GLC HIGH PERFORMER

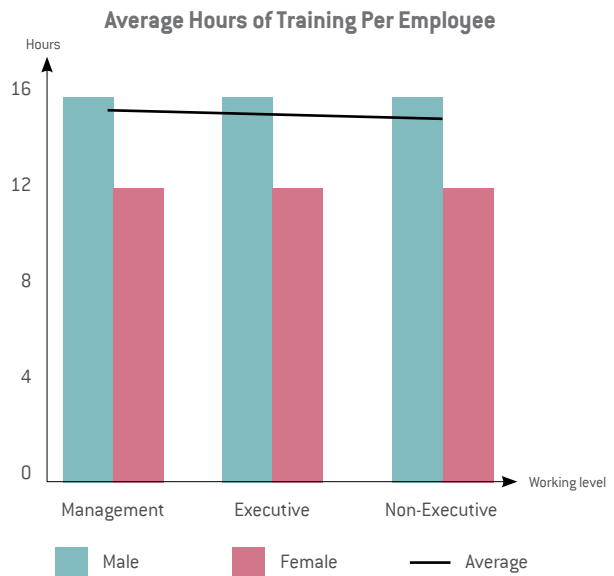
Malaysia Airports' overall employee engagement index in 2017 was 74% which is above the country norm and places us within the top quartile. The index for 2017 was higher than that of 2016 by 10%. This reflects our continuous effort in taking care of our employees and investing in their all-round development.

TRAINING AND SKILL DEVELOPMENT

[GRI 404-1, 404-2, 404-3, 410-1, 412-2]

In 2017, the Human Resources division organised motivating and enriching training programmes for our employees. These programmes serve to strengthen employee competency and skill development, and provides them with opportunities to work to their full potential.

[GRI 404-1]



The graph represents the average hours of training per employee based on employee categories and gender. The average hours of training for Management, Executive and Non-Executive for 2017 were 15.3, 14.7 and 14.2 respectively and the average hours for the reporting year was 14.6.

The training programmes include integrated seminars, conferences, fire and rescue training, airside driving and emergency planning. Aside from that, 2017 marked the end of the Next Leadership Programme (Navigator) for the Senior Managers and the Managers and Leadership Programme (Next Gen) for the Senior Executive, which were conducted to further develop the leadership skills of our top management.

CREATING AN INSPIRING WORKPLACE

Creating An Inspiring Workplace



We also have in place a programme conducted by an external consultant, to prepare retiring employees on how to manage life after retirement both financially and socially. This programme is offered to those who have reached 49 years of age and above.

Malaysia Airports also train employees regarding aspects of human rights to address the importance of adhering to relevant policies and procedures. Our training that covers matters relating to human rights was attended by 1,618 employees in 2017, of which 26% were operational staff. [GRI 412-2]

Performance Appraisal is yet another important aspect of career development and sustainable growth. In order to review and assess the potential of our employees and provide them with suitable career direction at Malaysia Airports, we conduct regular performance appraisals. This helps both the organisation and employees to grow and improve. In 2017, every employee received a regular performance and career development review.

[GRI 404-1,404-3]

TRAINING*	2015	2016	2017
Total Expenditure			
Spent on Training and Development (RM)	7,746,488	7,216,598	7,577,115
Average Training Hours			
Per Employee	10.6	12.4	14.6
Management	11.2	18.05	15.3
Executive	9.6	16.5	14.7
Non-Executive	10.9	7.7	14.2
Workforce received performance appraisal (%)			
Male	100	100	100
Female	100	100	100

* Includes all airports managed by Malaysia Airports including its subsidiaries

INCREASING EMPLOYMENT OPPORTUNITIES

[GRI 413-1]

Our involvement in the government's Skim Latihan 1 Malaysia (SL1M) programme has contributed to improving the employability levels in the country. Additionally, we have an ongoing programme with local Persatuan Bomba Sukarela (PBS) towards improving employability levels in rural areas.

SL1M was developed to improve the prospects of unemployed graduates towards being gainfully employed, through industry exposure. This programme comprises comprehensive classroom and on-the-job training in various business functions. Upon completion of the traineeship, Malaysia Airports determines which potential trainee can be absorbed based on their performance assessment and vacancy availability. Thus far, 1,511 unemployed graduates have been trained by us through SL1M, and since 2012, Malaysia Airports has absorbed 130 SL1M trainees into permanent positions within the organisation.



CREATING AN INSPIRING WORKPLACE

YEAR	2012	2013	2014	2015	2016	2017
Total	13	20	14	14	20	49

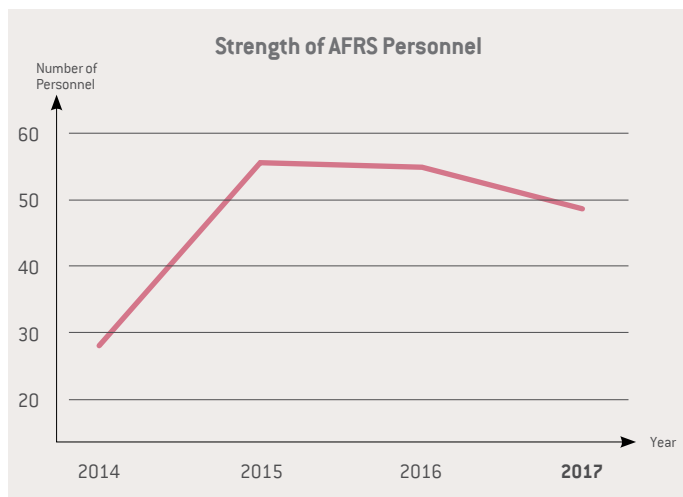
Since 2015, we have continuously exceeded our target on the number of trainees under the SL1M programme.

YEAR	2015	2016	2017
Target	300	400	440
Actual	303	415	541

YEAR	TARGET NUMBER FOR SL1M TRAINEES	ACTUAL NUMBER OF SL1M TRAINEES	NUMBER OF TRAINEES EMPLOYED
2017	440	541	49

The strength of Malaysia Airports is defined by the people we hire and we recognise our role in improving the employability levels in Malaysia, especially in the rural areas. In line with this, we work hand in hand with the local Persatuan Bomba Sukarela (PBS) in rural areas to train selected candidates to be Airport Fire and Rescue Services (AFRS) personnel. These personnel are trained and equipped with the necessary firefighting skills for AFRS, a specific expertise required for airstrips. This partnership has benefitted more than 180 rural residents since 2014 and in 2017 we recruited 49 from rural areas to be AFRS personnel.

[GRI 413-1]



COMMUNITY-FRIENDLY ORGANISATION

Community Friendly Organisation



GOAL 8

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

- 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
- 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

GOAL 1

End poverty in all its forms everywhere

- 1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new, technology and financial services, including microfinance.



We strive to strengthen our relationship with local communities by actively engaging with them and providing effective channels of communication wherein we are able to understand their concerns and needs. In conjunction with Malaysia Airports' 25th Anniversary, we commenced community projects (e.g. High Fliers Programme) that explored new opportunities and partnerships towards building resilience in our surrounding communities.

COMMUNITY-FRIENDLY ORGANISATION

INVESTING IN OUR COMMUNITY

[GRI 413-1, 413-2]

With the implementation of Malaysia Airports' CSR Framework, we have completed over 20 projects in 2017. This framework is built on three main pillars – Education and Youth Leadership, Community Enrichment and Malaysia Branding – which aptly reflect the nature of our efforts to support and strengthen the local community.

COMMUNITY ENRICHMENT

- Visits to Old Folks Homes/ Orphanage
- Visit to Hospitals
- Clean Environment
- Disaster Relief with Mercy Malaysia
- Ceria Ramadhan
- Air Community Enrichment
- Arts and Culture
- Joyful Home
- Rohingya Aid with iM4U
- SK Subang Classroom Refurbishment
- My Treevolution

EDUCATION AND YOUTH LEADERSHIP

- Beyond Borders School Adoption Programme
- High Fliers Programme
- Education Scholarship Programme
- Malaysia Airports Student Leadership Programme
- Super6 Rugby
- Football Clinic
- Football Tournament (Malaysia Airports Cup)
- SK Subang Sports Training Equipment Sponsorship

MALAYSIA BRANDING

- Joyful Malaysia Campaign
- Traditional Dance Competition
- Brand Ambassador for KL 2017 (SEA Games and ASEAN Para Games)

HIGH FLIERS PROGRAMME

The High Fliers programme is our five-year (2017-2021) leadership programme that was launched in 2017. This programme involves selecting 25 children of employees who are in secondary school based on merit, with the aim of enhancing their leadership capabilities and nurturing their high performing mind-set through active learning, character development and teamwork.



Build Confidence Level

Competitive Advantage

Strengthen Communication Skills

Strengthen Interpersonal Skills

Go Getter Attitude



EDUCATION SCHOLARSHIP PROGRAMME

Through our Education Scholarship Programme (ESP), we continue to aid outstanding students with grades above 3.5 CGPA to pursue their tertiary studies at top local and foreign universities. However, the focus in 2017 was to encourage the enrolment of ESP students into reputable local educational institutions. The candidates that enter this programme are usually from low to middle income families that would otherwise not be able to afford the tuition fees. In 2017, ESP invested RM642,775 on the new intake and those continuing from previous years, which totalled to 19 on-going scholars. While RM57,633.50 was spent for local universities, RM585,141.50 was spent for universities overseas.

[GRI 413-1]

YEAR	2015	2016	2017
Existing ESP recipients	17	12	19
Investment	RM2,597,163	RM1,967,248	RM642,775

BEYOND BORDERS SCHOOL ADOPTION PROGRAMME

Beyond Borders is a three-year programme for primary schools aiming to improve English proficiency amongst students. This programme has helped more than 20,000 students since its inception in 2007 and has boosted their confidence to speak English.

In 2017, we launched its fourth stage of implementation and adopted four new primary schools into the programme. The students and staff of the selected schools will benefit from the line-up of programmes prepared such as Beyond Borders English Language (BEL), UPSR Clinic, Read and Reward, Living in English, English Day and I Start First Motivation. Furthermore, these programmes continue to assist the alumni schools that had previously participated in Beyond Borders. Our efforts in this direction are in line with our vision to be a leader in strengthening social wellbeing and the country we serve.



PHASE 4 LIST OF SCHOOLS

Sekolah Kebangsaan Dengkil

Sekolah Jenis Kebangsaan (Cina) Wah Lian

Sekolah Jenis Kebangsaan (Tamil) Dengkil

Sekolah Kebangsaan (Asli) Bukit Bangkong

COMMUNITY-FRIENDLY ORGANISATION

CELEBRATING MALAYSIAN CULTURE

To celebrate and appreciate Malaysia's local art, culture and heritage, Malaysia Airports has worked with various tourism agencies and collaborated with the tourism departments of states, in which airports operate. Such efforts are in line with the country's 'Visit Malaysia Year 2020' plan which aims to build tourist arrivals to 36 million by 2020 as this will in turn lead to an increase in national tourism revenue and promote economic growth and trade.

The Joyful Malaysia campaign is an initiative under the 'Malaysia Branding' pillar to promote Malaysia's diverse cultural heritage to the world. Malaysia Airports collaborated with Tourism Perak to celebrate Folk Songs and Cultural Dance Performances and to organise Visit Perak Year 2017 Tourism Exhibition in KLIA Main Terminal and klia2.

Both KLIA Main Terminal and klia2 also accommodated the 'Visit Beautiful Terengganu 2017' campaign at their respective Terengganu booths. Festival Nasi Ambeng, Fabulous Melaka and Festival Zapin Terbuka Belia Malaysia were some of the other activities that took place in 2017 to promote local tourism and further attract international tourists. Kelantan Tourism also has taken the opportunity to showcase their cultural heritage through performances such as 'silat, traditional dances, dikir barat and wayang kulit'. These events were carried out with the support of Jabatan Kebudayaan dan Kesenian Negara (JKKN) and other stakeholders.



COMMUNITY ENVIRONMENTAL PROJECT

In 2017, we engaged in environmental projects across our international airports, to encourage our employees and the community to protect the environment. These projects involved our employees volunteering and finding wild seeds from the nearby forest reserve before bringing them back to the nursery to undergo the germination process. The officers from the state forestry department guided the volunteers throughout the activity. They also shared with the group, the importance of forest preservation and imparted gardening knowledge.

After the first successful nursery seedling project in KBR, Malaysia Airports seeks to continue to work with environmental organisations in the years to come. We believe that such projects help to further inculcate environmental consciousness amongst our employees.



SUPPORTING THE HUMANITARIAN CAUSE

Malaysia Airports joined iM4U in its effort to provide humanitarian assistance to Rohingya refugees in Bangladesh. The other aviation industry players involved were Malaysia Airlines, MABkargo and Malindo Air. The project involved transporting supplies from Malaysia to be distributed at refugee camps in Bangladesh.

Members of the public were urged to support this initiative by either donating funds directly to the iM4U²⁰ Disaster Relief Fund or donating essential items and sending them to available collection centres in the country. The collection centres were available from 18 September until 30 October 2017 across six locations within our airports: KUL, PEN, KCH, BKI, SZB and KBR.

A humanitarian initiative undertaken in conjunction with Malaysia Airports' 25th Anniversary was the donation of RM57,500 to 23 families that were affected during the fire in Sandakan in September 2017.

²⁰ 1Malaysia for Youth (iM4U) is an initiative of the Malaysian government that encourages volunteering among Malaysian youths

MEMORABLE AIRPORT EXPERIENCE



GOAL 16

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all build effective, accountable and inclusive institutions at all levels

- 16.6 Develop effective, accountable and transparent institutions at all levels
- 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all



From ambience to amenities, we strive to make our airports both a destination and an experience. Total Airport Experience (TAE), one of the main thrusts of RtS2020, aims to enhance the airport experience for our stakeholders and build up our capabilities to uplift service quality. The three key stakeholders highlighted under TAE are the airlines, the passengers and the retailers.

	<p>AIRLINE EXPERIENCE Significantly enhanced through Strategic Airline Marketing and monitoring the Airline-Airport Performance.</p>
	<p>PASSENGER EXPERIENCE Better connectivity, improvised check-in processes and development of mobile application.</p>
	<p>RETAILER EXPERIENCE Commercial improvement by retail optimisation plan and Eraman Brand Refresh.</p>

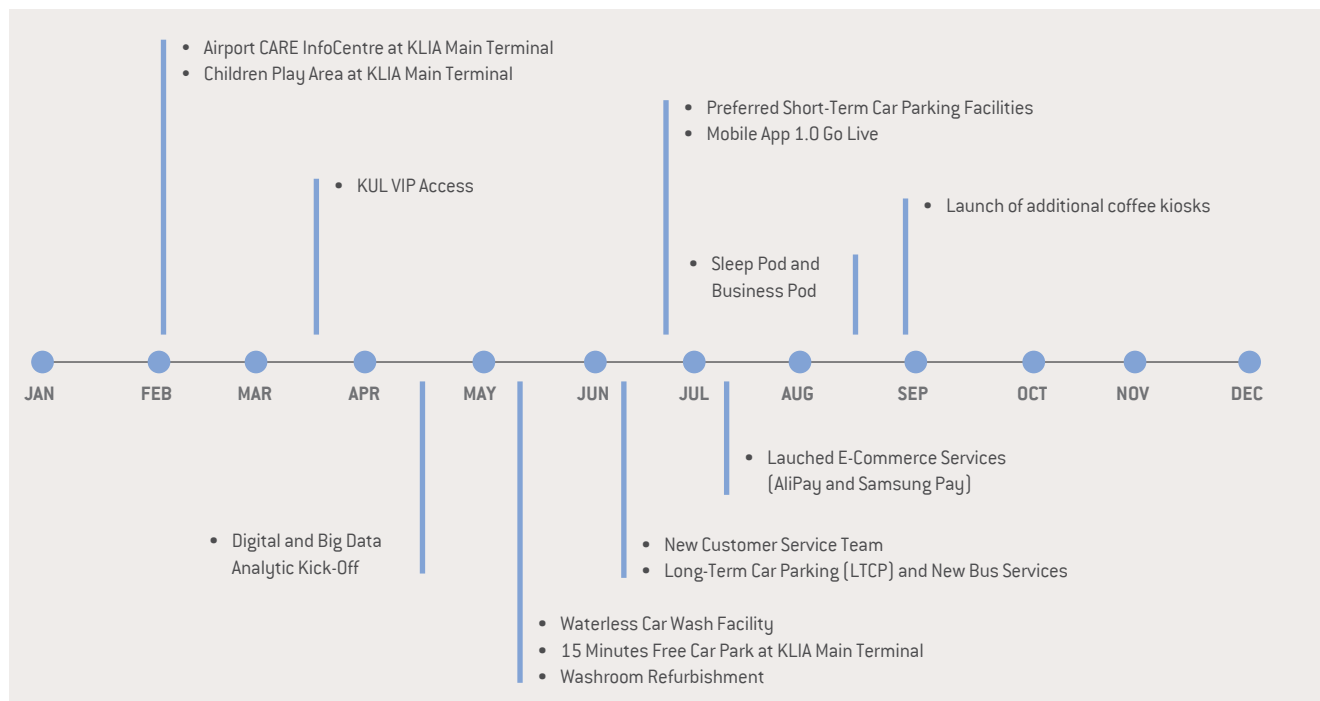
Creating sustainable lines of communication between the passengers and other key stakeholders, and our business, is an effective way to realise our shortcomings and plan for improvements. Our progress in 2017 towards improving airline, passenger and retailer experience is captured in the figure below.

MEMORABLE AIRPORT EXPERIENCE

Memorable Airport Experience



TOTAL AIRPORT EXPERIENCE INITIATIVES IN 2017



57

STRENGTHENING AIRPORT SERVICE QUALITY

We believe that service quality for a sustainable service business must be rooted in the values that form our corporate culture. Furthermore, benchmarking airport service quality on a regular basis, promotes a culture of continuous service improvement and helps gain competitive advantage and optimise non-aeronautical revenue performance.

ACI's Airport Service Quality (ASQ) is a global benchmarking programme measuring passengers' satisfaction whilst they are travelling through an airport. The improvement of ASQ scores in 2017 to that of 2016, in the respective categories (as shown below), is indicative of the positive impact the TAE initiatives undertaken in 2017 has had on improving the airport experience at KLIA Main Terminal and klia2.



MEMORABLE AIRPORT EXPERIENCE

2017 INITIATIVES	ASQ INDICATOR CATEGORIES	ASQ SCORE 2016	ASQ SCORE 2017
Airport CARE Ambassador - Introduce a new brand customer service team equipped with CEM Service Culture Change Programme, which will be deployed at critical touch points in the terminals.	Courtesy & helpfulness of airport staff	4.41	4.43
Improve Airport Seating and Waiting/Rest Area - Meeting the quantity of passenger seating based on IATA ²¹ recommendation, design passenger and airport user capacity.	Comfort of waiting / gate areas	4.32	4.35
Baggage Arrival Process Improvement - Maximise the usage of arrival conveyor by splitting loading points.	Speed of baggage delivery service	4.30	4.35
Check-In Counter Queue Time Improvement - To implement snake queue system for effective management of queue, and to provide Airport CARE ambassador to assist and usher the passengers.	Waiting time in check-in queue/line	4.13	4.15
Immigration Counter Queue Time Improvement - To implement snake queue system for effective management of queue, and to provide Airport CARE ambassador to assist and usher the passengers.	Waiting time at Passport/Personal ID (Departure)	4.22	4.26
KLIA Curbside Improvement - To supply sufficient and suitable facilities to improve passenger airport experience.	Ambience of the airport		
Aero-Train Interior Upgrade - To provide seamless connectivity and comfort for passengers moving between KLIA Main Terminal and klia2.		4.54	4.56
Enhancement of Airlines Logo Panel at Check-In and Transfer Counter - To enhance the airline logo panel at the counters from static printed display to digital screen.			
Security Screening Queue Time Improvement - To implement snake queue system for effective management of queue, and to provide loaders to assist passengers with the loading and unloading of their belongings.	Waiting time at Security inspection	4.22	4.24
Washroom Refurbishment - To upgrade the washrooms to passenger expectations and to reduce complaints relating to washroom cleanliness.	Cleanliness of washrooms	4.51	4.70
Improve Wayfinding in KLIA Main Terminal and klia2	Ease of finding your way through airport	4.18	4.20

Note: The overall ASQ scores for 2017 were calculated based on the surveys distributed to KUL, LGK and PEN passengers on a quarterly basis.

²¹ The IATA (International Air Transport Association) is the trade association for the world's airlines. IATA supports many areas of aviation activity and helps formulate industry policy on critical aviation issues.

MEMORABLE AIRPORT EXPERIENCE

Memorable Airport Experience



KUL*

YEAR	2015	2016	2017
Overall ASQ Ranking Worldwide	30	36	47
Overall ASQ Ranking in > 40 mppa Category	7	9	12

LGK*

YEAR	2015	2016	2017
Overall ASQ Ranking in Asia Pacific	38	44	61
Overall ASQ Ranking in 2 - 5 mppa Category	6	3	12

PEN*

YEAR	2015	2016	2017
Overall ASQ Ranking in Asia Pacific	44	46	70
Overall ASQ Ranking in 5 -15 mppa Category	24	20	29

With the growing number of passengers, these surveys play an increasingly important role in capturing feedback towards improving our service quality. Despite the drop in overall ranking in 2017, KLIA was ranked seventh in the world for best airport staff service and was ranked first for airport immigration service.

* KUL, LGK and PEN is the IATA code for KL International Airport, Langkawi International Airport and Penang International Airport respectively

SOCIAL MEDIA AND GOING ONLINE

Engaging with Our Customers

In the forthcoming years, Malaysia Airports will increase its online presence via digital platforms. This is especially true for the distribution of our Convergence Magazine. In 2017, we discontinued the distribution of its printed version and while the printed version has reached a wide distribution, our aspiration for the e-Convergence will be even larger. We intend to utilise technology to digitalise the magazine and increase our readership to a larger audience. These efforts are in line with our mission to connect people to

our business and work towards enhancing the experience of our stakeholders. We encourage our stakeholders to follow #MYairportsconvergence on social media platforms for updates.

FlyKLIA is yet another initiative on our part to engage with airport users. It is an interactive experience-sharing online portal aimed at enhancing airport users' travel experience in Malaysia, by creating a platform for both business and leisure travellers to come together and share their experiences. The portal acts as a guide in assisting travellers in planning their travel itinerary to destinations within the country, while also providing recommended tourist

destinations for business travellers on working trips to Malaysia.

Through FlyKLIA, a three-month 'My Passport to Brag' campaign was launched in December 2017 to increase awareness amongst airport users on using the portal to plan their trips. Positioned as a platform for travellers by travellers, users are able to write and read reviews of tourist destinations, get useful tips on the "do's and don'ts" while travelling and look for interesting places to visit or exciting events to attend.

MEMORABLE AIRPORT EXPERIENCE



Encouraging Cleanliness

Introduced in 2017, 'Pay It Forward' is our latest public awareness campaign that aims to educate airport users and society at large, on proper washroom etiquette. #payitforward is available on various social media platforms, creating awareness, garnering support and feedback from the public. The idea behind the name of the campaign is to encourage people to pay forward by maintaining the hygienic standards of the sanitary facilities provided after use in order to provide a clean environment for subsequent users.

Other efforts by Malaysia Airports to improve washroom cleanliness include initiating a recognition programme based on attendance, quick turn-around time and punctuality for individual cleaners in order to encourage them to perform their tasks diligently. This initiative complements the ongoing collaboration we have with the Ministry of Urban Wellbeing, Housing and Local Government in conducting cleanliness audits using the Ministry's Maintenance Grading System for washrooms. Based on the audit, washroom cleanliness in KLIA Main Terminal and klia2 has improved whereby about 86% of the sanitary facilities achieved a 4-star rating, with 30% achieving a 5-star rating as of November 2017.

Food & Beverage

Following the success of previous campaigns at KLIA Main Terminal and klia2, we brought back the signature KULinary dining discovery campaign. This campaign helps ensure an enjoyable dining experience for airport users and is in line with Malaysia Airports' vision to enhance Total Airport Experience. #KULinary was a one-month campaign launched in October 2017 to highlight the 25 best food choices in KLIA Main Terminal and klia2.

KULinary demonstrated the commitment of our F&B outlets to not only provide top-notch facilities but also enhance the customers' overall experience. This campaign contributed to the increase in Malaysia Airports' ASQ ratings that was observed in 2017. We aim to run this campaign on an annual basis as it serves as a catalyst for F&B operators in KLIA Main Terminal and klia2 to raise the bar, in terms of food variety and quality, as well as service quality.

MEMORABLE AIRPORT EXPERIENCE

Memorable Airport Experience ↓

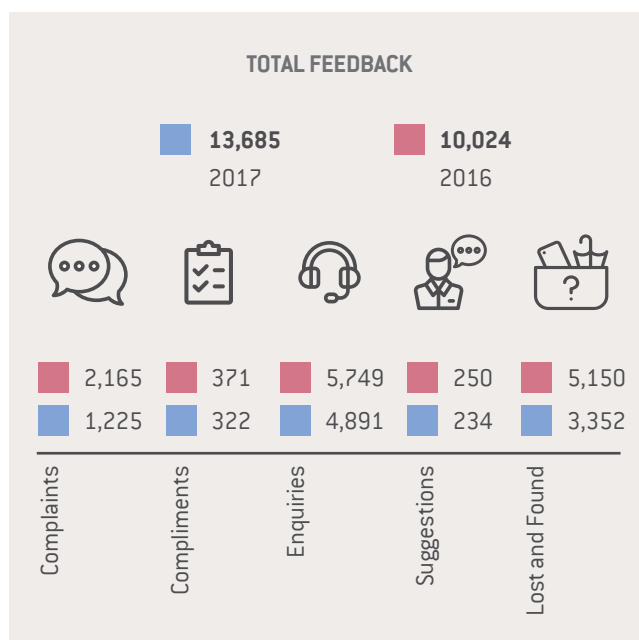


CUSTOMER AFFAIRS & RESOLUTION EXCELLENCE (CARE)

To assure that all of our passengers' needs and wants are being addressed, our CARE unit is dedicated to responding to passenger feedback through various platform including social media. The social media team responds to feedback received online 24 hours a day and we address them through our Facebook, Twitter and Instagram accounts.

CARE continues to address the feedback received during the reporting period through the use of the CAREsys Feedback Management System which is as part of our on-going effort to enhance service excellence at our airports under the TAE initiative.

In 2017, CARE has handled more than 13,000 cases with a resolution rate of 98% that covers Complaints, Compliments, Enquiries, Suggestions and, Lost and Found. The satisfaction rating that we received for the year has increased to 72.6% as compared to 68.5% in 2016. This is due to our highly-engaged social media communication platform between Malaysia Airports and the passengers.



At Malaysia Airports, we know the importance of appreciating and recognising the efforts of employees towards improving service quality. For this reason, we organise the CARE Summit on an annual basis. At the 2017 CARE Summit, we awarded more than 20 people from various departments, divisions and airports.

LIST OF AWARDS

- Most Efficient Award
- Extra Mile Award
- Social Star Award
- Front Liner Award

GRI CONTENT INDEX

Custom Content Index- 'In Accordance' Core

This Content Index provides an overview of the GRI Standards Disclosures made in this report and the Malaysia Airports Annual Report 2016.

[GRI 102-55]

GENERAL STANDARD DISCLOSURES	DESCRIPTION	PAGE	EXTERNAL ASSURANCE
ORGANISATION PROFILE			
102-1	Name of the organisation	7	√
102-2	Activities, brands, products and services	Annual Report	√
102-3	Location of headquarters	2	√
102-4	Location of operations	Annual Report, 8	√
102-5	Ownership and legal form	Annual Report	√
102-6	Markets served	Annual Report	√
102-7	Scale of the organisation	Annual Report, 8	√
102-8	Information on employees and other workers	44	√
102-9	Supply chain	32-33	√
102-10	Significant changes to the organisation and its supply chain	8	√
102-11	Precautionary principle or approach	14-15	√
102-12	External initiatives	7	√
102-13	Membership of associations	7	√
STRATEGY AND ANALYSIS			
102-14	Statement from senior decision-maker	3-5	√
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	14-15	√
GOVERNANCE STRUCTURE			
102-18	Governance Structure	14	√
STAKEHOLDERS ENGAGEMENT			
102-40	List of stakeholder groups	16	√
102-41	Collective bargaining agreements	47	√
102-42	Identifying and selecting stakeholders	16-17	√
102-43	Approach to stakeholder engagement	17-19	√
102-44	Key topics and concerns raised	17-19	√

GRI CONTENT INDEX

Memorable Airport Experience



SPECIFIC STANDARD DISCLOSURES	DESCRIPTION	PAGE	EXTERNAL ASSURANCE
REPORT PRACTICE			
102-45	Entities included in the consolidated financial statements	Annual Report, 7, 8	√
102-46	Defining report content and aspect boundaries	7	√
102-47	List of material topics	20-22	√
102-48	Restatements of information	No restatements were made	√
102-49	Changes in reporting	20	√
102-50	Reporting period	7	√
102-51	Date of most recent previous report	7	√
102-52	Reporting cycle	7	√
102-53	Contact point for questions regarding the report	2	√
102-54	Claims of reporting in accordance with the GRI Standards	7	√
102-55	GRI Content Index	62-66	√
102-56	External Assurance	67-69	√

SPECIFIC STANDARD DISCLOSURES

CATEGORY: ECONOMIC

SPECIFIC STANDARD DISCLOSURES	DESCRIPTION	PAGE	EXTERNAL ASSURANCE
GRI 201: ECONOMIC PERFORMANCE			
103	Management approach disclosures	26-33	√
201-1	Direct economic value generated and distributed	27	√
201-2	Financial implications and other risks and opportunities due to climate change	33	√
201-3	Defined benefit plan obligations and other retirement plans	27	√
GRI 202: MARKET PRESENCE			
103	Management approach disclosures	47,28	√
202-1	Range of standard entry level wage by gender compared to local minimum wage	47	√
202-2	Proportion of senior management hired from the local community	28	√
GRI 204: PROCUREMENT PRACTICES			
103	Management approach disclosures	32-33	√
204-1	Proportion of spending on local suppliers	32	√

GRI CONTENT INDEX

CATEGORY: ECONOMIC

SPECIFIC STANDARD DISCLOSURES	DESCRIPTION	PAGE	EXTERNAL ASSURANCE
GRI 205: ANTI-CORRUPTION			
103	Management approach disclosures	14-15	√
205-1	Operations assessed for risks related to corruption	This data was not available during the reporting period	√
205-2	Communication and training about anti-corruption policies and procedures	15	√
205-3	Confirmed incidents of corruption and action taken	None	√
GRI 302: ENERGY			
103	Management approach disclosures	34-36	√
302-1	Energy consumption within the organisation	35	√
302-2	Energy consumption outside the organisation	This data was not available during the reporting period	√
302-3	Energy intensity	35	√
302-4	Reduction of energy consumption	35-36	√
GRI 303: WATER			
103	Management approach disclosures	38-39	√
303-1	Water withdrawal by source	38-39	√
303-2	Water sources significantly affected by withdrawal of water	None	√
GRI 305: EMISSION			
103	Management approach disclosures	37	√
305-1	Direct (Scope 1) GHG emissions	37	√
305-2	Energy Indirect (Scope 2) GHG emissions	37	√
305-4	GHG emissions intensity	37	√
305-5	Reduction of GHG emissions	37	√
GRI 306: EFFLUENTS AND WASTE			
103	Management approach disclosures	39-40	√
306-2	Waste by type and disposal method	39-40	√
306-3	Significant spills	25	√

GRI CONTENT INDEX

Memorable Airport Experience



CATEGORY: SOCIAL

SPECIFIC STANDARD DISCLOSURES	DESCRIPTION	PAGE	EXTERNAL ASSURANCE
GRI 401: EMPLOYMENT			
103	Management approach disclosures	45-48	√
401-1	New employee hires and employee turnover	46	√
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	47	√
401-3	Parental leave	45	√
GRI 402: LABOUR/MANAGEMENT AND SAFETY			
103	Management approach disclosures	47	√
402-1	Minimum notice periods regarding operational changes	47	√
GRI 403: OCCUPATIONAL HEALTH AND SAFETY			
103	Management approach disclosures	42-43	√
403-1	Workforce representation in formal joint management- worker health and safety committees	42	√
403-2	Type of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	43	√
GRI 404: TRAINING AND EDUCATION			
103	Management approach disclosures	48-50	√
404-1	Average hours of training per year per employee	48-49	√
404-2	Programmes for upgrading employee skills and transition assistance programmes	48-49	√
404-3	Percentage of employees receiving regular performance and career development reviews	49	√
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY			
103	Management approach disclosures	44	√
405-1	Diversity of governance bodies and employees	28,44	√
405-2	Ratio of basic salary and remuneration of women to men	47	√
GRI 412: INVESTMENT			
103	Management approach disclosures	49	√
412-2	Employee training on human right policies or procedures	49	√
GRI 413: LOCAL COMMUNITIES			
103	Management approach disclosures	52-55	√
413-1	Operations with local community engagement, impact assessments, and development programmes	52-55	√
413-2	Operations with significant actual and potential negative impact on local communities	None	√

GRI CONTENT INDEX**SECTOR SPECIFIC DISCLOSURES: AIRPORT OPERATOR**

SECTOR STANDARD DISCLOSURES	DESCRIPTION	PAGE	EXTERNAL ASSURANCE
A01	Total number of passengers annually	8	√
A02	Annual number of aircraft movements	8	√
A03	Total amount of cargo movements	8	√
A09	Total annual number of wildlife strikes per 10,000 aircraft movements	25	√



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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 2017. 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 checking 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 2017.

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 2017.

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



MS ISO/IEC 17021 : 2006 QS 02121989 CB 01
MS ISO/IEC 17021 : 2006 EMS 17122002 CB 02
MS ISO/IEC GUIDE 85 : 2000 PC 05102004 CB 01
MS ISO/IEC 17021 : 2006 OSH 06122005 CB 01
MS ISO/IEC 17021 : 2006 HACCP 09050508 CB 03
ISO/TS 22003 : 2007 FMS 23122008 CB 01
MS ISO/IEC 17021 : 2006 PMC 10122009 CB 02



MS ISO/IEC 17025
CALIBRATION/TESTING
SAMM NO. 005 SAMM NO. 006
SAMM NO. 007 SAMM NO. 216
SAMM NO. 231 SAMM NO. 240
SAMM NO. 299 SAMM NO. 474
SAMM NO. 377



MS ISO/IEC 17020
MBAS NO. 003



Methodology

The verification process was carried out by SIRIM QAS International in March 2018. 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.

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 2018;
- The verification was designed to provide limited assurance of whether the Sustainability Report is presented fairly, in all material aspects, and in accordance with the reporting criteria. It was not intended to provide assurance 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 was based on the Airport Carbon Emission Reporting Tool (ACERT), which has been independently verified by competent assessor in Airport Carbon Accreditation



program. It covers scope 1 and scope 2 in accordance with ISO 14064-1 standard requirements;

- 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 review 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 2017 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:

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Management System Certification
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Date : 20 March 2018

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