

Sustainability Statement



Report Overview

This Sustainability Statement is Salcon Berhad's (Salcon or the Company) 12th annual reporting of our Economic, Environmental and Social (EES) performances. This report aims to disclose and analyze our sustainability performance, risks and opportunities by benchmarking ourselves against global standards as well as local guidelines and frameworks. The application of these guidelines and references in our reporting has allowed us to build the momentum in our sustainability journey and enabled us to anticipate emerging issues, meet sustainability reporting expectations, strengthen sustainability communications as well as provide a basis for development of performance measures.

In this report, we will share how we map our sustainability strategies and efforts with the Group's material issues to generate positive impacts for all our stakeholders.

Scope of Report



Reporting period
1st January 2018 – 31st December 2018

Geographical and Organizational Reporting coverage:

Salcon Berhad and the companies below which spearhead our diversified business operations of which Salcon Engineering Berhad and Envitech Sdn Bhd (water & wastewater operation) contribute 79.2% of the Group's revenue.

1. Salcon Engineering Berhad (Malaysia & Vietnam water concession operation)
2. Envitech Sdn Bhd (wastewater treatment services)
3. Eco-Coach & Tours Sdn Bhd (transportation services)
4. Azitin Venture Sdn Bhd (property development)
5. Volksbahn Technology Sdn Bhd (technology services)
6. Salcon Power (HK) Limited (solar power investment)
7. Salcon Petroleum Services Sdn Bhd (oil & gas software marketing)

Guidelines & References

This report is prepared in accordance with the following guidelines, references and frameworks with the objective to measure, understand and communicate our economic, environmental, social and governance performance, set goals, and manage change more effectively.

Principal Guideline	Supplementary Guidelines	Commitment
<ul style="list-style-type: none">• Bursa Malaysia Sustainability Reporting Guide	<ul style="list-style-type: none">• FTSE4Good Bursa Malaysia Index Rating Guide• Global Reporting Initiative (GRI) Standards*• AA1000 Stakeholder Engagement Standards 2015	<ul style="list-style-type: none">• Sustainable Development Goals (SDGs)• United Nations Global Compact (UNGC) principles

* please refer to page 228 - 230

Feedback



This report, which is available in HTML & PDF format is available at our corporate website at <http://salcon.listedcompany.com/ar.html>

For any enquiry, feedback or suggestion about our sustainability performance, please address it to the Sustainability Committee at corporate@salcon.com.my

Sustainability Statement

Sustainability at Salcon

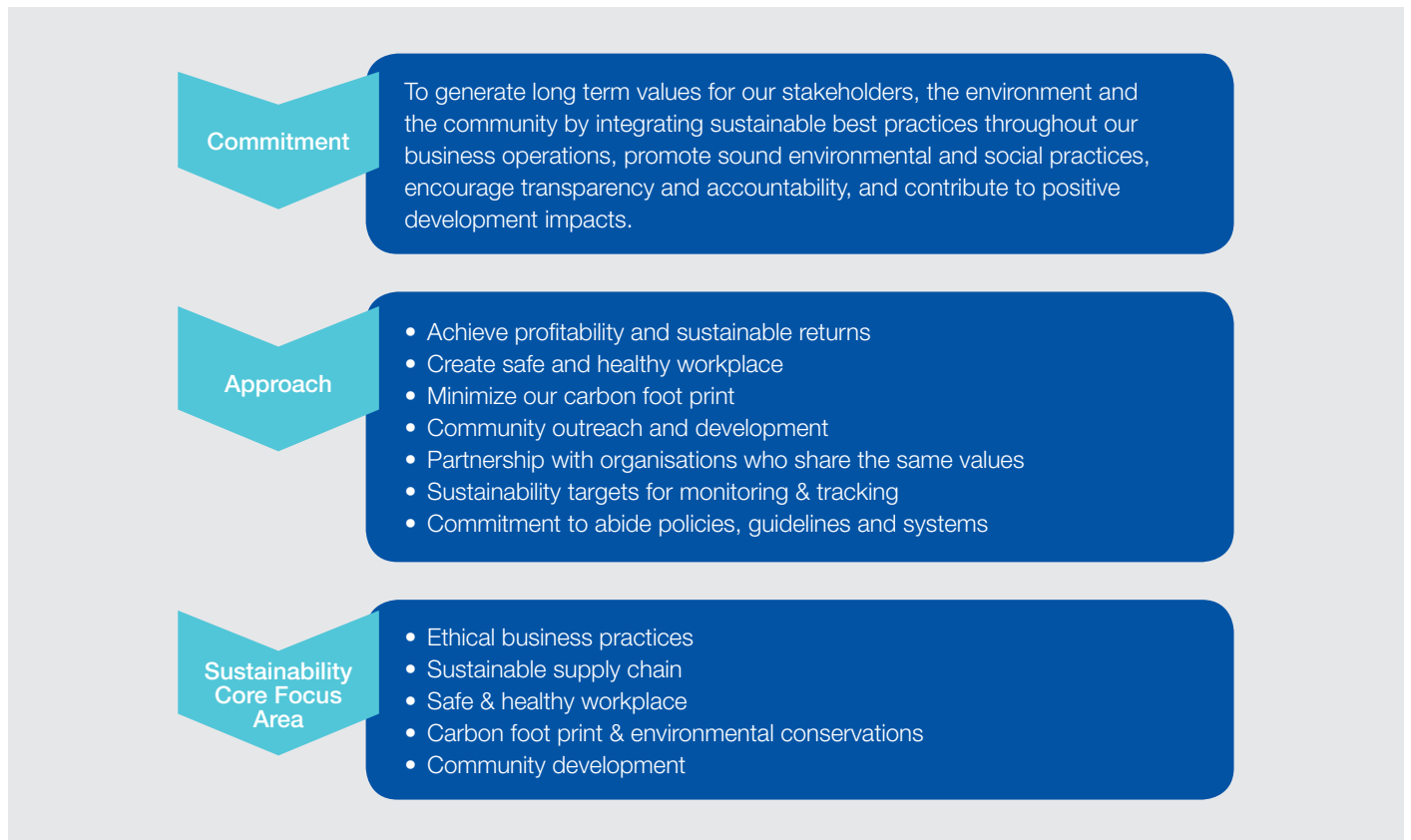
In creating long term value for all stakeholders, we are committed to prudently manage the impact of our business on the environment, to uplift the communities in which we operate in and to maintain an inclusive, respectful, and progressive working environment for our people.

During Financial Year (“FY”) 2018, our sustainability efforts received noteworthy recognition from influential publications and organizations. We are honoured to be awarded the Asia’s Best Sustainability Report (SME Category) in Asia Sustainability Reporting Awards 2018 for demonstrating a long-term approach to integrating sustainability practice in the business as well as the CSR Malaysia Awards 2018 – Company of the Year in the Construction & Engineering Category by the CSR Malaysia for championing employees wellbeing and work-life balance through employee self-improvement and development.

Besides this, Salcon is also in its fourth consecutive year of being a constituent of the FTSE4Good Bursa Malaysia Index. We have been independently assessed by the FTSE Russell and successfully met stringent environmental, social and governance standards and are positioned to capitalise on the benefits of responsible business practice.

Sustainability Framework

Our approach to sustainability management encompasses our entire value chain throughout our business operations. Not only do we embed sustainability in our core business of water and wastewater treatment, we also work towards extending our efforts to our various subsidiaries with diversified businesses.



Sustainability Statement

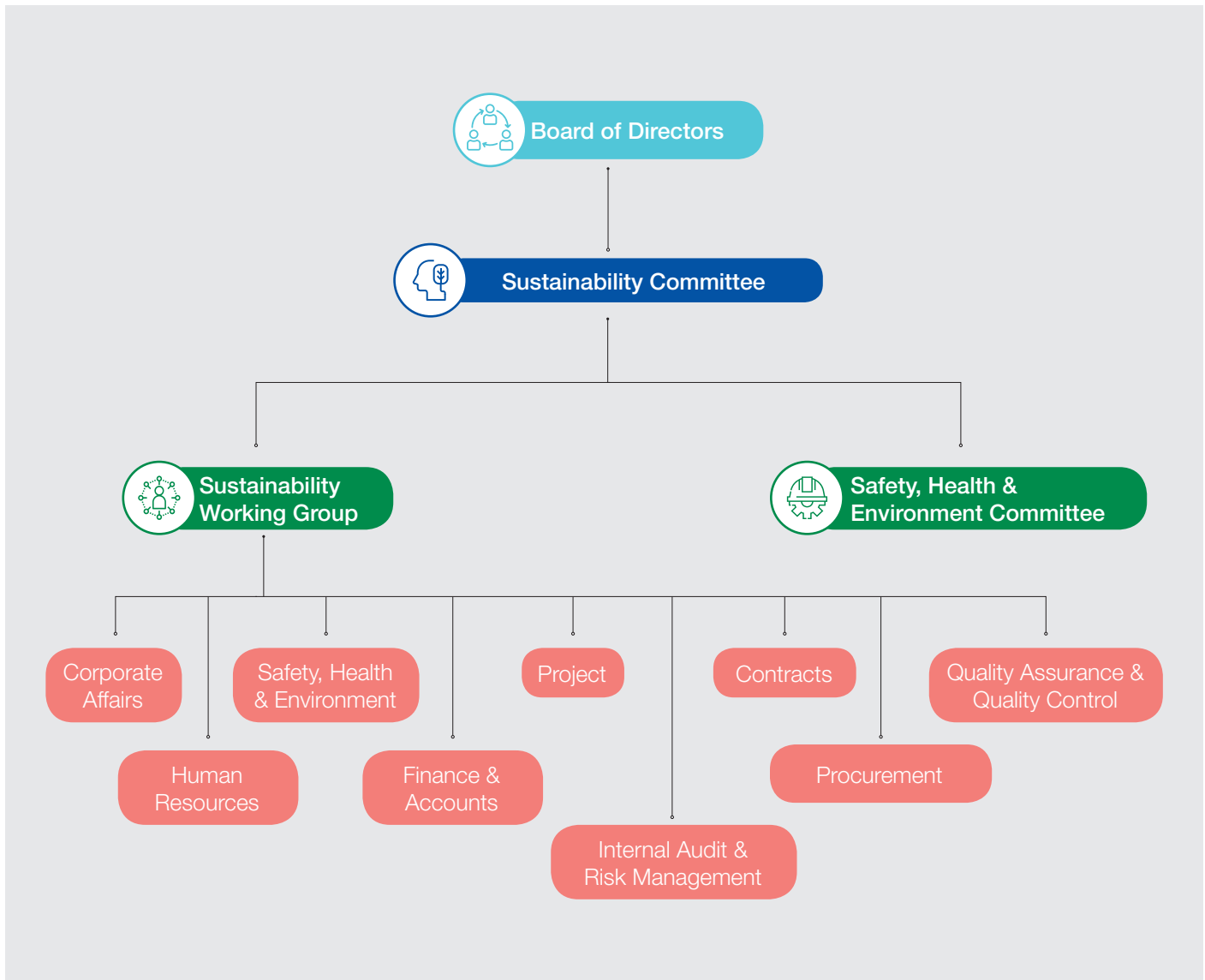
Governance Structure

Supported by the Sustainability Committee, the Board of Directors oversees the Group's sustainability strategies and performance to ensure we achieve profitability and sustainable returns whilst enhancing the Group's EES achievement in the long term.

The Sustainability Committee is appointed by the Board of Directors and consists of 2 Board members with a Non-Executive Director as Chairman as well as the Chief Operating Officer, the Chief Financial Officer and the General Manager of Corporate Affairs Department.

The Committee meets at least once a year to discuss and review the Group's sustainability issues.

The Sustainability Working Group (SWG), helmed by the Corporate Affairs Department is responsible for the implementation of the Group's sustainability initiatives, ensure operational and governance compliance as well as conduct data collection for reporting purposes.



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Materiality



In FY 2018, the Group undertook an update and review of our materiality assessment to better reflect current stakeholder concerns and the company's key sustainability risks and opportunities. The Group's first materiality assessment conducted last year has helped to improve our sustainability efforts and build a mandate for us to focus and act on issues that are the highest priority for the business.

Methodology

1 Identification and Review of Material Issues from Internal and External Sources

1



Reviewed all (38) materiality issues in EES aspects to identify its importance in line with the current market conditions and industry trends.

- a. Internal source: internal data
- b. External sources: rating & index guideline (FTSE4Good Bursa Malaysia Guidelines, GRI guidelines, Bursa Malaysia Sustainability Reporting Guide), media reporting, analyst reports, external peer review, clients survey, industry news

2 Prioritization - Review & Analysis by The Sustainability Working Group (SWG)

2



Meetings and consultations were held with the SWG and relevant committees to review the Group's material issues to ensure that they are relevant and reflective of our stakeholder's priorities and aspirations. It was debated collectively whether the issues identified were correctly placed and named. Based on this input, the SWG looked into the medium high material issues to evaluate on its importance and ranked them accordingly.

The result of these review is further elaborated below under 'Materiality Analysis'.

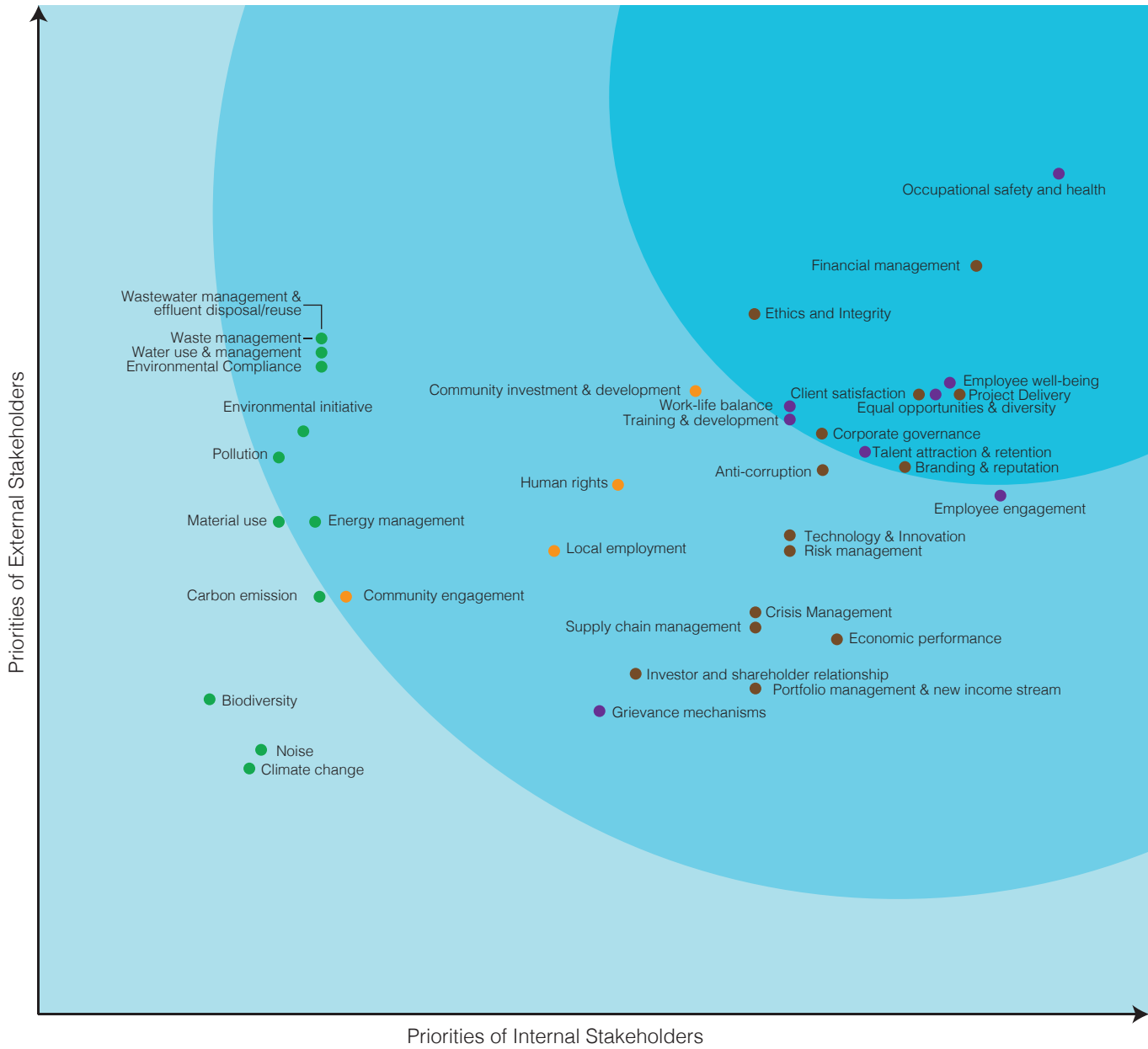
3 Validation - Presentation to The Sustainability Committee

3



The outcome of the materiality matrix review & analysis by the SWG was then presented to the Sustainability Committee for validation and approval.

Sustainability Statement



Legend

- Community issues
- Workplace issues
- Marketplace issues
- Environment issues
- High
- Medium
- Low

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Materiality Analysis

This year, the SWG and Sustainability Committee reviewed the matrix and identified 2 Key Material Issues ie Financial Management & Profitability and Project Delivery to be elevated in terms of importance to the Group. Besides this, three (3) medium-high material issues were also added to our list of Key Material Issues to reflect higher risks and opportunities to the Group. The 3 newly-added material issues to the Key Material Issues category are talent attraction & retention, branding & reputation and corporate

governance, thus bringing the total top material issues of the Group to 12 key material issues.

The remaining list of material issues is unchanged from the previous year. The material issues in EES areas were categorized into 4 categories which are: economic, environment, employees and community.

Key Material Issues (Very Material), Potential Risks & Mitigation Measures

No.	Key Material Issues	Description	Risks of key material issues	Mitigation measures (Page reference)
1.	Occupational safety & health	Creating a safe and healthy workplace, at both offices and project sites, with zero or minimal occupational illness/ injury	Major accidents due to non-compliance of policies and procedures that may lead to fatality or severe injury	66
2.	Financial management & Profitability	Good management on the Group's financials and investment as well as maintaining healthy economic growth	Potential losses leading to reduction of shareholder values and poor share price performance	50
3.	Ethics & integrity	Embedding integrity and ethical business practices in all aspects of our business	Risk of unethical business practices among employees or throughout the value chain which might affect the Company's reputation	47
4.	Work-life balance	Social & recreational activities/ initiatives for employees	Impacts to productivity and losses to the Company	65
5.	Clients satisfaction	Meeting clients' requirement in terms of costing, timing, technical expertise etc	Potential threat on loss of client and business opportunities.	51
6.	Employee well-being	Employees benefits and compliance with all wage laws for all categories of employees	Challenges on talent attraction and retention.	65
7.	Project delivery	Successful completion and delivery of projects on time and within budget.	Risk of losses arising from payment of compensation and reputation	51
8.	Equal opportunities & diversity	Fair treatment to all employees, employee diversity in respectful workplace	Challenges arising from workplace discrimination and unfair treatment	61
9.	Training & development	Training opportunities and career development to employees for self-improvement and development	Outdated skills and knowledge which may limit employee potential	64
10.	Corporate governance (newly added)	Transparent, accountable and responsible business behavior throughout the business operations and value chains.	Potential allegations of misconducts by authority or government in relations to ethical business behavior	47
11.	Branding & reputation (newly added)	Attraction of potential talent and retention of employees who are motivated, committed and share the same values as the Company	Improper managing of brand and failed stakeholders' communications could result in reputational damage	52
12.	Talent attraction & retention (newly added)	Attraction of potential talent and retention of employees who are motivated, committed and share the same values as the Company	Not being able to attract and retain talents will negatively impact the Company's ability to perform and achieve its objectives.	64

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Aligning to Global Principles

We align our material issues with the UNGC 10 principles and United Nations Sustainable Development Goals (SDGs) to increase value for ourselves and our stakeholders.

As a Company that puts sustainability at the core of our business growth, Salcon embraces the SDGs as a business opportunity and recognize that commercial and social impact are inextricably linked. Salcon is a signatory of the United Nations Global Compact (UNGC) and signed the pledge to uphold the UNGC's 10 principles on human rights, labour standards, environment and anti-corruption. We are also part of the Malaysia's Enablers of Human Rights and Climate Change policies under the Global Compact Malaysia (GCMY), a new programme aimed at enhancing companies' leadership in both climate change and human rights initiatives in Malaysia and across ASEAN.

Salcon's areas of alignment to SDGs and UNGC principles are presented in the table below. For further details, please refer to page 46, 53, 60 and 68 in this report.





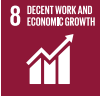




WE SUPPORT



EES Areas	SDGs	UNGC Principles
Economic 	 SDG 6 Clean water & sanitation	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery
	 SDG 7 Affordable and clean energy	
	 SDG 8 Decent work and economic growth	
	 SDG 9 Industry, innovation and infrastructure	
	 SDG 11 Sustainable cities and communities	
	 SDG 16 Peace, justice and strong institution	

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EES Areas	SDGs	UNGC Principles
Environment 	 <p>SDG 13 Climate action</p>	<p>Principle 7: Businesses should support a precautionary approach to environmental challenges</p> <p>Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility</p>
Social 	 <p>SDG 3 Good health and well-being</p>  <p>SDG 8 Decent work and economic growth</p>  <p>SDG 10 Reduced inequalities</p>  <p>SDG 17 Partnership for the goals</p>	<p>Principle 2: Businesses should make sure they are not complicit in human rights abuses</p> <p>Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour</p> <p>Principle 5: Businesses should uphold the effective abolition of child labour</p> <p>Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation</p>

Stakeholder Engagement & Management




Salcon's success rely on the effective bridging between the Company and our diverse stakeholder groups. Each of our stakeholder group significantly impact our business and strategies which sees us in multiple roles such as being an employer, contractor and infrastructure developer.

Guided by the AA1000 Stakeholder Engagement Standards, we conduct effective stakeholder engagement and management to help us to understand our stakeholders' expectations, identify material issues and better align our strategies development, risk management according to the EES needs.




Sustainability Statement

Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Employees 	Employees are the backbone for the Company. They are the greatest and most valuable asset of the Company.	<ul style="list-style-type: none"> Occupational safety & health 	<ul style="list-style-type: none"> Safety & Health Campaign 	Annually	<ul style="list-style-type: none"> Safe and healthy working environment with better productivity 	66
		<ul style="list-style-type: none"> Training & development 	<ul style="list-style-type: none"> Training opportunities 	As needed	<ul style="list-style-type: none"> Enhanced skills for improved work efficiency 	64
		<ul style="list-style-type: none"> Work-life balance 	<ul style="list-style-type: none"> Salcon Recreational Club 	As needed	<ul style="list-style-type: none"> Sports and family-based activities to foster good work-life balance 	65
		<ul style="list-style-type: none"> Talent attraction & retention 	<ul style="list-style-type: none"> Employee performance review & rewards Employee entitlements & benefits 	As needed	<ul style="list-style-type: none"> Recognizing our employees' contributions 	64
		<ul style="list-style-type: none"> Employee engagement 	<ul style="list-style-type: none"> Festive celebrations 	As appropriate	<ul style="list-style-type: none"> Fostering positive relationships amongst colleagues 	61
			<ul style="list-style-type: none"> Company Facebook page 	As needed	<ul style="list-style-type: none"> Up-to-date information on the company's direction/ news 	52
			<ul style="list-style-type: none"> Internal newsletter 	As needed		
			<ul style="list-style-type: none"> Voluntary opportunities 	As needed	<ul style="list-style-type: none"> Opportunities for employees to give back to the society together 	70
Shareholders/ Investors 	Shareholders provide us with the financial capital needed to sustain our growth.	<ul style="list-style-type: none"> Investor and shareholder relationship Financial performance 	<ul style="list-style-type: none"> Analysts/ bankers/ fund managers meeting 	As needed	<ul style="list-style-type: none"> Analyst presentations with positive feedback on information shared Return on investment 	52
		<ul style="list-style-type: none"> Portfolio management & new income stream 	<ul style="list-style-type: none"> Annual General Meeting 	Annually	<ul style="list-style-type: none"> Platform to share the company's economic performance, business direction and strategies with our shareholders Rewarding our shareholders through dividend payment 	23



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Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Clients/ Customers 	Clients are our main income source hence enable us to sustain financially. They provide us a direct gauge of the quality of our services.	<ul style="list-style-type: none"> • Project delivery 	<ul style="list-style-type: none"> • Client satisfaction survey • Regular project meetings 	Annually	<ul style="list-style-type: none"> • Project delivery within timeline and budget 	51
			<ul style="list-style-type: none"> • Customers services (at billing services center in Sandakan office) 	Daily (working day)	<ul style="list-style-type: none"> • Fast and prompt attention to customer needs at billing services center 	51
Regulators/ Government Authorities 	Regulators and government authorities holds the rights to inspect and assess the compliance of laws and regulations of our Company. This ensure continuous licensed day-to-day operation. Regulators and government authorities are also policy makers which decide on compliance issues and requirements throughout the operations.	<ul style="list-style-type: none"> • Corporate governance • Anti-corruption • Ethics & integrity • Environmental compliance 	<ul style="list-style-type: none"> • Full compliance with Bursa Malaysia, Security Commissions and Quality Management (ISO 9001) policies and guidelines 	As needed	<ul style="list-style-type: none"> • Create reputable branding as well as keeping track with the current market regulations 	52
			<ul style="list-style-type: none"> • Environmental compliance at project sites 	As needed	<ul style="list-style-type: none"> • Biodiversity conservation at project sites and create minimal carbon footprint • Effective resources management • Better awareness on environmental issues and compliance knowledge among employees 	54
Business Partners/ Associate partners 	Business partners/ associate partners are important for us in strategic business planning and long term business relationships.	<ul style="list-style-type: none"> • Portfolio management & new income stream • Project delivery • Financial management 	<ul style="list-style-type: none"> • Strategic business planning meetings 	As needed	<ul style="list-style-type: none"> • Improve business and economic performance • Forge long term bond 	23

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Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Local Community 	Communities within our operating area allow us to contribute meaningful socioeconomic development to their lives.	<ul style="list-style-type: none"> • Community engagement • Local employment • Community investment & development 	<ul style="list-style-type: none"> • Charitable giving • Internship opportunities 	As needed	<ul style="list-style-type: none"> • Build positive relationships with the community and attend to their needs • Real corporate world exposure for students 	69
			<ul style="list-style-type: none"> • Environmental education - Conducted 5 Salcon Smart Water Programme and 1 Train The Trainers Programme 	Bi-monthly	<ul style="list-style-type: none"> • Outdoor education learning opportunities for students 	69
			<ul style="list-style-type: none"> • Local employment 	As needed	<ul style="list-style-type: none"> • Creation of job opportunities for local communities at project sites 	71
Suppliers/ Sub-contractors 	Suppliers and sub-contractors are our key enablers of project delivery. We work with suppliers and sub-contractors who share the same values with us in EES sustainability.	<ul style="list-style-type: none"> • Supply chain management • Ethics & Integrity • Corporate governance • Anti-corruption 	<ul style="list-style-type: none"> • Suppliers & sub-contractors evaluation 	Annually	<ul style="list-style-type: none"> • Performance monitoring and improve efficiency throughout supply chain 	49
			<ul style="list-style-type: none"> • Tender & bidding/ quotation requests • Procurement policies & system 	As needed As needed	<ul style="list-style-type: none"> • Share the same ethical procurement values 	49
Media 	Members of the media bridges the Company with the public and is an important channel for building the Company's reputation.	<ul style="list-style-type: none"> • Branding & reputation 	<ul style="list-style-type: none"> • Media releases • One on One interviews 	As needed As needed	Reach out to public on company's strategic direction, future aspirations to promote company branding and reputation.	52

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Stakeholder Group	Importance of Stakeholder	Materiality issues	Engagement Approach	Frequency	Values Created	Page Reference
Non-Governmental Organisations (NGOs) 	NGOs are our partners in improving the community's living quality in the social-environmental aspects.	<ul style="list-style-type: none"> • Community investment & development • Community engagement • Environmental initiative • Human rights 	<ul style="list-style-type: none"> • Partnership and support in community, and environmental sustainability • Support NGOs 	As needed	<ul style="list-style-type: none"> • Mutual understanding on sustainable environmental and social growth as well as biodiversity conservation • River & water conservation and education for community 	56
Industry Associations 	Industry associations keep us updated with the latest industry updates and serve as a platform for us to foster better relationship with industry peers.	<ul style="list-style-type: none"> • Branding & reputation 	<ul style="list-style-type: none"> • Industry exhibitions and conferences • Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA) 	<p>As needed</p> <p>As needed</p>	<ul style="list-style-type: none"> • Keeping track with industry updates • Foster good relationships with industry peers 	52

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ECONOMIC

At Salcon, we are committed to deliver profitability and healthy economic performance in the marketplace by generating attractive returns on investment to our shareholders. We uphold the principles of transparency and accountability in all aspects of our governance practices, apply best practices in our value chain and deliver best quality services to ensure upmost clients' satisfaction.

Salcon's alignment to SDGs, material issues and our programmes under Economic Section:

SDG logo	Our Alignment to SDGs	Material issues
SDG 6 Clean Water & Sanitation 	Water & Wastewater Treatment We treat water and wastewater to provide communities with clean, safe and quality water.	<ul style="list-style-type: none"> Water use & management Wastewater management & effluent disposal/ reuse
SDG 7 Affordable And Clean Energy 	Solar Power We install solar photovoltaic systems in the United Kingdom to provide clean and affordable energy to households.	<ul style="list-style-type: none"> Environmental initiative
SDG 8 Decent Work & Economic Growth 	Healthy Economic Growth We diversified our business into various industries to create higher economic productivity.	<ul style="list-style-type: none"> Portfolio management & new income stream Technology & innovation
SDG 9 Industry, Innovation And Infrastructure 	Water & Wastewater Treatment Our core services, water & wastewater treatment provides one of the most basic yet essential infrastructure for healthy and sustainable living. Technology Services We provide smart city solutions through our joint venture Volksbahn Technologies Sdn Bhd by enabling efficient and fast networks through our fiber optic backbone in the Klang Valley.	<ul style="list-style-type: none"> Community investment & development
SDG 11 Sustainable Cities And Communities 	Improvement to Living Quality Our diversified businesses (water and wastewater, property development, transportation & technology services) create sustainable cities and quality living environment.	<ul style="list-style-type: none"> Community investment & development
SDG 16 Peace, Justice And Strong Institutions 	Transparency and Integrity Our core values of teamwork, commitment, professionalism and respect underpin how we work. We are committed to adhere to the highest standards of corporate governance and transparency with zero tolerance on corruption.	<ul style="list-style-type: none"> Corporate governance Ethics & integrity Supply chain management

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Under this Economic Section, we present our Marketplace performance in the following areas:

1. Strong corporate governance
 - a. Ethics & Integrity
 - b. Code of Ethics & Conducts
 - c. Anti-corruption
 - d. Risk Management
 - e. Business & Human Rights
2. Sustainable Supply Chain
 - a. Suppliers and Sub-contractors Performance Management
3. Economic Performance
 - a. Financial Performance
4. Clients Satisfaction
5. Branding & Reputation

Strong Corporate Governance

At Salcon, we believe that good and strong corporate governance is the bedrock of a sustainable and commercially successful business. Transparent and accountable business practices should be demonstrated throughout the value chain.

As a member of the Malaysia Institute of Corporate Governance (MICG), all level of employees in the Group, including the Board members are responsible for complying with the governance framework in their daily business decision and actions. For more details on Corporate Governance, kindly refer to the Corporate Governance Statement section in this Annual Report.

Ethics & Integrity

Ethics & integrity is one of the key material issues in our materiality matrix and we are committed to demonstrate responsible business practice to meet and exceed stakeholders' expectation for a long term mutually beneficial and sustainable relationship.

The Group's stand on ethical responsibility is encapsulated in two core documents: Code of Ethics and Conduct (COEC) and Statement of Policy and Business Ethics (SPBE).

Code of Ethics and Conduct

All employees are required to adhere to the do's and don'ts stated under the COEC. It is the duty of all employees to be informed about the COEC and to uphold these standards of conduct at all times.

The Board is fully committed to the principles of ethics, integrity, transparency, accountability and respect within our Code and reviews the COEC from time to time to ensure its compliance and effectiveness. The COEC, which was last reviewed in 2017, is available to all employees through online and offline platform. All employees will be notified in the event of any revision of the COEC. Every new employee is introduced and briefed on the COEC during the staff induction process and are expected to perform their roles and responsibilities in accordance with the highest ethical standards.

A whistle-blowing mechanism has been established for both internal or external stakeholders to report on any cases of misconduct related to the Group. Various communications channels such as email, phone call, grievance report form and face-to-face meeting with HR personnel have been provided to receive and act on complaints and grievances reported by our stakeholders. In FY 2018, there is no non-compliance with laws & regulations in the social and economic areas.

Anti-corruption

In alignment with the UNGC Principle 10 (Businesses should work against corruption in all its forms, including extortion and bribery) and the SDG 16 (transparency & integrity), the Group is committed to adopt the highest standards of honesty and integrity in our business activities. We do not tolerate any form of corruption within the organisation and take the most serious view of any attempt of corrupt practices by members of staff, contractors, agents and business partners.



Anti-corruption and human rights awareness talk by SUHAKAM & MACC.

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The Statement of Policy and Business Ethics which was introduced in 2017 draws together the principles to support Salcon's zero tolerance on any form of bribery or corruption, whether direct or indirect, by or of its stakeholders. The Board of Directors fully supports the Policy and expect all Salcon employees to act professionally, fairly and with integrity in all business dealing and relationships.

The Group shares the same values on anti-bribery and anti-corruption with stakeholders who perform services or deliver business for and on behalf of Salcon namely suppliers and sub-contractors, by extending a condensed version of our Policy statement to them upon their appointment. Suppliers and Sub-contractors will need to acknowledge their understanding and agreement on the Company's firm stand on the Policy.

In collaboration with the Malaysia Anti-Corruption Commission (MACC), an anti-corruption training was conducted in March this year to raise awareness on the impact and risks of corruption and bribery to business sustainability.

In FYE 2018, we achieved:

- Zero reported incidents of corruption in FYE 2018
- Zero fines/ penalties in FYE 2018 in relation with corruption/ bribery
- Zero employee disciplined or dismissed due to non-compliance with anti-corruption guidelines
- Zero political contribution made

Risk Management

Risk management is a crucial process to manage and respond to various risks in order to minimize uncertainties and losses. At Salcon, our risk management is overseen by the Risk Management Committee (RMC) and supported by the Internal Audit & Risk Management Department.

Our risk management committee consists of an independent non-executive director as chairman, an executive director, an engineering & proposal division director, Chief Operating Officer and Chief Financial Officer.

The RMC meet at least once a year to discuss any potential and existing risk issues in the Group, review its adequacy and effectiveness according to current local and global business environment and reports them to the Board.



Aerial view of the Langat Centralized Sewage Treatment Plant.

Salcon Integrated Risk Management Policy is a comprehensive risk management methodology and system which is in compliance with ISO 31000. Under the framework, we identify, evaluate, mitigate and report the operational risks, environmental risks, corruption risk on our projects.

Representatives from the Internal Audit & Risk Management Department form part of the Sustainability Working Group and responsible to look into the Company material issues and incorporate the same into the Company's risk scorecard.

Our detailed risk management practice is outlined in Corporate Governance Statement and Statement of Risk Management and Internal Control sections in this Annual Report.

Business & Human Rights

We are committed to the UNGC's Principle 1 & Principle 2 in human rights standards, where business should support and respect the protection of internationally proclaimed human rights, and business should make sure they are not complicit in human rights abuses.

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Besides employees, intermediaries are also covered under the whistle-blowing policy and have the right to report any unfair treatment or misconduct under the grievance mechanism.

In March this year, we conducted a training with the Human Rights Commission of Malaysia (SUHAKAM) to our employees to introduce the three pillars of the United Nations Guiding Principles (UNGPs) on Business and Human Rights and raise awareness on the importance of having no human rights violation in our business operations.

Sustainable Supply Chain

Our commitment to foster a culture of integrity extends throughout our supply chain. Under our procurement policy, suppliers and sub-contractors are carefully selected to ensure an effective and sustainable supply chain management.

All our suppliers and sub-contractors are well communicated with our Group ISO policies, which are ISO 9001 Project Quality Manual, ISO 14001 Environmental Manual, OHSAS 18001 Manual as well as the Statement of Policy and Business Ethics. A

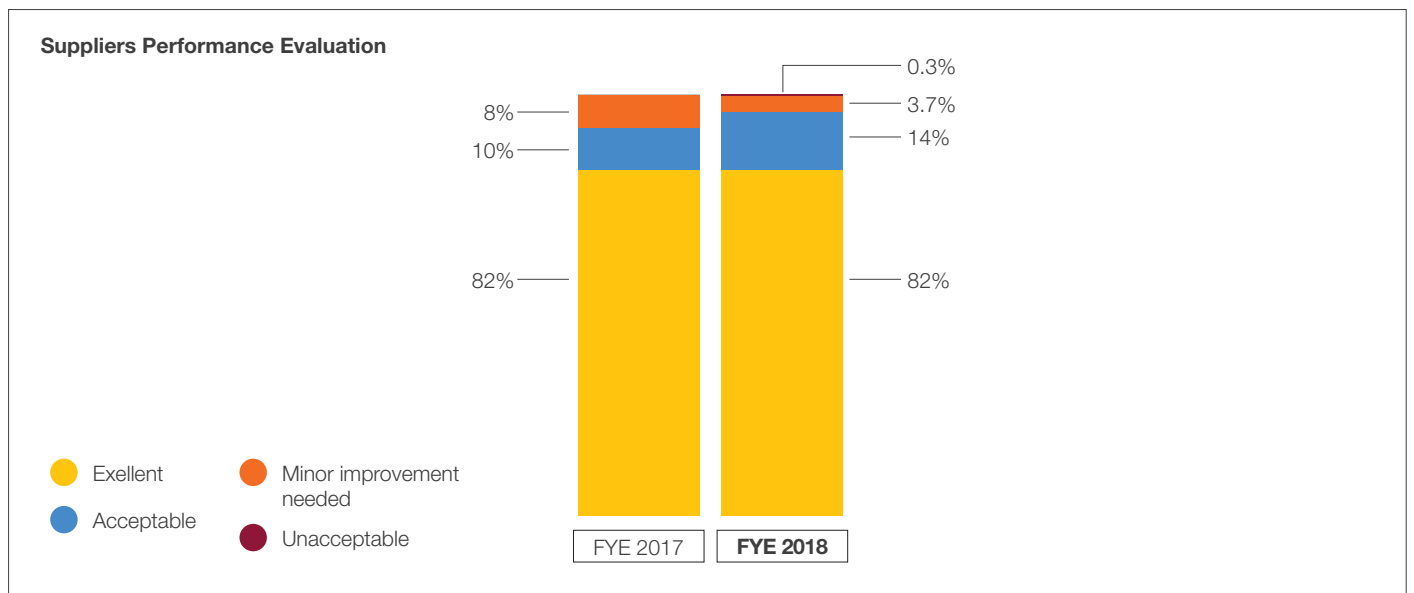
condensed version of these policies are appended together with the appointment of each and every intermediary and we expect their commitment to ethical and sustainable business practices, with consideration for human rights, child protection, labour standards and anti-corruption and to act accordingly at all times.

Suppliers and Sub-contractors Performance Management

We screen and keep track of our suppliers' and sub-contractors' performance via a yearly evaluation by the respective project managers. This is to ensure that they comply with our procurement policy and to review any areas of improvement in terms of deliverables, pricing, workmanship, cooperation and emergency response. Suppliers and sub-contractors who are unable to meet our criteria will be removed from our suppliers and sub-contractors list to ensure quality deliverables. As at FYE 2018, the satisfaction level for our sub-contractors stood at 55%, compared with 67% in the preceding year.

We also work with our sub-contractors and provide them with safety and health trainings to drive improvements across the operations.

Supplier Performance Evaluations (%)



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Economic Performance

During FYE 2018, the Group recorded RM143.1 million gross economic value, a 33.8% of decrease compared to the preceding year due to lower revenue contribution from the Property Development Division with the completion of the rés280 project in Selayang and due to the Group's adoption of the Malaysian Financial Reporting Standards (MFRS) which recognise revenue and profits only upon completion of a development. The Group's total cash and cash equivalents stands at RM115.1 million, gearing ratio at 0.11 and total borrowing at RM48.38 million.

Though this was a challenging year for the Group with lesser job awarded in FYE 2018, we managed to record a turnaround to profitability. To ensure a sustainable financial management, we always take consideration on the Group's sustainability and material issues into the Group's business direction and strategy. Whilst growing the existing business and exploring new business opportunities through diversification, we integrate all business decision with the key material issues to mitigate the potential risks and assure growing competency.

Economic Data (Group level):

Description	2016 (RM '000)	2017 (RM '000)	2018 (RM '000)
Revenue	98,974	206,492	130,221
Other income and interest income	13,823	9,744	12,918
Gross value generated	112,797	216,236	143,139
Our suppliers: Operation costs	(57,954)	(221,470)	(124,498)
Our employees: Salaries and benefits	(35,438)	(38,742)	(27,583)
Our lenders: Payment to lenders (financial cost)	(4,820)	(4,034)	(3,865)
The Government: Payment to Government	(4,896)	2,707	(2,224)
The Rakyat: Community Investment	(161)	(360)	(230)
Net-value added	9,528	(45,663)	(15,261)
Our shareholders: Payment to shareholders	(13,294)	(21,898)	(6,731)
Our Future: Economic Value Retained	(3,766)	(67,561)	(21,992)

Revenue by Country

Country	2016 (RM '000)	2017 (RM '000)	2018 (RM '000)
Malaysia	89,471	198,406	127,823
Vietnam	207	-	-
Sri Lanka	8,483	-	-
Thailand	205	-	-
Others	608	8,086	2,398
Total	98,974	206,492	130,221

Sustainability Statement

Commitment to Our Clients

Clients are our key stakeholder and main income source. They provide a direct gauge of our service quality and areas of improvement. We engage our clients through various channels such as clients' satisfaction survey, regular project meetings and informal get-together activities.

Project delivery is one of the key material issues and we are committed to the successful completion and delivery of projects on time and within budget. In order to meet clients' satisfaction and requirement, we review our performance on a yearly basis through a clients' satisfaction survey where we are able uncover any shortfalls and take immediate actions for improvement. Successful project delivery experience can help us gain clients' confidence and build a stronger portfolio.

In FY 2018, we conducted a client's satisfaction survey for 7 projects in Malaysia, namely Langat 2 Water Treatment Plant project, Network Pumping Station Langat project, Kuala Terengganu Utara

Water Treatment Plant project, Non-Revenue Water (NRW) Marang project, Pipe Replacement Package 6, Package 8 and Package 11A project in Selangor.

Under our NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. We have 4 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 1.5 minutes, compared with 1.52 minutes in the preceding year.

Besides delivering the best services to our clients, we are committed to respect our clients' privacy and ensure that our clients' data is protected under the Personal Data Protection Act 2010. We do not disclose or use the clients' information for any other purposes without clients' consent. In FY 2018, there are no incidents or complaints pertaining to breaches of clients' privacy.



Site visit to the Langat 2 Water Treatment Plant by YB. Dr. Xavier Jayakumar, Minister of Water, Land and Natural Resources.

Sustainability Statement

Branding & Reputation

Branding & reputation is a newly added key material issue following the review of the materiality matrix by the SWG and Sustainability Committee. Effective communications and engagement is crucial in creating a positive corporate image to the stakeholders and public. We manage our branding & reputation through the following platforms to maximize our engagement impacts:

1

Analyst and fund managers briefing

We meet with analysts and fund managers from time to time to keep them updated on Salcon's financial and operation performance.

2

Industrial exhibitions, seminars, workshops and conferences

We participated in the biggest water exhibition in Vietnam - VietWater 2018 Conference & Exhibition to further penetrate into the Vietnam water market by increasing brand awareness in the country and meeting potential partners or clients.

Our subsidiary, Salcon Petroleum Services (SPS) participated in four exhibitions and conferences in FY 2018 to meet experts in offshore, technology and sustainability. Offshore Technology Conference (OTC) and Wells Technology Conference 2018 are among 2 exhibitions SPS joined.



Salcon Petroleum Services participated in the Offshore Technology Conference in July 2018.

3

Membership participation

In order to support and keep track with the latest industry updates and maintain our relationship with the industry peers, we participate in various related industry associations and are a member of:

- a) Global Water Intelligence
- b) Malaysia Water Association (MWA)
 - a. Participation & support in the Water Industry Guide, Table Calendar & Annual Dinner
- c) International Water Association (IWA)
- d) Malaysia Investor Relations Association (MIRA)
 - a. Attended seminars/ workshop organized by MIRA
- e) Malaysia South-South Association (MASSA)
 - a. Participation in Anniversary Dinner and experience sharing on venture into Vietnam market
- f) United Nations Global Compact (UNGC) (signatory)
 - a. Submission of Communication of Progress (COP)
 - b. Being a respondent for Malaysia Human Rights & Climate Change survey
 - c. Being one of the Malaysia Human Rights & Climate Change Enabler
- g) Malaysia Institute of Corporate Governance (MICG)
- h) Malaysia Employment Federation (MEF)

4

Online platform

Currently, the Group's corporate website (www.salcon.com.my), corporate webmail (corporate@salcon.com.my) and Facebook page (www.facebook.com/SalconBerhad) are the main online communication tools with our stakeholders. Stakeholders may obtain the latest information from the corporate website and communicate directly with us through the webmail or Facebook page.

5

Get-together activities

We conduct networking session with our stakeholders such as clients/ associates/ consultants/ government authorities through semi-formal festive celebrations such as Buka Puasa Get-together. The get-together activities were conducted at project site levels and we take the opportunity to listen to our stakeholders' feedback on our project progress and performance.

Sustainability Statement

ENVIRONMENTAL

We are committed to minimizing our environmental impacts and building operational resilience throughout our operations by reducing our carbon footprint and emissions.

Although environmental issues are not rated as key material issue under our materiality survey, all employees are responsible to comply with relevant environmental policies, conduct environmental performance monitoring and conservation efforts as part of our climate mitigation effort to ensure a sustainable future.

Salcon's alignment to SDGs, material issues and our programmes under Environmental Section:



SDG 13 Climate Action

Our Alignment to SDGs

The company's commitment towards sustainability and environmental management is encapsulated in the Salcon Green Policy which aims to reduce our carbon footprint and pollution in the key areas of energy & water consumption, waste management, procurement, biodiversity and education.

Material Issues

- Wastewater management & effluent disposal/reuse
- Waste management
- Water use & management
- Environmental compliance
- Environmental initiative
- Pollution
- Material use
- Energy management
- Carbon emission
- Biodiversity
- Noise
- Climate change

Under this Environment Section, we present our environmental performance in the following areas:

1. Climate change & pollution
2. Our approach in environmental management
 - a. Environmental Governance
 - b. Environmental Conservation
 - c. Environmental Data Monitoring

Climate Change & Pollution

In line with SDG Goal 13 to take urgent action to combat climate change and its impacts, we continue to address the threat of climate change and pollution through mitigation and awareness efforts. Actions taken by the Group to reduce the impact of climate change include efficient energy management, emission management, waste management and biodiversity conservation.




One of the biggest threats identified from climate change and pollution is the business continuity of operations. Severe impacts caused by climate change and pollution might lead to higher operating costs as more expensive and advanced technology would be required to treat polluted raw water. Thus, the COO oversees the Group's climate change and pollution mitigation initiatives proactively and reports to the Board.

Besides recognizing climate change risks, we also incorporate climate change opportunities into our business strategy. In 2012, we invested in solar panel installation for houses in Southern United Kingdom. This not only generate green energy income for us but also helps to reduce GHG emissions.

Although we do not measure GHG emissions from our operations at present, under the Group's Green Policy, we are committed to apply the following practices in minimizing our carbon footprint and reducing GHG emissions:

1. Efficient energy consumption & management
2. Water conservation & quality water to the community
3. Effective waste management
4. Procurement of environmentally sound products
5. Reducing actions which will adversely impact the eco-system and biodiversity
6. Education to employees and intermediaries

Sustainability Statement

Country	Initiatives to reduce our carbon footprint	Environmental impact
Malaysia 	<ul style="list-style-type: none"> • Zero burning at project site • Video conferencing to replace travelling • Yearly oil spillage drill to avoid soil contamination 	<ul style="list-style-type: none"> • Biodiversity conservation • Carbon footprint reduction • Land preservation
Vietnam 	<ul style="list-style-type: none"> • External drainage cleaning 	<ul style="list-style-type: none"> • Drainage management
United Kingdom 	<ul style="list-style-type: none"> • Solar panel installation investment 	<ul style="list-style-type: none"> • Renewable energy

Our Approach in Environmental Management

As part of our long term approach to achieving environmental sustainability and addressing climate change and its potential environmental impacts to our business operations, we focus on 3 fundamental areas which are environmental governance, environmental conservation initiatives and environmental data monitoring.



External drainage cleaning at Binh An project site to prevent standing water which may lead to biodiversity issues.

Environmental Governance

Environmental issues in our business operation is guided by the core global framework – ISO 14001 Environmental Management System (EMS) as well as the Group's Environmental and Green Policies.

In FY 2018, the Group successfully transitioned from ISO 14001: 2004 EMS to ISO 14001: 2015 EMS. The ISO 14001 is reviewed annually by the Bureau Veritas and 100% of our project sites which are monitored by the Safety, Health & Environment (S.H.E.) Department are certified under ISO 14001. With the new standard in place, we are able to incorporate our environmental management system into the core business processes with more involvement from senior management.

In other focus areas, we are guided by the Group's Green Policy, which was launched in 2016 to further enhance our environmental sustainability efforts in key areas such as energy, water use, pollution, procurement, biodiversity as well as environmental education.

The Board provides oversight of the Group's environmental strategies, initiatives and performance, supported by the Sustainability Committee. The Chief Operating Officer (COO) is the highest executive who is responsible for the Group's environmental performance. All environmental strategies and initiatives are spearheaded by the S.H.E. Department, which is part of the Sustainability Working Group and supported by the S.H.E. Committee. Environmental issues may be raised for discussion and review as part of the Board's meeting agenda.

As at FYE 2018, there were no fines and penalties on issues related to the environment due to any non-compliance with environmental laws and regulations.

Environmental Conservation Initiatives

We are committed to reduce our carbon footprint and have various initiatives in the following environmental focus areas such as energy, water, waste, emission, dust, biodiversity and recycling practices.

Practices such as temperature control, turning off lights, computer and water taps when not in use are applied throughout our business operations. Operationally, we comply with the local authorities rules and regulations on handling dust and managing waste and emissions. We also collaborate with external parties to leverage on their resources to implement our environmental conservation programmes.

Sustainability Statement

Environmental focus area	Actions	Company/ Operation country
Energy Management	Temperature control for air conditioning	Group level
	Turn off lights in rooms not used	Group level
	Replacing faulty lights to LED lights which is more environmentally friendly	HQ
	Educating employees on energy saving through posters & emails	Project sites, Malaysia
	Clear perspex roofing to reduce electricity usage at Eco-Coach & Tours in Penang	Penang
	Energy conservation policy at Binh An Water Corporation (BAWC) and energy audit was conducted to monitor the consumption	Vietnam
Water Management	Non-Revenue Water (NRW) reduction projects in several towns in Malaysia, such as Kuala Terengganu, Marang and Sandakan Our NRW reduction achievement: 1. Kuala Terengganu project: 10 million litres per day (MLD) reduction 2. Marang project: on-going project. (3MLD reduction presently)	Malaysia
	Partnership with Non-Government Organization - Water Watch Penang for a holistic educational approach on water conservation	HQ
	Recycle water for site washing at project sites as well as car and depot washing	Malaysia
	Regular checking and immediate action taken for any leakage	Group
Waste Management	Scheduled/ hazardous waste to be stored in designated container for onward disposal by Department of Environment (DOE) licensed contractor to licensed location	Malaysia
	Introduction of e-Waste bin at office for employees to dispose household or office e-waste properly	HQ
Emission Management	Usage of diesel instead of oil for our transportation services	Penang
Dust Management	Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood	Malaysia
Biodiversity Conservation	Conducted Environmental Aspect Identification (EAI), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control (HIRARC) before commencing a project	Malaysia
	Strictly zero burning and zero hunting at project site	Malaysia
	We are a signatory with World Wild Life (WWF) to support No-Shark Fin for all our corporate functions	Malaysia
	Collaborated with Malaysia Nature Society (MNS) to conduct mangrove tree planting to maintain water quality & avoid soil erosion	Malaysia
Recycling	Recycle practice at all offices	Group level
	Recycling campaign/ competition	HQ
	Garage sales to promote re-use and recycle	Malaysia

Sustainability Statement

We collaborate with Non-Governmental Organizations (NGOs) who share the same vision with us to organize hands-on programmes for our participants to raise environmental awareness in the following 3 environmental focus areas: biodiversity, water conservation and recycling.



Supporting Biodiversity through Salcon Mangrove Tree Planting Programme

We collaborated with the oldest and largest non-governmental environmental organization in Malaysia – the Malaysian Nature Society (MNS) to plant 100 mangrove trees and 40 mangrove seeds at the Bagan Lalang Beach, Sepang, Selangor.

Salcon employees and family members participated in this biodiversity & eco-system conservation initiative and volunteered to step into low-oxygen and slow-moving-water soil to plant the mangrove trees.



Salcon employees and families successfully planted 100 mangrove trees.



Water Conservation via Salcon Smart Water Programme

Salcon Smart Water Programme is our flagship programme to engage the community in water conservation and education. We collaborate with Water Watch Penang (WWP) to conduct hands-on river water monitoring for primary and secondary school students. For more information about the programme, please refer to our Social – Community section of this report.



Office Recycling Competition & Garage Sale

In collaboration with Community Recycle for Charity (CRC), a non-profit organization, this annual inter-departmental spring cleaning and recycling competition was conducted at the end of FY 2018 to encourage employees to recycle, reduce and reuse. A total of 1,095kg of paper, plastic, glass, reusable items, metal and electronic items were collected during the campaign.

A garage sale was also organized to allow employees to sell their preloved items or even new gadgets which are not used to make extra cash and recycle at the same time.



Sustainability Statement

Environmental Data Monitoring

Environmental data serves as an important indicator for us to monitor our environmental progress and performance. It helps us to measure our progress and give us an opportunity to review our action taken in order to achieve the target set. We monitor and report the progress of our environmental performance on a yearly basis for energy, water and waste against our 10-year long term target to reduce consumption in these 3 categories.

3-Year Energy Consumption Data:

The energy consumption data below was extracted from the electricity bills generated by the national electricity utility authority in the respective operating areas.

Energy Consumption at Administrative Offices



Target

To reduce energy consumption by 10% on a per unit basis by 2026 from 2016 for administrative offices

Office	FYE 2016 (baseline)		FYE 2017		FYE 2018	
	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees
HQ	147,368	124	140,225	122	134,329	140
Envitech	79,240	53	71,942	44	69,502	45
VBT	47,096	16	39,960	16	42,476	17
SPS	N/A	N/A	9,930	14	14,585	18
Eco-Coach	2,239	18	3,900	20	45,252	20
Total	275,943	211	265,957	216	306,144	240
Energy consumption per person (kWh)	1,307		1,231		1,275	

- Progress as at FYE 2018: 2.4% reduction of energy consumption per person compared with FYE 2016.
- Energy consumption at project site is not included in the 10-year target due to the fact that the duration of a typical project ranges from 1 to 3 years.

Energy Consumption at Project Sites

Project site	FYE 2016 (kWh)	FYE 2017 (kWh)	FYE 2018 (kWh)
Langat 2	417,089	271,749	276,146
Langat Centralised Sewage Treatment Plant (CSTP)	240,000	74,876	18,749
Kuala Terengganu Utara WTP	N/A	N/A	51,277
Binh An Water Treatment Plant	10,434,400	10,430,400	10,431,300

Sustainability Statement

3-Year Water Consumption Data



Target

To reduce water consumption by 10% on a per unit basis by 2026 from 2016 for administrative offices

As a company with water and wastewater treatment plant construction as core business, we understand how precious and important is clean and quality water as a natural resource. We are committed to reduce water use throughout the Group and improve the efficiency via technology.

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas.

As Malaysia is not a water-stressed region, being blessed with high abundant rainfall averaging 3,000mm annually, we do not invest in R&D to mitigate water-related risks at this moment as we place more focus on other operational and management risks.

As at FYE 2018, there are no incidents of non-compliance with water quality/ quantity permits, standards and regulations. Over the last 3 years (FY 2018, 2017, 2016), 100% of our water was discharged to off-site wastewater treatment plant whilst 100% of our water was withdrawn from surface water ie rivers.

Office	FYE 2016 (baseline)		FYE 2017		FYE 2018	
	Water consumption (m3)	No. of employees	Water consumption (m3)	No. of employees	Water consumption (m3)	No. of employees
Envitech	549	53	365	44	335	45
SPS	N/A	N/A	12	14	19	18
Eco-Coach	16.8	18	19.2	20	7	20
Total	565.8	71	396.2	78	361	83
Water consumption per person (m3)	8.0		5.1		4.3	

HQ and VBT's water data is not available as its water usage is taken as part of the office rental

- Progress as at FYE 2018: 46% reduction of water consumption per person compared with FYE 2016.
- Water consumption at project site is not included in the 10-year target due to the fact that the duration of a typical project ranges from 1 to 3 years.

Water Consumption at Project Sites

Project site	FYE 2016 (m ³)	FYE 2017 (m ³)	FYE 2018 (m ³)
Langat 2	148,861	1,928	73,605
Langat CSTP	480	841.75	299
Kuala Terengganu Utara WTP	N/A	N/A	2,768
Vietnam Binh An WTP	20,000	20,000	20,000

Sustainability Statement

3-Year Scheduled Waste Data



Target

To reduce scheduled waste generation by 10% per project basis by 2026 from 2016

Project site	FYE 2016 (metric tonnes) (baseline)	FYE 2017 (metric tonnes)	FYE 2018 (metric tonnes)	Result (Comparison of % reduction FYE2018 with FYE2016)
Langat CSTP	1.60	1.27	2.40	+ 50%
Langat 2	4.30	2.18	0.45	- 89.5%
Vietnam	0.12	0.12	0.12	maintained

2 out of 3 of our project sites (66.7%) successfully reduced scheduled waste generation by more than 10%.

3-Year Raw Material Used Data

Vietnam Project	FYE 2016 (tonnes)	FYE 2017 (tonnes)	FYE 2018 (tonnes)
Chlorine	48	46	44
Lime	240	248	226
Alum	572	550	519
Fluoride	55	60	55

Langat CSTP Project	FYE 2016 (tonnes)	FYE 2017 (tonnes)	FYE 2018 (tonnes)
Metal	9,300	13,443	459
Concrete	3,600	98,830	12,369

3-Year Diesel Consumption

Office/Site	FYE 2016 (liters)	FYE 2017 (liters)	FYE 2018 (liters)
Eco-Coach & Tours	940,801	1,080,521	1,200,000
Langat CSTP	131,040	109,200	98,280

3-Year Recycled Data

	Paper (kg)	Plastic (kg)	Metal (kg)	Glass (kg)	Reusable items (kg)	Electronic items (kg)
FYE 2016	4,262	288.6	157.1	106.4	469.3	252.1
FYE 2017	3,778	0	34	0	0	0
FYE 2018	2,362.4	13.3	24	4.3	76.9	0.5

Sustainability Statement

SOCIAL – EMPLOYEES

Employees are a fundamental element contributing to the Group’s long-term growth and success. Along our journey in workplace sustainability, our aim is to be an employer of which our people are proud to work for.

We are committed to create a respectful, diverse, inclusive and collaborative work culture as well as safe and healthy working environment to ensure our employees are able to perform with maximum productivity.

Salcon’s alignment to SDGs, material issues and our programmes under Social - Employees Section:

SDG logo		Our Alignment to SDGs	Material Issues
SDG 3 Health And Well-Being		We are committed to create a safe and healthy workplace for all employees at office and project sites whilst promoting a healthy work-life balance.	<ul style="list-style-type: none"> • Occupational safety & health • Employee well-being • Work-life balance
SDG 8 Decent Work & Economic Growth		We provide trainings to employees to enhance their skills and competencies for career development and promotion opportunities.	<ul style="list-style-type: none"> • Training & development • Talent attraction & retention
SDG 10 Reduced Inequalities		We welcome diversity and aim to create a culture of inclusivity with zero discrimination by gender, race, religion or ethnicity at the workplace.	<ul style="list-style-type: none"> • Equal opportunities & diversity • Employee engagement

Employees Rights

We practice fair employment and abide by the Employment Act in Malaysia and similar employment acts in other countries in which we operate. Every employee is entitled to his or her own rights at the workplace, including the right to privacy, fair compensation, and freedom from discrimination. In order to keep abreast with the latest labour issues, Salcon’s Human Resources personnels attend to the Malaysia Employment Federation (MEF) forum from time to time. There is no report on grievance or non-compliance on human rights issues in FYE 2018.

Under the Whistleblowing Policy and the grievance mechanism, employee can freely voice out or report any misconduct or issues related to human rights/ employee rights.

We uphold the following principles in ensuring a respectful, fair, healthy and functioning workplace:

Principle	Our Action
No child labour	In all the countries in which we operate in, we strictly comply with the local laws and regulations to ensure we do not recruit any employees below the set minimum age.
No forced labour	
Freedom in political view	We do not impose on our employees’ political view as this is our employee’s personal choice and freedom. However, employees are not allowed to influence other workforce or allow their work performance to be affected by their political views.
Fair treatment	All employees are treated equally and received fair treatment on their recruitment, including working hours, overtime and minimum wage.
Safe & healthy workplace	We are responsible for our employees’ workplace health & safety and implement various of initiatives to create a safe & healthy working environment. For more information, please refer to the Safety & Health at this section.

Sustainability Statement

Diversity & Equality

Equal Opportunity and diversity is one of the key material issues in our Materiality Matrix. Being headquartered in a multi-racial country, Malaysia, we are committed to provide a diverse, inclusive and fair work culture that values and celebrates differences. Diversity is embraced and different perspectives on issues are welcomed as it fosters creativity, innovation and 'out-of-the-box' thinking to solve business challenges.

The Group's Human Resources Department and recreational club, Salcon Recreational Club (SRC) play an important role in embracing diversity, promoting inclusion and creating positive vibes through employee engagement activities such as festive celebrations, sports events and recreational activities to strengthen the relationship among colleagues from different backgrounds.

We emphasize on 2 principles under Diversity & Equality, which are:

1. Equal opportunities
2. Women empowerment & gender diversity



Employee involvement programme in conjunction with World Water Day celebration.

Equal Opportunities

Every employee in the Group is treated fairly and equally in terms of recruitment opportunities and career advancement. Promotions, remunerations or performance incentives are solely based on performance and merit.

We do not discriminate our workforce in terms of gender, age group, racial, ethnicity, sexual orientation, nationality, religion, cultural background, marital status, disabilities, political inclination or union membership.

We respect and recognize valuable and productive abilities in everyone and value the inclusion of persons with differing abilities. At our subsidiaries namely Envitech Sdn Bhd & Eco-Coach Sdn Bhd, we have hired employees with hearing disabilities who receive equal treatment and benefits as other able-bodied employees. This accounts for 0.6% of Salcon total global workforce. There is no incident of discrimination reported in FYE 2018.

Women Empowerment & Gender Diversity

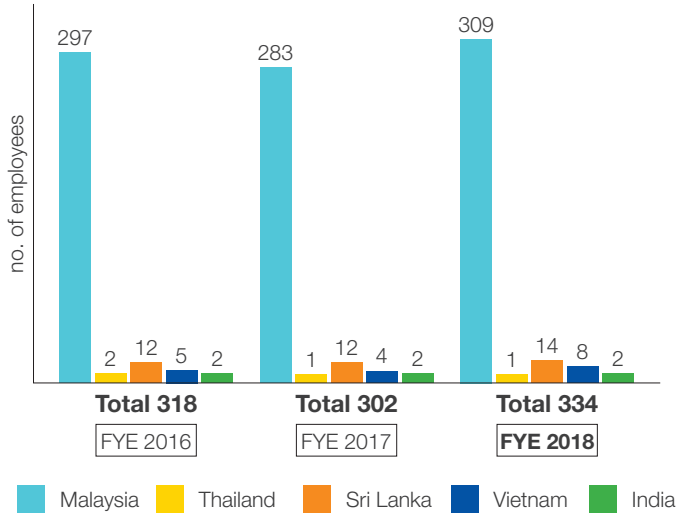
As at FYE 2018, we have a workforce of 202 male employees and 132 female employees. Female employees account for 40% of the total global workforce and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 27% of the senior management consists of female employees, a slight decrease of 1% compared with the preceding year.

Currently, we are actively looking for a suitable female director to join the existing 6 male directors on Board and hope to identify one within this year to provide different perspectives in leading the company to achieve higher milestones.

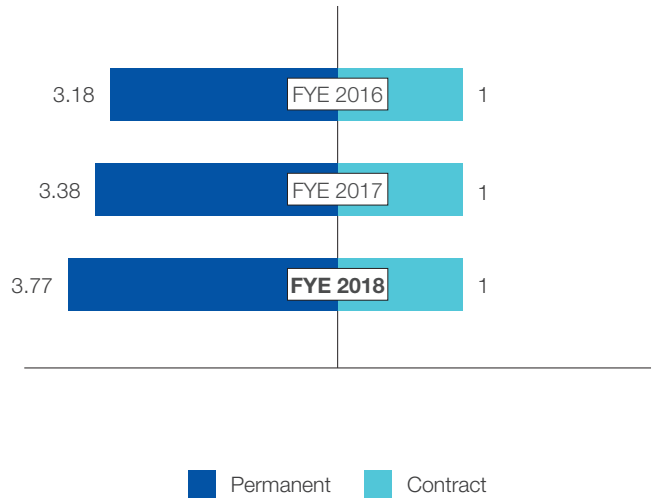
Sustainability Statement

Employees demographic data:

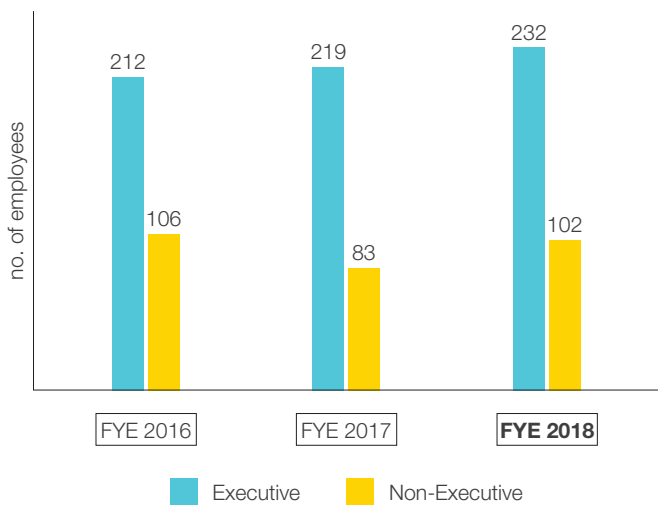
Total Number of Employees



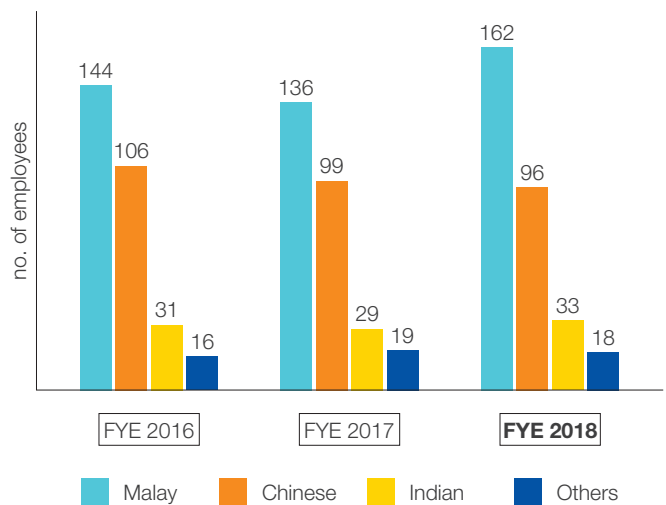
Ratio of Permanent to Contract Employees



Category (Executive and Non-executive)

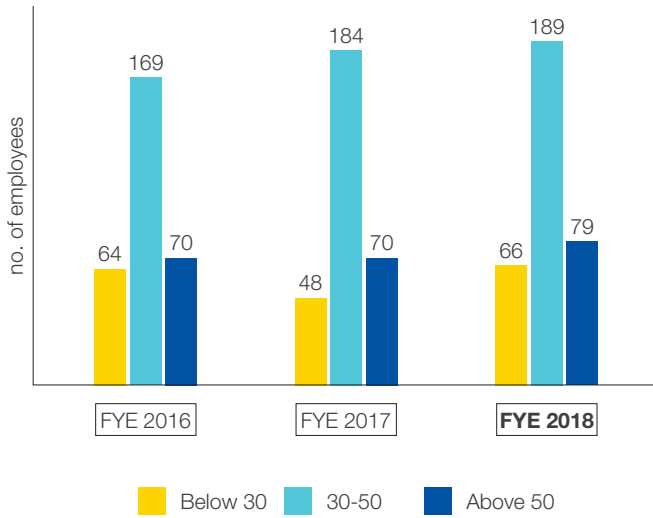


Ethnicity (Malaysia only)

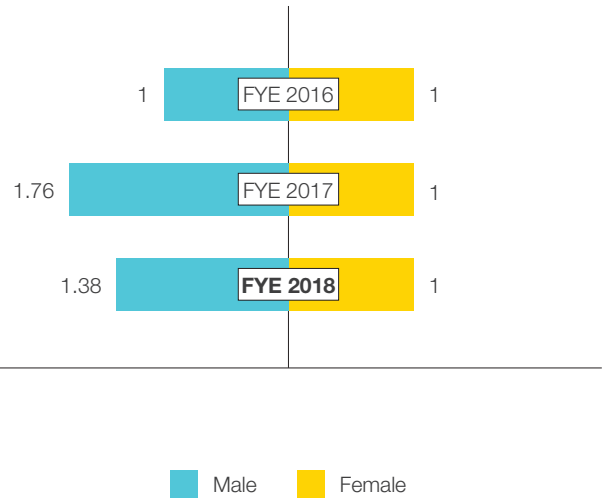


Sustainability Statement

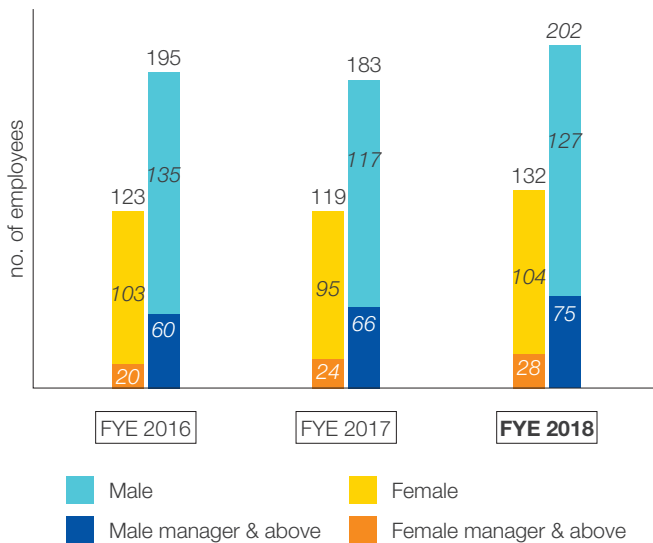
Age Group



Ratio of Remuneration (Men versus Women)



Combination of Gender & Gender of Employees with Position Manager & Above



Sustainability Statement

Human Capital Development

Human capital development and investment is crucial for Salcon's success. The process of developing human capital requires creating the necessary environments in which our employees can learn better and apply innovative ideas, acquire new competencies, develop skills, behaviors and attitudes.

We adopt 2 approaches in developing our internal human capital, which are talent retention & attraction and training & development. We believe these 2 approaches are effective in nurturing our talent and attracting new blood to the Company.

Talent Retention & Attraction

We continuously retain and attract committed, motivated, creative and innovative talents through constant engagement and providing them with competitive salary packages and career advancement opportunities. We ensure that our wages, benefits and perks are competitive by benchmarking ourselves with our industry peers from time to time.

In FYE 2018, our full-time employee turnover rate stands at 7.2%. Newly recruited permanent and non-permanent employees in FYE 2018 was 34 and 13 people respectively.

Training & Development

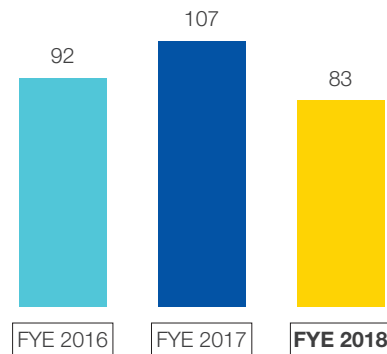
We empower our employees through training and development as it is vital for them to keep abreast with the fast-changing market and to upskill their knowledge. A variety of training programmes are offered to the employees to sharpen their management and technical skills to support personal effectiveness and business needs. These programmes focus on personal & leadership development, positive

mindset, functional/ knowledge, supplementary knowledge as well as safety & health.

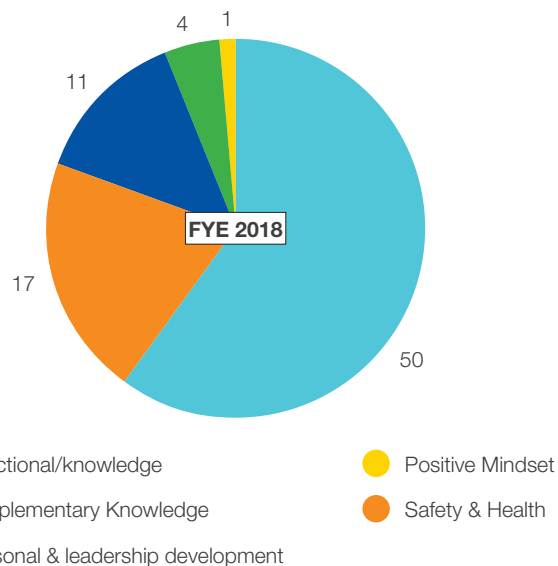
Based on post training surveys from employees, averagely, 92% of the training were effective in achieving and supporting personal development and business needs.

Training Needs Analysis are conducted on a yearly basis where employees discuss with their respective superior to identify suitable training sessions and opportunities to maximize personal potential.

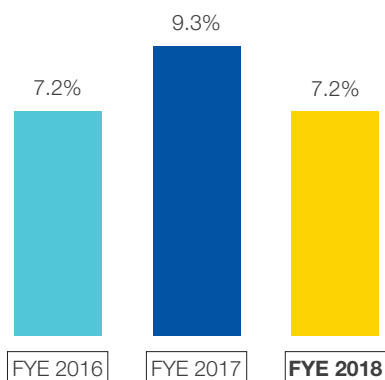
Total Number of Training Programmes for Employees



Categories of Training



Full Time Employee Turnover Rate



Sustainability Statement



Number of training hours
1,819 hours



Average training hours per employee
5.9 hours



Average training days per employee
0.5 days



Training investment
RM136,761.50



Effectiveness of training
92% of participants surveyed, met their training objectives

Employee Well-being & Work-life Balance

Happy employees with a healthy work-life balance deliver better results and bring win-win solutions for both the Company & individual. To ensure that our employees are physically and mentally fit to perform at the workplace, the following measures are taken to ensure our employees' well-being:-

1. Family-friendly Benefits

In order to support working parents, we offer family-friendly benefits such as marriage leave, paternity leave, examination leave, cash coupon for newlyweds and new-born baby to all employees. Other benefits include medical coverage for employees and their children, condolence wreath for passing away of employees' immediate family.

2. Work-life Balance

We encourage our employees to stay active by participating in physical activities whether in their personal life or through company's activities. Regular sports activities, outings and informal get-togethers are organized by our Salcon Recreational Club (SRC) whilst health checks and blood donation opportunities are conducted during our annual Safety & Health Campaign.

Maintaining a Healthy Work-life Balance

Focus area	Organizing unit	Activities
Sports & Recreational	Salcon Recreational Club	Regular sports activities – bowling and badminton
		Outings – Family Day, Annual trip
		Get-together – Annual Dinner
Physical Health	Safety, Health & Environment Committee	Annual Safety & Health Campaign Month: <ul style="list-style-type: none"> • Blood donation • Biggest Loser Campaign • Optical check • Blood pressure check • Breast checking



Company Annual Trip to Zhang Jia Jie, China.

Sustainability Statement

Occupational Safety & Health

As the top key material issue to the Group, occupational safety & health is guided by the Group's Safety & Health Policy, and in line with the SDG 3: Good Health & Well-being. The Board and COO oversee the Group's occupational safety & health to ensure that all safety and health aspects are well taken care of. The Safety, Health & Environment (S.H.E.) Department and S.H.E. Committee implements the S.H.E. initiatives and reports on the progress and issues to the Board.

Employees and sub-contractors spend averagely a third of their daily life at the workplace during a working day. Thus, it is crucial for us to provide a safe and healthy working environment for a safe workplace whilst reducing the Company's operational cost from employees' workplace injury and medical leaves at the same time.

100% of our project sites which are monitored by the S.H.E. Department are certified with the OHSAS 18001 certification and audited by the Bureau Veritas. The S.H.E. Committee, which is chaired and responsible by the Group Chief Operating Officer (COO) consists of representatives from the management and employees.

With the support of the S.H.E. Department, the S.H.E. Committee carries out numerous initiatives and monitor the safety and health progress, targets and its implementation.

No.	Initiatives	Frequency
1	Project sites inspection and audits	Quarterly
2	S.H.E. Committee meeting to discuss workplace safety & health issues	
3	Audit at HQ & project sites	Yearly
4	Reminder emails on current workplace safety and health issues	As needed
	Safety and health events held during the Annual Safety & Health Campaign Month to raise awareness	

No.	Action	Project site/ office
1.	Hazard Identification, Risk Assessment and Risk Control (HIRARC) to identify the potential risks and opportunities before commencement of project	Applicable water and wastewater projects
2.	Basic occupational first aid & CPR training	Envitech
3.	Safety & Health Campaign Month	HQ
4.	OHSAS Campaign -Labour Safety and Hygiene Week	Vietnam
5.	Fire drill	HQ, Envitech, SPS, Langat 2, Langat CSTP
6.	SHE induction training for new workers	Applicable water and wastewater project sites
7.	Toolbox briefing	
8.	Machinery inspection	
9.	S.H.E. audit & inspection	
10.	Optical check	HQ
11.	Blood donation	HQ
12.	Breast cancer awareness campaign	HQ

Sustainability Statement

Working Towards Zero Loss Time Injury (LTI)

In FY 2018, the Group achieved 786,896 man hours with zero loss time injury (LTI) through various health and safety measures to provide a healthy and safe workplace to our employees and contractors.

The man hours without LTI target remains at 1 million hours.

	FYE 2016	FYE 2017	FYE 2018
Achieved man hours without LTI (hours)	10,182,880	189,185	786,896

In FYE 2017, our man hours with zero LTI has been reset in November 2017 due to an incident which occurred at our Kuala Terengganu Utara project site where the finger of our sub-contractor's employee was hurt by a bar-bending machine. The safety team and management has reviewed the investigation results and affirmative actions taken to ensure that the incident does not recur.

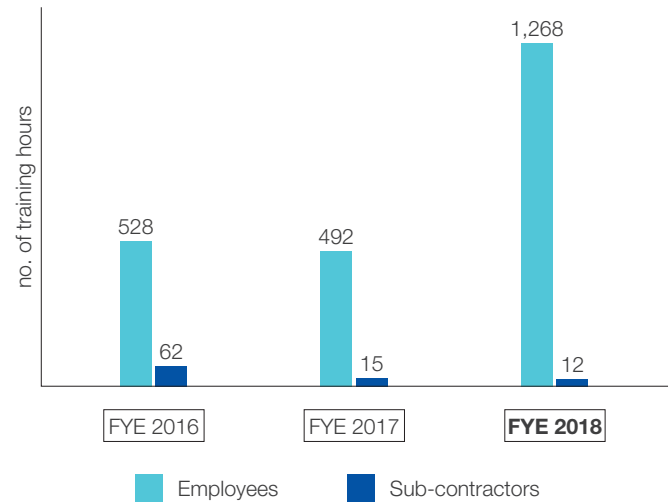
Between FYE 2016 – 2018, no work-related employee and contractor fatalities cases were reported.

Safety & Health Training

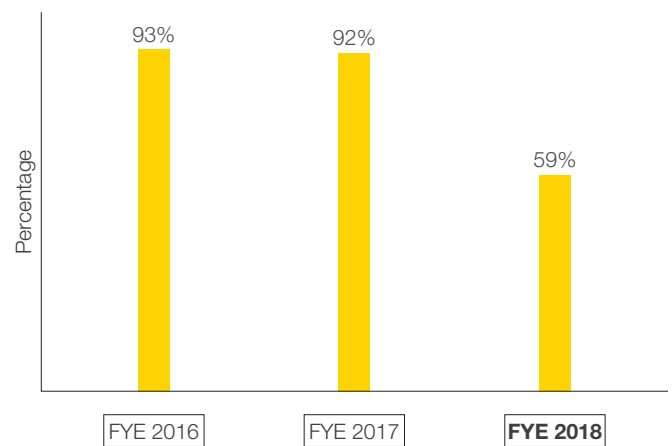
Having comprehensive safety and health policies and programmes at both offices and project sites are not sufficient to ensure a safe and healthy workplace. We equip our employees and sub-contractors with the latest on safety and health issues and technical knowledge so that they can perform their job safely and efficiently at workplace without injury or fatalities.

To this end, employees and sub-contractors are sent for relevant courses on safety and health regularly. In FYE 2018, 6 employees who are not S.H.E. Committee were also sent to attend safety-related training.

Total safety & health training hours for employees & sub-contractors



Percentage of S.H.E. committee members who attended safety & health related training



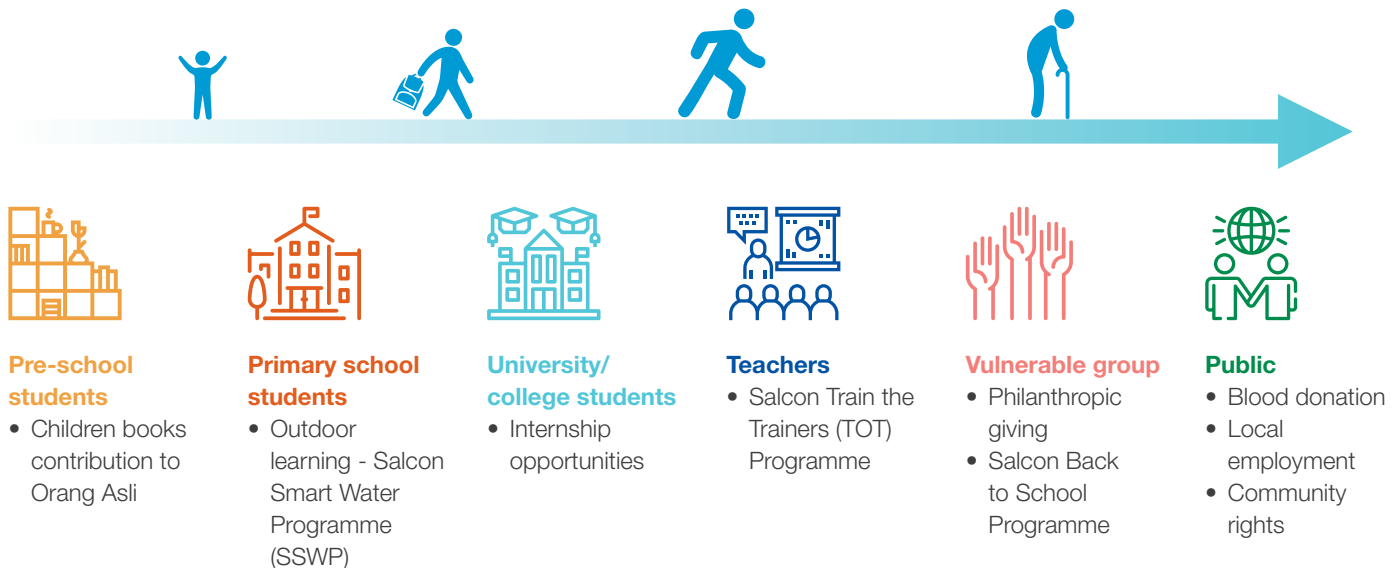
Sustainability Statement

SOCIAL – COMMUNITY

Investing in our community is an integral part of our sustainability strategy in the education of our younger generation and the upliftment of vulnerable groups. Through engagement with our partners, we leverage on resources and skills to drive positive and sustainable change to the communities in which we operate in.

Salcon's alignment to SDGs, material issues and our programmes under Community Section:

SDG logo	Our Alignment to SDGs	Material Issues
SDG 8 Decent Work And Economic Growth 	We support local employment and prioritise the local community at our operation areas in terms of job opportunities to drive the local economy.	<ul style="list-style-type: none"> Local employment
SDG 17 Partnerships For The Goals 	We collaborate with various NGOs who share the same values as us to uplift the communities living standards and quality of life.	<ul style="list-style-type: none"> Community investment & development Community engagement Human rights



Sustainability Statement



Children Books Contribution to Orang Asli

Good quality education and knowledge will help to improve living quality and inspire creativity. In order to cultivate the habit of reading among Orang Asli (indigenous) children, we collaborated with THE PEOPLE GIVING, a non-profit organization to collect non-syllabus children books from our employees and donated to the children of the Orang Asli community.

Outdoor Learning - Salcon Smart Water Programme

Salcon Smart Water Programme (SSWP) is our flagship community programme to raise awareness on water conservation through a hands-on education approach. This regional award-winning programme, which started since 2010, reflects our commitment in bridging the future generation.

The SSWP is a long-term collaboration with non-government organization, Water Watch Penang (WWP) and is conducted bi-monthly for primary and secondary school students. Through the programme, students learn to conduct physical, chemical and biological experiment on river according to our customized syllabus. We measure the effectiveness of the programme through a pre and post survey on the knowledge improvement of the students.

SSWP's achievements since its implementation:

- Number of students benefited: 2,712 students
- Participants recommendation rate: 100%
- Reached out: 64 schools & 4 orphanage homes

- Media value generated: RM 683,704.90
- Knowledge improvement: 10.65% (based on FYE2018 surveys)
- Awards won:
 - o Asia-Pacific Enterprises Leadership Awards - Honorable Mention Award (Educational Service Award category)
 - o Asia Responsible Entrepreneurship Awards - Green Leadership Award

HIGHLIGHTS OF THE SALCON TOT PROGRAMME



Number of teachers trained
160 teachers



Number of schools which conducted own programme
14 schools



Number of programme conducted by schools
32 programmes

Internship Opportunities

Internship opportunities provide a platform for colleges or universities students to develop and refine skills so that they can make social-economic contribution in the corporate world after graduation. As such, we collaborate with tertiary education institutions to offer internship opportunities. One such collaboration is with the Tunku Abdul Rahman University College's i-Star Internship Programme.

Through internship opportunities, students gain valuable work experience and explore their career path. In FYE 2018, we have recruited 4 students as interns.

Sustainability Statement



Salcon Back to School Programme by Salcon volunteers for Pusat Jagaan Cahaya Kasih Bestari orphans.

Philanthropic Giving

Salcon is committed to be a caring corporate citizen which tends to the needs of the community. We lend a helping hand to those in financial need to ease their burden and set an example to our employees for being compassionate and kind.

Guided by our Sponsorship & Donation Policy, we provide philanthropic giving to orphanage homes, old folks homes and disabled people homes. In FYE 2018, we have donated RM72,900 to 11 charity homes.

In Vietnam, our project office achieved their yearly commitment in philanthropic giving through support of a cancer research programme - Terry Fox Run Fundraising Programme as well as in-kind support to poor families in Binh Thang Ward.

Salcon Back to School Programme

In FYE 2018, we made meaningful school opening preparation to orphans from Pusat Jagaan Cahaya Kasih Bestari through the annual Salcon Back to School Programme.

Employees not only contributed financially together with the Company for the programme, some also volunteered to bring the orphans for a half-day outing to the hypermarket to purchase their school uniforms, shoes, stationeries and activity books.

In FYE 2018, we provided 4 volunteering opportunities to our employees which are:

1. Salcon Mangrove Tree Planting Programme
2. Salcon back to School Programme
3. Visit to old folks home Pusat Penjagaan Al Fikrah Sungai Sikamat, Kajang
4. Gotong-royong (cleaning programme) with Sekolah Kebangsaan Dusun Nanding, Hulu Langat

Employee Volunteering

Organizing programmes which involve employee volunteering such as the Salcon Back to School Programme is in line with the Salcon's sustainability agenda as we believe active employee volunteerism will generate win-win outcome for both Company and the individual.

We encourage employee volunteering as a part of our employees' self-development and improvement through selfless contribution to the community. Through employee volunteering, employees will gain a sense of achievement on a personal and collective level, as well as have a greater understanding of the issues surrounding our community.

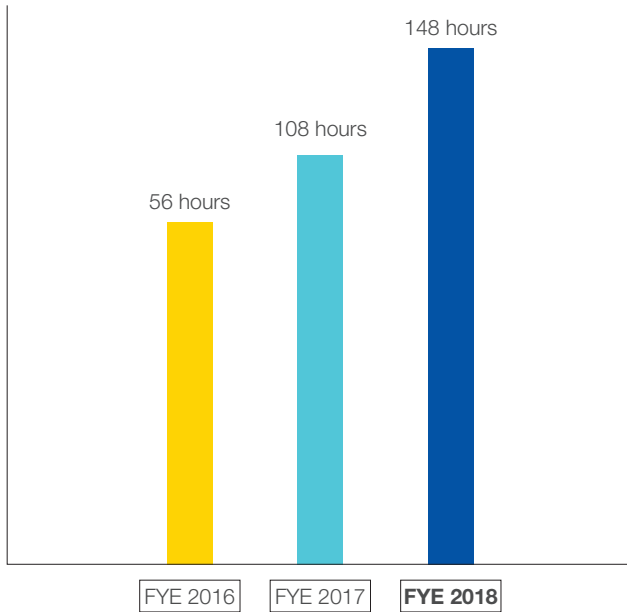
From the Group's perspective, employee volunteering is a relationship that everyone benefits from. We are able to provide support to a good cause and the Company is able to enhance its corporate image.

Salcon Blood Donation Drive

In conjunction with the Salcon Safety & Health Campaign Month, we collaborated with the National Blood Bank to organize our 9th annual blood donation drive. We reached out to employees, college students nearby and the Subang Jaya community for this campaign and successfully collected 77 pints of blood, translating into 231 lives saved. This is because for each unit one donates (about 1 pint), it can be divided into the three primary components — red blood cells, plasma, and platelets — saving up to three lives.

Sustainability Statement

Employee volunteer hours



Local Employment

Salcon's commitment to supporting local employment reflects our commitment to SDG 8: Decent Work and Economic Growth where we prioritize job opportunities to the local community to drive the local economy. This commitment is stated in the Group's Recruitment Policy and we see this as a win-win strategy for both the Company and community. The community enjoys more job opportunities and better economic standards whilst the Company saves cost on imported talent.

Community Rights

As a project developer and contractor, it is our responsibility to ensure that the community has the rights to raise any issues or concerns related to our projects. The project manager of each project site is responsible for engaging and communicating with the local community to ensure we do not create any disruption or inconvenience to the residents.

Various channels are provided for the community to report on any wrongdoing in relation to the project or lodge any complaint through our grievance mechanism procedures. The public complaint form is available at project sites in English & Bahasa Malaysia. There were no cases of human rights violation in FY 2018.



The annual community engagement programme - blood donation drive received good response from Salcon employees and the public.

Conclusion

A sustainable financial performance balanced with good EES performance will generate long term values for our stakeholders, the environment and the community. We aim to achieve this by integrating sustainable best practices, promoting sound environmental and social practices, encouraging transparency and accountability, and contributing to positive development impacts throughout our business operations.