

Sustainability Statement

The Group's new sustainability framework which aims to transform lives for the better is focused on creating a sustainable living landscape for the environment and the community within our operations while upholding our mission in providing top quality product & services through operational excellence.



Sustainability Statement

REPORT OVERVIEW

This Sustainability Statement is Salcon Berhad's (Salcon or the Company) 13th annual reporting of our Economic, Environmental and Social (EES) performances. In this report, we will share the strategic measures undertaken to strengthen the Company's sustainability performance which include identifying risks, opportunities, mitigation measures undertaken as well as provide measurable targets and progress for our key material issues.

As we continue to benchmark our sustainability performance against global reporting standards as well as local guidelines and frameworks, we voluntarily disclose our climate-related financial disclosures in four key pillars as recommended by the Taskforce for Climate-related Financial Disclosure (TCFD) starting this year. We have also refined and prioritized the 3 primary and 7 secondary Sustainable Development Goals (SDGs) which are most relevant to our business and on which we can make a significant impact.

In line with Group's new Vision & Mission, we introduce a new sustainability framework which aims to lead positive transformation changes to support the implementation and delivery of our commitments for the long-term viability of our business.



Reporting period
1st January 2019 – 31st December 2019

SCOPE OF REPORT

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 85% 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 marking)

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 to our stakeholders.



Principal Guidelines

- Bursa Malaysia Sustainability Reporting Guide
- Task Force on Climate-related Financial Disclosures (TCFD)



Supplementary Guidelines

- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiative (GRI) Standards
- AA1000 Stakeholder Engagement Standards 2015



Commitment



ACCESSIBILITY & FEEDBACK

This report, which is available in HTML & PDF format is available at our corporate website at <https://www.salcon.com.my/sustainability/sustainability-statement>

We welcome any feedback or suggestion about our sustainability performance. Please address any comments you may have to the Sustainability Committee at corporate@salcon.com.my

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SUSTAINABILITY AT SALCON

The Group's new sustainability framework which aims to transform lives for the better is focused on creating a sustainable living landscape for the environment and the community within our operations while upholding our mission in providing top quality product & services through operational excellence.

This is in line with Salcon's new Vision, Mission and revised Core Values which encompass all our business activities where we aim to enrich lives by committing to acting sustainably - balancing the social, environmental and economic aspects to make a positive difference to individuals, society and the environment.

AWARDS & RECOGNITION



FTSE4Good

Inclusion in FTSE4Good Bursa Malaysia Index for the 5th consecutive year



CSR Malaysia Awards 2019 – Company of the Year Award in Construction & Engineering Category

















Asia Sustainability Reporting Award – Asia's Best Sustainability Report Award



ASEAN HR Award – (Malaysia Category)

SUSTAINABILITY FRAMEWORK

The new Sustainability Framework outlines the Company's approach through its commitments in the three main pillars i.e. **Economic, Environment and Social**.

| |  Economic |  Environment |  Social |
|---------------------------|--|---|--|
| Our Commitment | Transforming Lives for The Better | | |
| Our Key Areas | Innovative products & services through operational excellence | Protecting the environment | Thriving workforce and happy communities |
| Key Material Areas | <ul style="list-style-type: none"> Financial management & profitability Ethics & integrity Clients satisfaction Project delivery Corporate Governance Branding reputation Technology & Innovation | <ul style="list-style-type: none"> Environmental & Climate Change | <ul style="list-style-type: none"> Occupational safety & health Workplace well-being Equal opportunities & diversity Training & development Talent attraction & retention Community Engagement |
| Impact on SDGs |       |  |     |

Note: Key material areas have been updated to reflect current stakeholder concerns and the company's key sustainability risks and opportunities in FY 2019. For more details of the materiality assessment, kindly refer to page 34.

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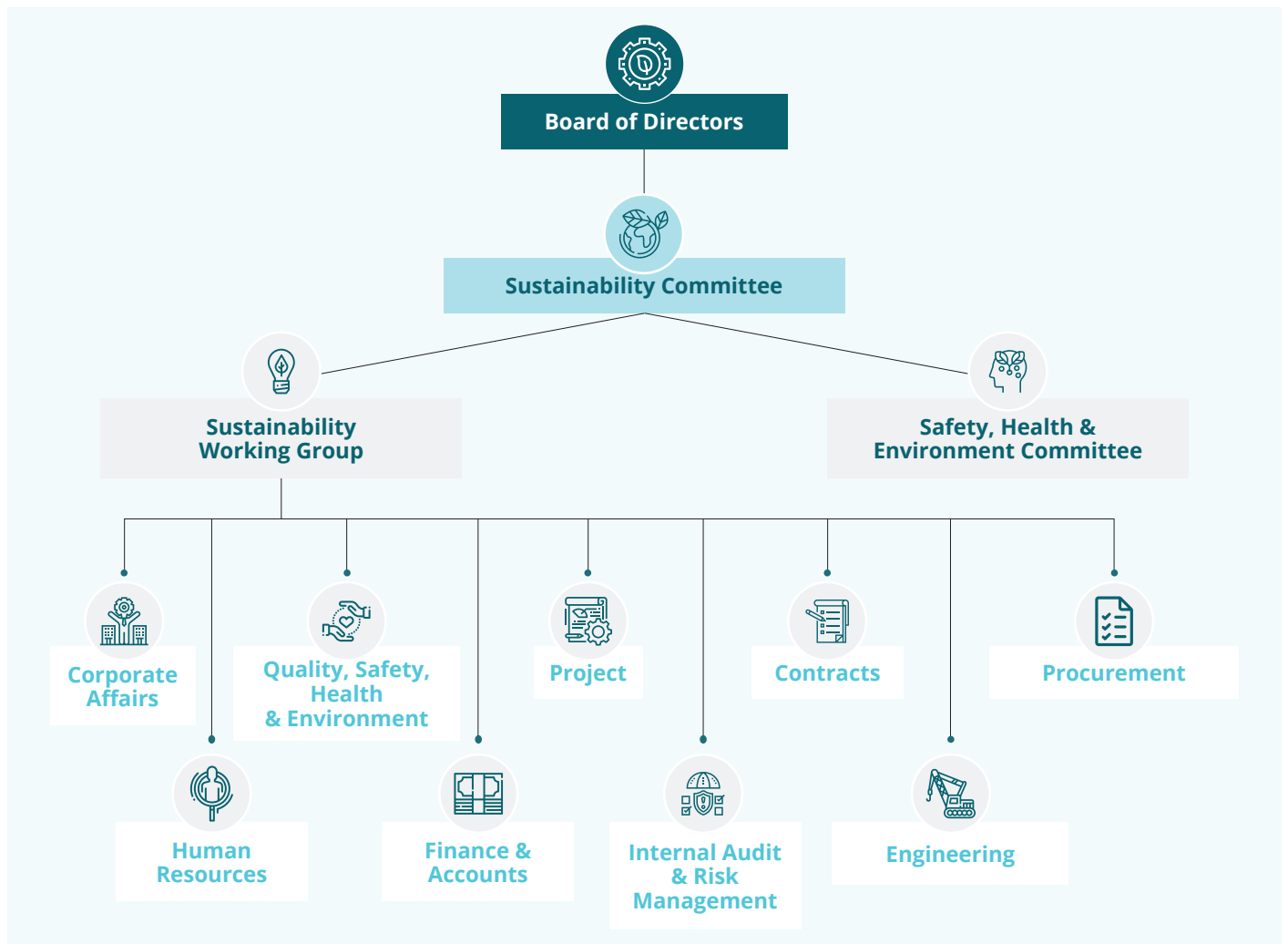
GOVERNANCE STRUCTURE

The sustainability governance structure at Salcon is committed to ensuring that the right executive leadership, strategies and internal controls are in place to instill sustainability principles across the organization and to ensure the Group's long term success.

The Salcon Board of Directors, with the support of the Sustainability Committee (SC), oversees the Group's sustainability strategies and performance. The SC meets at least once a year to review, discuss, evaluate and recommend strategies for improvement. The Sustainability Working Group (SWG) is a cross functional team which is responsible for the implementation of sustainability strategies. The SWG meets on

a regular basis and monitors set targets & measures for the Company's EES performance besides collating data for yearly sustainability reporting.

This year, in order to improve workflow efficiency, the Quality Assurance & Quality Control Department (QA/QC) and Safety, Health & Environment (SHE) Department was combined into one and renamed as Quality, Safety, Healthy & Environment (QSHE) Department. Besides that, the Engineering Division was included in the revised Governance Structure to reflect the Company's focus on Technology & Innovation as a key material issue.



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MATERIALITY

The Company's materiality assessment was first conducted in FY 2017 and has since undergone yearly reviews and updates to better reflect current stakeholder concerns and the company's key sustainability risks and opportunities.

METHODOLOGY

The materiality assessment process follows Bursa Malaysia and GRI Sustainability Reporting guidelines and helps us to identify risks and opportunities of key material issues which matter most to our stakeholders.



1

Identification and Review of Material Issues from Internal and External Sources

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, employee satisfaction survey
- b. External sources: rating & index guideline (FTSE4Good Bursa Malaysia Guidelines, GRI guidelines, Bursa Malaysia Sustainability Reporting Guide, TCFD Recommendations), media reporting, analyst reports, external peer review, clients survey, industry news



2

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

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. The SWG collectively reviewed and gauged the material issues which are material to our business from both the Company and stakeholders' perspective. Based on this, the SWG proposed to prioritize and realign the Company's material issues.

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

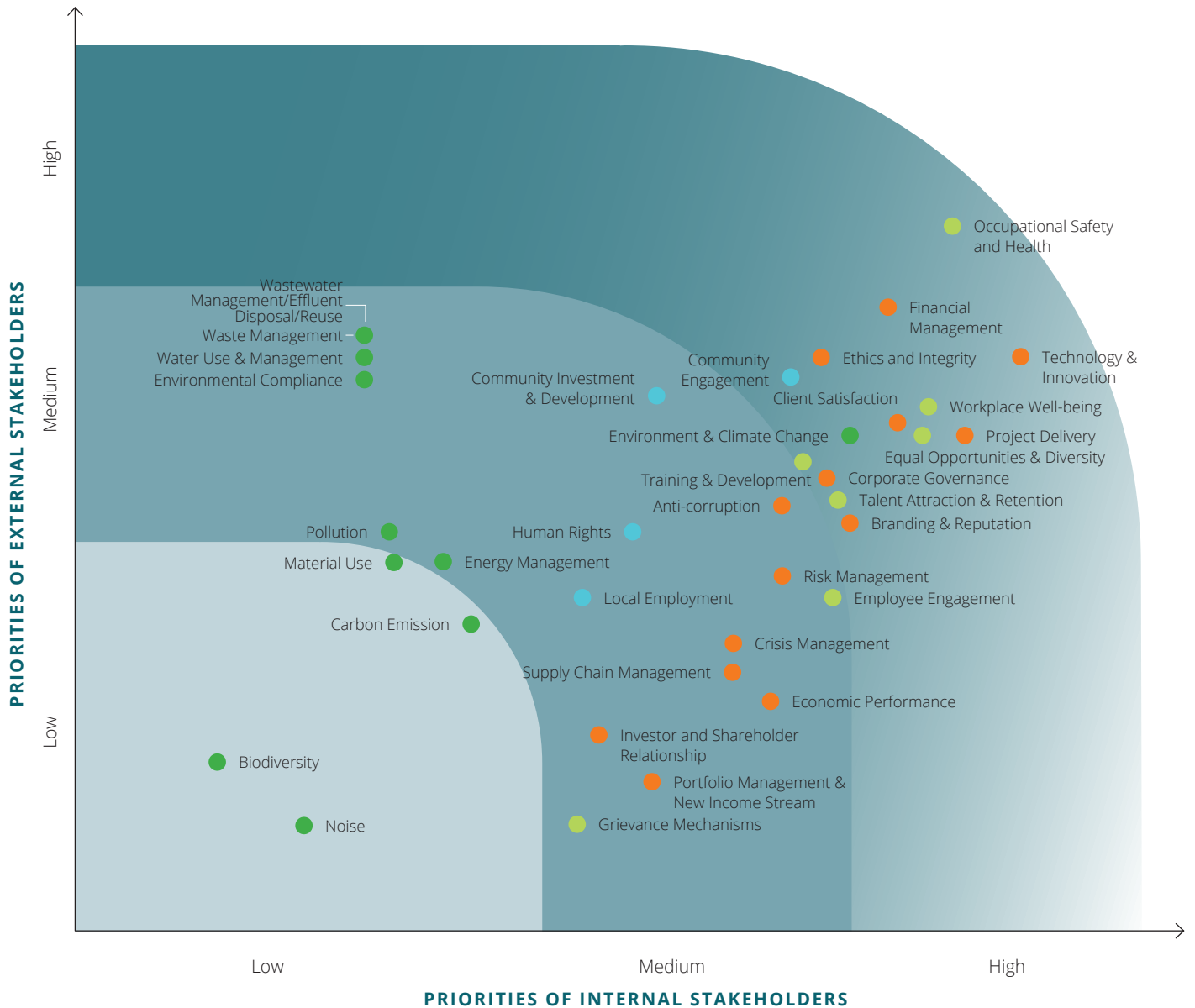


3

Validation - Presentation to The Sustainability Committee

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

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List of 14 Highly Material Issues

| No. | Material Issues | Areas | No. | Material Issues | Areas |
|-----|--------------------------------------|-------------|-----|-------------------------------|-------------|
| 1 | Occupational Safety & Health | Workplace | 8 | Training & Development | Workplace |
| 2 | Financial Management & Profitability | Marketplace | 9 | Corporate Governance | Marketplace |
| 3 | Ethics & Integrity | Marketplace | 10 | Branding & Reputation | Marketplace |
| 4 | Workplace Well-being | Workplace | 11 | Talent Attraction & Retention | Workplace |
| 5 | Clients Satisfaction | Marketplace | 12 | Environment & Climate Change | Environment |
| 6 | Project Delivery | Marketplace | 13 | Technology & Innovation | Marketplace |
| 7 | Equal Opportunities & Diversity | Workplace | 14 | Community Engagement | Community |

Legend

| | |
|---|--------------------|
| ■ | Community issues |
| ■ | Workplace issues |
| ■ | Marketplace issues |
| ■ | Environment issues |

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MATERIALITY ANALYSIS

This year, we re-assessed our material issues to ensure the veracity of our materiality matrix and ranking of our material issues. This was undertaken by assigning weightages to the stakeholders according to their respective level of influence on our business operations.

Based on the above, the SWG and SC identified 4 medium-ranking material issues i.e. *Environmental Initiatives*, *Climate Change*, *Technology & Innovation* and *Community Engagement* to be elevated as part of our key material issues whereby *Environmental Initiatives and Climate Change* were merged as one material issue and renamed as *Environment & Climate Change* to align our environmental initiatives to climate change issues in order to mitigate the environmental impacts. The elevation is also in line with the TCFD recommendations and the SDG 13: Climate Action & SDG 17: Partnership for the Goals as well as to reflect the increasing concerns of investors on how companies integrate EES issues into company business strategy and the adaptation to the competitive market with innovative technologies nowadays.

Besides that, *Work-life Balance* and *Employee Well-being* were merged as one material issue and renamed Workplace Well-being which enables us to focus on developing an inclusive and happy working environment for our employees through employee engagement initiatives.

This brings a total of 14 key material issues of the Group which are categorized into 4 categories: economic, environment, social - workplace and social - community.

We analyze the risks and opportunities for each of our key material issues, mitigation measures undertaken as well as provide measurable targets and progress, where possible, on our various EES goals, in alignment with SDGs and UNGC principles.



ECONOMIC

UNGC Principles: 1 & 10



| Key Material Issues | Risks | Opportunities | Mitigation Measures & Progress (Page Reference) |
|---|---|--|---|
| Financial Management & Profitability | Potential losses leading to reduction of shareholder values and poor share price performance. | <ul style="list-style-type: none"> Re-define Company direction and business strategy. Good management on the Group's financials and investment as well as maintaining healthy profits and economic growth. | 46 |
| Ethics & Integrity | Risk of unethical business practices among employees or throughout the value chain which might affect the Company's reputation. | Embed integrity and ethical business practices in all aspects of our business. | 43 |
| Clients Satisfaction | Potential threat on loss of client and business opportunities. | Meeting clients' requirement in terms of costing, timing, technical expertise etc. | 47 |
| Project Delivery | Risk of losses arising from payment of compensation and reputation. | Successful completion and delivery of projects on time and within budget. | 47 |
| Branding & Reputation | Improper managing of brand and failed stakeholders' communications could result in reputational damage. | Building our business credibility, reputation and brand through effective communications with stakeholders. | 48 |
| Corporate Governance | Potential allegations of misconducts by authority or government in relations to ethical business behavior. | Build up trust and integrity through transparent, accountable and responsible business behavior throughout the business operations and value chains. | 43 |
| Technology & Innovation | Obsolete technologies leading to lack of competitiveness and loss of business. | Harnessing new skills, competencies and tools to support innovation. | 47 |

Sustainability Statement

UNGC Principles: 7 & 8



ENVIRONMENTAL



| Key Material Issues | Risks | Opportunities | Mitigation Measures & Progress (Page Reference) |
|---|---|--|---|
| Environment & Climate Change | Inconsistent and poor climate risk assessments due to lack of credible risk data. | Undertake actions to mitigate the impact towards the environment within our business operations. | 49 |

UNGC Principles: 2, 4, 5 & 6



SOCIAL



| Key Material Issues | Risks | Opportunities | Mitigation Measures & Progress (Page Reference) |
|--|--|---|---|
| Occupational Safety & Health | Major accidents due to non-compliance of policies and procedures that may lead to fatality or severe injury. | Creating a safe and healthy workplace, at both offices and project sites to enhance productivity and performance. | 65 |
| Workplace Well-being | Impacts to productivity and losses to the Company. | <ul style="list-style-type: none"> Social & recreational activities/ initiatives for employees. Employees benefits and compliance with all wage laws for all categories of employees. | 64 |
| Equal Opportunities & Diversity | Challenges arising from workplace discrimination and unfair treatment. | Fair treatment to all employees, employee diversity in respectful workplace. | 59 |
| Training & Development | Outdated skills and knowledge which may limit employee potential. | Training opportunities and career development to employees for self-improvement and development. | 63 |
| Talent Attraction & Retention | Not being able to attract and retain talents will negatively impact the Company's ability to perform and achieve its objectives. | To be the employer of choice by nurturing competent talent for company's growth. | 62 |
| Community Engagement | Lack of community engagement may result in conflicts or tensions especially at project sites. | Create engagement opportunities and provide a platform to voice opinions and give feedback. | 67 |

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ALIGNING TO GLOBAL PRINCIPLES

As a responsible business entity, it is crucial that we play a role in providing action plans to address challenges that have been identified by the global community. In alignment with the UNGC Global principles and United Nations Sustainable Development Goals (SDGs), we pinpointed goals that are highly relevant to our businesses, and analyzed our impact in achieving these goals.

SUSTAINABILITY DEVELOPMENT GOALS (SDGS)

This year, we further commit our actions to the SDGs by assessing and prioritizing our contribution to the SDG goals through the principled prioritization process, taking into consideration the following: -

- Risks to people and the environment: the contribution we can make to achieving the SDGs by meeting our responsibility to address potential and actual negative impacts that are linked to our operations and value chains;
- Beneficial SDG-related products, services and investments: the additional contribution we can make to achieving the SDGs by applying our knowledge, skills and other capabilities to benefit people and the environment.

Based on the criteria above, Salcon has identified 3 primary SDGs and 7 secondary SDGs which are in alignment with our business strategy, business operations and our material issues as below:

















UNITED NATION GLOBAL COMPACT (UNGC)

Salcon is a signatory of the United Nations Global Compact (UNGC) with commitment to align our business to the Compact's 10 principles in four areas on human rights, labour standards, environment and anti-corruption.



Sustainability Statement

Salcon's area of alignment to SDG and UNGC Principles are categorized by EES and presented in the table below. The details of the aligned SDG actions are disclosed in page 42, 49, 58 and 67.



| EES Areas | SDGs | UNGC Principles |
|--|--|---|
|  <p>Economic</p> | <p>Primary</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="455 534 558 629"> <p>6 CLEAN WATER AND SANITATION</p>  </div> <div data-bbox="571 534 674 629"> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  </div> <div data-bbox="687 534 789 629"> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  </div> </div> <hr/> <div style="display: flex; justify-content: space-around;"> <div data-bbox="455 704 558 800"> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  </div> <div data-bbox="571 704 674 800"> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  </div> <div data-bbox="687 704 789 800"> <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>  </div> </div> | <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p>Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.</p> |
|  <p>Environment</p> | <p>Secondary</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="455 853 558 949"> <p>13 CLIMATE ACTION</p>  </div> </div> | <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> |
|  <p>Social</p> | <p>Secondary</p> <div style="display: flex; flex-wrap: wrap; justify-content: space-around;"> <div data-bbox="455 1119 558 1215"> <p>3 GOOD HEALTH AND WELL-BEING</p>  </div> <div data-bbox="571 1119 674 1215"> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  </div> <div data-bbox="455 1236 558 1332"> <p>10 REDUCED INEQUALITIES</p>  </div> <div data-bbox="571 1236 674 1332"> <p>17 PARTNERSHIPS FOR THE GOALS</p>  </div> </div> | <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



Listening to our stakeholders is crucial to the success of our EES strategies and commitments. Engaging with our key stakeholders regularly enable us to understand their needs and expectations, identify gaps and enable us to make informed assessments and formulate strategies incorporating their views and inputs in our business decisions and the preparation of this report.

We are guided by the AA1000 Stakeholder Engagement Standards and engage with different stakeholder groups through various engagement channels.




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| 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. | 65 |
| | | <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. | 63 |
| | | <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. | 62 |
| | | <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. | 64 |
| | | | <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. | 48 |
| | | | <ul style="list-style-type: none"> Internal newsletter | As needed | | 70 |
| | | | <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. | 64 |
| | | | <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. | 62 |
| <ul style="list-style-type: none"> Employees Survey | Bi- annually | <ul style="list-style-type: none"> Opportunities for employees to voice out their feedback to the management. | 47 | | | |
|  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. | 47 |
| | | | <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. | 47 |




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| Stakeholder Group | Importance of Stakeholder | Materiality Issues | Engagement Approach | Frequency | Values Created | Page Reference |
|---|--|--|---|-----------|--|----------------|
|  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 • Portfolio management & new income stream | <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. | 48 |
| | | | <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. | 19 |
|  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. | 48 |
| | | | <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. | 51 |

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| Stakeholder Group | Importance of Stakeholder | Materiality Issues | Engagement Approach | Frequency | Values Created | Page Reference |
|---|---|--|---|------------|---|----------------|
|  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. | 19 |
|  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 | As needed | <ul style="list-style-type: none"> • Build positive relationships with the community and attend to their needs. | 68 |
| | | | <ul style="list-style-type: none"> • Internship opportunities | As needed | <ul style="list-style-type: none"> • 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. | 68 |
| | | | <ul style="list-style-type: none"> • Salcon Inter-school Water Quiz Competition | As needed | <ul style="list-style-type: none"> • Raising awareness of local and global water issues. | 69 |
|  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. | 45 |
| | | | <ul style="list-style-type: none"> • Tender & bidding/ quotation requests | As needed | <ul style="list-style-type: none"> • Share the same ethical procurement values. | 45 |
| | | | <ul style="list-style-type: none"> • Procurement policies & system | As needed | | |

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| Stakeholder Group | Importance of Stakeholder | Materiality Issues | Engagement Approach | Frequency | Values Created | Page Reference |
|---|--|--|--|-----------|--|----------------|
|  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 | Reach out to public on company's strategic direction, future aspirations to promote company branding and reputation. | 48 |
|  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. | 53 |
|  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 • Project site visits and project implementation workshop with the authorities | As needed | <ul style="list-style-type: none"> • Keeping track with industry updates. | 48 |
| | | | <ul style="list-style-type: none"> • Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA) | As needed | <ul style="list-style-type: none"> • Foster good relationships with industry peers. | 48 |

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ECONOMIC

Focus Area: Innovative products & services through operational excellence

Re-defining Company direction and business strategy to deliver profitability and maintain a healthy financial performance.

Salcon's alignment to SDGs:

Primary



Secondary



Delivering profitability and maintaining a healthy financial performance is our foremost sustainability commitment and we aim to achieve this by providing innovative products & services through operational excellence whilst upholding the principles of transparency and integrity in all aspects of our business practices.

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

| SDG Logo | Salcon Alignment to SDGs | Material Issues |
|----------|---|--|
| | 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 |
| | 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 |
| | Water & Wastewater Treatment Our core services, water & wastewater treatment provides one of the most basic yet essential infrastructure for healthy and sustainable living. | <ul style="list-style-type: none"> Technology & innovation Community investment & development |
| | 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. | |
| | Solar Power We install solar photovoltaic system in the United Kingdom to provide clean and affordable energy to households. | <ul style="list-style-type: none"> Environmental initiatives |
| | Improvement to Living Quality Our diversified businesses (water, property development, transportation & technology services) create sustainable cities and quality living environment. | <ul style="list-style-type: none"> Community investment & development |
| | 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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In this section, we present our performance at the Marketplace based on the following areas:

1. Corporate Governance

- a. Ethics & integrity
 - i. Code of Ethics & Conducts
 - ii. Anti-corruption
- b. Risk management
- c. Business & human rights

2. Sustainable Supply Chain

- a. Suppliers and sub-contractors performance management

3. Economic Performance

- a. Financial Management & Profitability

4. Commitment to Our Clients

- a. Clients satisfaction & Project Delivery
- b. Technology & Innovation
- c. Branding & Reputation

CORPORATE GOVERNANCE

Good corporate governance is an ongoing commitment shared by our Board of Directors, management and employees in the Group. Guided by the Malaysian Code of Corporate Governance (MCCG), the Board appoints various Board Committees to facilitate, review and make recommendations to maintain compliance to the law and relevant principles, giving our stakeholders the highest level of assurance with regard to business integrity and accountability.

By setting up a clear governance framework, we are able to ensure transparency and accountable business practices throughout the value chain.

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 expect all business activities to be conducted ethically, honestly and to the highest possible standards of transparency, openness and accountability for our clients, communities and employees.

All directors and employees at Salcon are expected to comply with our Code of Ethics and Conduct (COEC) and Statement of Policy and Business Ethics (SPBE) which encapsulate the Group's stand on ethical responsibility.

Code of Ethics and Conduct

The COEC underpins the Group's commitment to upholding high standards of business ethics and integrity across all our operations. We strive to ensure that all individuals under our employment abide by the code as proof of our commitment to ethical business practices.

The COEC, which was recently reviewed by the Board in FY 2019 to ensure alignment to best ethical practices, is available to all employees via the Company's intranet and official website. Notification of the recent amendments were sent out via email by the Group's Human Resource & Admin Department. New employee are also 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.

The Group's whistle-blowing channel allows our stakeholders to report misconduct of Salcon employees, including member of our Senior Management and Board Member, or complaints and grievances through email, phone call, grievance report form and face-to-face meeting with HR personnel. Details of how to make a report have been made available on our corporate website.

No cases were reported through the Whistleblowing channel in FY 2019.



▲ The Board ensures the highest level of assurance in business integrity and accountability for our stakeholders

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Anti-Corruption

We remain committed to efforts that address, manage and prevent potential corruption activities within the Group.

In line 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 maintains its commitment to adopt the highest standards of honesty and integrity in our business activities. We do not tolerate the direct or indirect offer, payment, solicitation or acceptance of bribes in any form within the organisation and take the most serious view of any attempt of corrupt practices by members of staff, contractors, agents and business partners.

In 2017, the Group introduced The Statement of Policy and Business Ethics (SPBE), which draws together the principles to support Salcon's zero tolerance on any form of bribery or corruption 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.

We apply the same values on anti-bribery and anti-corruption to our suppliers and sub-contractors by enforcing a condensed version of our Policy statement to them upon their appointment. They will need to acknowledge their understanding and agreement on the Company's firm stand on the Policy.

Trainings on Corporate Liability Amendment Act 2018 and Related Party Transaction of Conflicts of Interest were conducted in August and October respectively this year to raise awareness on corporate liability for corruption offences as introduced by the MACC (Amendment) Act 2018 and also to provide knowledge on how to protect the interests of the Company when it is entering into related party transaction with conflicts of interest.

In FYE 2019, we achieved:

- Zero reported incidents of corruption in FYE 2019
- Zero fines/ penalties in FYE 2019 in relation with corruption/ bribery
- Zero employee disciplined or dismissed due to non-compliance with anti-corruption guidelines

Risk Management

Effective risk management is key to ensuring that potential risks are managed and responded immediately to minimize uncertainties and losses.

At Salcon, our risk management is overseen by the Risk Management Committee (RMC) which meets at least once a year to discuss any potential and existing risk issues in the Group, review its effectiveness according to current local and global business environment and reports them to the Board. The RMC is supported by the Internal Audit & Risk Management Department (IARMD).

In line with the Taskforce for Climate-related Financial Disclosure (TCFD) recommendations, the Sustainability Committee has recommended to the Board to integrate ESG risks into the Group's Risk Management Framework. This was discussed at the RMC and the IARMD has been tasked to incorporate relevant ESG causes, consequences, descriptions and applicable controls into the Integrated Risk Management Policies & Procedures.

Salcon Integrated Risk Management Policy is a comprehensive risk management methodology and system which is in compliance with ISO 31000. We use



▲ Construction of Telibong II Water Treatment Plant in Sabah

Sustainability Statement

this policy as the framework to identify, assess, monitor, manage risks and report the operational risks, environmental risks, corruption risk on our operating companies. For more details on the composition of the RMC and our detailed risk management practices, please refer to the Corporate Governance Statement and Statement of Risk Management and Internal Control sections in this Annual Report.

Business & Human Rights

We are committed to support and respect the protection of internationally proclaimed human rights and to ensure that we are not complicit in human rights abuses as per the UNGC's Principle 1 and Principle 2 in human rights standards.

The Group's whistle-blowing policy provides protection, immunity and anonymity to any aggrieved parties/stakeholders including employees and intermediaries such as suppliers, sub-contractors, customers and other stakeholders. Under this grievance mechanism, they have the right to report any unfair treatment, misconduct and/or known instances of wrongdoings. The whistle blowing policy and procedure for reporting is available for download on the Group's website at www.salcon.com.my.

SUSTAINABLE SUPPLY CHAIN

At Salcon, suppliers and sub-contractors are carefully selected to ensure an effective and sustainable supply chain management under our procurement policy.

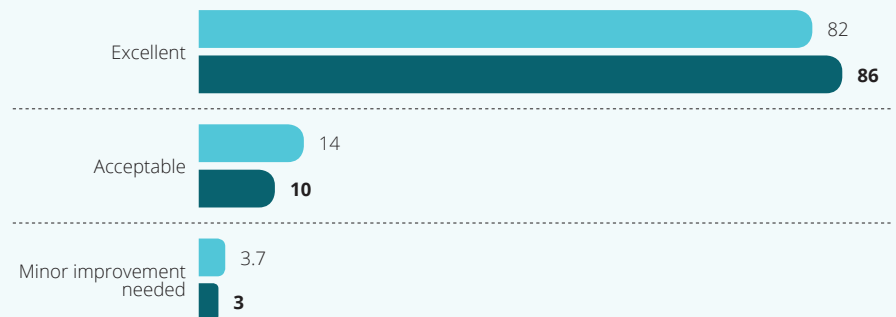
In alignment with the Group ISO policies i.e. ISO 9001 Project Quality Policy, ISO 14001 Environmental Policy, OHSAS 18001 Policy as well as the Statement of Policy and Business Ethics, all our suppliers and sub-contractors are required to adhere to ethical and sustainable business practices with non-involvement in child labour, forced labour, human trafficking, environmental harm and bribery at all time. A condensed version of these policies is appended together with the appointment of all Salcon's suppliers and contractors who perform services or deliver business for and on behalf of Salcon. Acknowledgement of the Statement is a prerequisite in every Salcon contract.

Suppliers And Sub-Contractors Performance Management

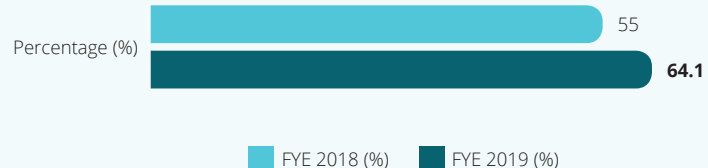
As part of the effort to ensure that our suppliers and sub-contractors comply with our procurement policy and to review any areas of improvement in terms of deliverables, pricing, workmanship, cooperation and emergency response, a yearly evaluation on the suppliers' and sub-contractor's performance is conducted by the respective project managers. 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.

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

Supplier performance evaluations (%)



Sub-contractors performance evaluations score



Sustainability Statement

ECONOMIC PERFORMANCE

During FY 2019, the Group recorded RM 206,046 million gross economic value, a 43.9% of increase compared to the preceding year due to higher contribution from the Engineering & Construction division. The Group's total cash and cash equivalents stands at RM 121.34 million, gearing ratio at 0.06 and total borrowing at RM 24.1 million.

Economic Data (Group level)

| Description | 2017 (RM '000) | 2018 (RM '000) | 2019 (RM '000) |
|--|-------------------|-------------------|-------------------|
| Revenue | 206,492 | 130,221 | 191,292 |
| Other Income and Interest Income | 9,744 | 12,918 | 14,754 |
| Gross Value Generated | 216,236 | 143,139 | 206,046 |
| Our Suppliers: Operation Costs | (221,470) | (124,498) | (194,585) |
| Our Employees: Salaries and Benefits | (38,742) | (27,583) | (28,677) |
| Our Lenders: Payment to Lenders (Financial Cost) | (4,034) | (3,865) | (3,320) |
| The Government: Payment to Government | 2,707 | (2,224) | (2,419) |
| The Rakyat: Community Investment | (360) | (230) | (71) |
| Net-Value Added | (45,663) | (15,261) | (23,026) |
| Our Shareholders: Payment to Shareholders | (21,898) | (6,731) | (7,618) |
| Our Future: Economic Value Retained | (67,561) | (21,992) | (30,644) |

Revenue by Country

| Country | 2017 (RM '000) | 2018 (RM '000) | 2019 (RM '000) |
|--------------|-------------------|-------------------|-------------------|
| Malaysia | 198,406 | 127,823 | 133,955 |
| Vietnam | - | - | 16,575 |
| Sri Lanka | - | - | 39,550 |
| Thailand | - | - | 15 |
| Others | 8,086 | 2,398 | 1,197 |
| Total | 206,492 | 130,221 | 191,292 |

FINANCIAL MANAGEMENT & PROFITABILITY

The Board recognizes that the Group's financial performance has not been up to expectation especially in the last 2 years. During a series of Strategic Direction Setting and Implementation Workshops held at end 2019 to early 2020, the Senior Management team together with several members of the Board, conducted a postmortem to identify the root causes of the decline in performance and strategised for a turnaround to sustained profitability.

This on-going process will require the management team to put plans into action in the coming year through sustainable cost management, improvement in supply chain processes and understanding what our customers value most. The team is also committed to translating the company's financial and operational plans for successful implementation and consistent execution through KPIs and measurements.

While we focus on enhancing the Group's profitability and business growth through capitalizing our resources, the team has also realigned the Company direction and revised the Group's Vision, Mission and Core Values to be in line with all our businesses.

Sustainability Statement

COMMITMENT TO OUR CLIENTS

Client's Satisfaction & Project Delivery

We leverage on our extensive portfolio to deliver invaluable services for our clients. As the market becomes increasingly competitive, complex and dynamic, achieving customer satisfaction has been identified as a key measure for the success of a project and an effective tool for sustaining competitive advantage.

In FY 2019, we conducted a client's satisfaction survey for 11 projects in Malaysia, namely Kuala Terengganu Utara Water Treatment Plant, NRW Marang, NRW Sandakan, Pipe Replacement Project Package 11A, 8 and 6, Langat 2 Water Treatment Plant, Langat 2 Package 15 (4), Ambatale Stormwater project and Langat NPS. On average, we were rated 73.7% by our clients, compared with 60.5% in the previous year. Besides conducting client satisfaction surveys twice a year, we engage with our clients through regular project meetings and informal get-together activities in order to gauge our clients' satisfaction level and listen to their feedback from time to time.

Successful project delivery is a key indicator of customer satisfaction and we are committed to deliver all projects entrusted to us on time and within budget.

Under our NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. Our contract with Sandakan Water Department to operate the Customer Service Centre, monitor & maintain the DMZ, meter reading and billing was recently extended for another 5 years. We have 3 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 1 to 5 minutes, subject to the genre of calls.

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 2019, there are no incidents or complaints pertaining to breaches of clients' privacy.

Technology & Innovation

Technology & Innovation was elevated as a Key Material Issue in our materiality matrix to reflect the increasing concerns of investors on how we can adapt to the competitive market with innovative technologies. This is also very much in line with our new Company Mission to provide innovative products & services through operational excellence.

Under the Engineering & Construction Division, the Group has committed to setting a Technology & Innovation committee to:

1

Identify new technology partners

The Company has formed a joint venture with Fujian Wide Plus Precision Instrument Co Ltd, a China-based enterprise specializing in intelligent precision instruments and industrial automated system kit products to advance the efficiency of smart water metering system. The technology is expected to strengthen the efficiency of the pipe leakage monitoring and smart metering services with the digitalized meters and sensors network connecting system.

2

Work with institutions of higher learning to identify, develop and bring to market new technologies relevant to the water and wastewater industry

As part of our corporate strategy to increase business growth, the Group, via our investment in Volksbahn Technologies Sdn Bhd (VBT) in FY 2014, provides enhanced connectivity and digital services in the Klang Valley through the laying of fibre optic cables along the LRT and monorail lines in the Klang valley. Besides providing services to telecommunication operators to improve the capacity and quality of their network, we generated other business opportunities along the backbone of the fibre optics cable laying such as advertising, remitting, ticketing services etc through smart partnerships with other companies.



▲ Salcon works with Fujian Wide Plus Precision Instrument Co Ltd to strengthen the efficiency of the pipe leakage monitoring and smart metering services

Sustainability Statement

BRANDING & REPUTATION

At Salcon, we are committed to building a positive reputation with stakeholders across our footprint through the following platforms to maximize our engagement impacts:

1 Langat 2 WTP Visit by CIMB Analyst

A plant visit at Langat 2 Water Treatment Plant was held for CIMB Analysts in March 2019.



2 Langat Package 15 (4) Project Implementation Workshop

Prior to the commencement of the project, a workshop was conducted for relevant government authorities to brief them the execution plan and also to get their input in the project execution.

Government authorities who attended the workshop include PAAB, Majlis Perbandaran Ampang Jaya, Lembaga Lebuhraya Malaysia, Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (DUKE), Projek Lintasan Sungai Besi- Ulu Klang Sdn Bhd (Suke), Pengurusan Air Selangor Sdn Bhd, SYABAS, Balai Polis Hulu Klang, Pusat Khidmat Masyarakat ADUN Hulu Kelang.

3 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.

4 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)

5 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.

Sustainability Statement



ENVIRONMENT

Focus Area:
Protecting The
Environment

Undertaking actions to mitigate the impact towards the environment within our business operations.


Salcon's alignment to SDGs:

Secondary



We are committed to protecting the environment by minimizing negative environmental impacts throughout our business operations. In FY 2019, Environment & Climate Change has been elevated as one of the Company's key material issues due to the significant risks and opportunities posed by climate change, environmental pollution and water scarcity.

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

| SDG Logo | Salcon Alignment to SDGs | Material Issues |
|---|---|---|
|  | <p>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.</p> | <ul style="list-style-type: none"> • 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 |

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

This year, the Group has adopted the TCFD recommendations to disclose our direct and indirect climate change-related impacts. Whilst we have the building blocks in place to implement the TCFD recommendations into our existing management processes, we recognize that there are areas we need to strengthen specifically in terms of our strategy and disclosure on metrics and targets.



Sustainability Statement

| Key Pillars | Salcon's Key Approaches |
|----------------------------|---|
| Governance | <ul style="list-style-type: none"> Salcon's board-level has oversight of the Group's climate-related risks and opportunities. The Board is updated on the Group's sustainability strategy and initiatives at least once a year and approves the Sustainability Statement which provides comprehensive disclosures on the company's environmental and climate change agenda. |
| Strategy | <ul style="list-style-type: none"> In FY 2019, Environmental & Climate Change was adopted as one of our key material issues by SWG and validated by the Sustainability Committee. Embarked on Climate Change Scenario Planning. |
| Risk Management | <ul style="list-style-type: none"> Environment and climate change risks are identified as strategic business risks and embedded into Salcon's Enterprise Risk Management (ERM) framework. Beyond managing climate-related risks and opportunities under the ERM framework, we also manage operational issues pertaining to climate change, energy, water and raw material supply through the ISO 14001 Environmental Management System. |
| Metrics and Targets | <ul style="list-style-type: none"> Continue to track and monitor a number of climate related metrics including 3-year energy consumption intensity, water consumption intensity & waste generation. Disclosure of carbon intensity including Scope 1 & 2 GHG emission for FY2019 reporting. |

GOVERNANCE

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 Quality, Safety, Health, & Environment (QSHE) 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.

Environment and climate change issues in our business operation are guided by the ISO 14001:2015 Environmental Management System (EMS) as well as the Group's Environmental and Green Policies.

The ISO 14001 is reviewed annually by the Bureau Veritas and 100% of our project sites which are monitored by the QSHE Department are certified under ISO 14001. Clear goals and targets are set and monitored closely by the QSHE Department and reported in the annual sustainability report. Our environmental performance and obligations are managed with consistency through the EMS with emphasis on improving our overall environmental impact.

Under the Group's Green Policy which was launched in 2016, we further enhance our environmental sustainability efforts in key areas such as energy, water use, pollution, procurement,

biodiversity as well as environmental education with the aim to improve resource efficiency and reduce waste.

There were no fines and penalties on issues related to the environment during the period of reporting due to any non-compliance with environmental laws and regulations.

STRATEGY

Recognising that environmental and climate change issues have imminent impact on our business operations, we look to integrate climate change issues into the Group's business operations, strategy and financial planning including adaptation and mitigation efforts. It is also critical for us to assess our internal and supply chain emissions and assess the potential risks and opportunities throughout our operations in order to build a sustainable and resilient business.

In line with the TCFD disclosure, we have identified the risks and opportunities in the areas of market & technology shifts, reputation, policy & legal and physical risks. We will seek to progressively mitigate these impacts to the environment and actively partner with relevant organizations in dealing with climate change issues.

Sustainability Statement

Climate Change Scenario Analysis

The Group conducted a climate change scenario study on how the effects of an increase of >2°C change might affect the company business operations over short, medium and long term. The scope of study covered our key markets i.e. water and wastewater, property development, transportation. Based on the analysis, climate change is projected to bring the following impacts to our businesses directly:

1 Physical Impact

- a. Water-related hazards such as flood, water pollution, water scarcity and drought as well as human health may affect our business operations at project sites.
- b. Storms and flooding causing damage to buildings and infrastructure.
- c. Disruption to transportation operations, including facilities and assets.

2 Legislative Impact

- a. Contractual or legal obligations due to uncertainty of water quality, quantity and volume.
- b. Changes in infrastructure and building codes under the new Climate Change Act in Malaysia.

3 Financial Impact

- a. Increase in cost of raw materials, construction costs and water/wastewater treatment process.
- b. Increase in building materials prices leading to higher property prices.
- c. Increase in stakeholders pressure - Stakeholders look for companies that operate responsibly and sustainably to reduce the impact to the environment.
- d. Rise in fuel and energy prices.

Climate Change Adaptation Strategies & Initiatives

With the scenarios predicted above, Salcon looks to implement mitigation measures to reduce our environmental impact as much as we can over the short, medium and long term.

Under Salcon's Green Policy, we are committed to reduce our carbon footprint and GHG emissions through:








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

As part of our carbon management strategy, we seek to contribute to environmental conservation within the area we operate. We continue to conduct various initiatives in the following environmental focus areas such as energy, water, waste, emission, dust, biodiversity and recycling practices.

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

Salcon's Environmental Initiatives in the areas of energy management, water management, waste management, emission management, dust management, biodiversity conservation and recycling are presented in the table below:

| 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, Envitech |
| | 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 |
| | Solar Panel Installation Investment. | United Kingdom |
| | Video Conferencing to replace air travel. | Malaysia |
| Water Management  | Non-Revenue Water (NRW) reduction projects in Sandakan. The NRW reduction achievement in FY 2019 is 33% vis-a-vis 35% target reduction. | 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 |
| | Water Management Plan outlining approach to manage and reduce water resources. | 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 |
| | Yearly oil spillage drill to avoid soil contamination. | Malaysia |
| | Conducted mangrove tree planting to maintain water quality & avoid soil erosion. | Malaysia |
| Recycling  | Recycle practice at all offices. | Group level |
| | Recycling & Upcycling campaign/ competition. | HQ |
| | Setting target of reducing 10% of paper consumption in office by 2020. | HQ |

Sustainability Statement

ENVIRONMENTAL COLLABORATION

We collaborate with Non-Governmental Organizations (NGOs) to raise environmental awareness and to contribute green initiatives in the areas of biodiversity, water conservation and recycling. This green initiative reflects our commitment to the Sustainable Development Goal 13 – to take action to combat climate change and its impact.

Mitigating Biodiversity Impact through Annual Salcon Mangrove Tree Planting Programme

1



Our second year of collaboration with **Malaysia Nature Society (MNS)** saw a total of 110 mangrove saplings and 50 mangrove seedling being planted at the Kuala Selangor Nature Park, Selangor. The tree planting activity was also a learning opportunity to the younger generation where approximately 40 dedicated Salcon employees together with 10 of their children were involved in the seedling activity. The planted seedling was contributed to the Community Mangrove Nursery.

Water conservation via Salcon Smart Water Programme (SSWP)

2



We take pride in continuing our efforts to raise awareness on water conservation to the community through our flagship programme - Salcon Smart Water Programme for the 9th consecutive year together with our long-term collaborative partner – **Water Watch Penang (WWP)**. For more information about the programme, please refer to our Social – Community section of this report.

Annual Recycling Initiatives

3



We also worked with **Community Recycle for Charity (CRC)**, a non-profit organization to encourage Salcon employees to recycle, reduce and reuse the items from office and home by organizing an inter-departmental spring cleaning and recycling competition at the end of FY 2019. A total of 1,792.5 kg of paper, plastic, glass, reusable items, metal and electronic items were collected during the campaign. Besides that, an upcycling competition was conducted to allow employees using their creativity and skills to upcycle the waste materials into reusable materials such as using paper clips to organise the cables or recycling plastic bottle planter. For more information about the recycling data, please refer to the environmental data monitoring on page 57 of this report.

RISK MANAGEMENT

As part of our sustainability strategy, the Board and the Sustainability Committee considered risks and opportunities associated with climate change in the context of Salcon's businesses as one of the key material issues in the Group. Environment and climate change issues are updated to the Group's risk scorecard and discussed at the Risk Management Committee. The risks identified include physical and financial climate-related risks such as extreme weather is covered in our framework related to safety and operations.

Sustainability Statement

METRICS AND TARGETS

Environmental data monitoring enables us to track and benchmark our environmental progress and performance. Following a review of the metrics and targets in monitoring our environmental performance, we have since started to monitor the direct and indirect GHG emission data from our operational business units this year.

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.



Target



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

Energy Consumption at Administrative Offices

| Office | FYE 2017 | | FYE 2018 | | FYE 2019 | |
|--|-------------------------------|------------------|-------------------------------|------------------|-------------------------------|------------------|
| | Electricity consumption (kWh) | No. of employees | Electricity consumption (kWh) | No. of employees | Electricity consumption (kWh) | No. of employees |
| HQ | 140,225 | 122 | 134,329 | 140 | 141,359 | 238 |
| Envitech | 71,942 | 44 | 69,502 | 45 | 74,513 | 51 |
| VBT | 39,960 | 16 | 42,476 | 17 | 45,472 | 17 |
| SPS | 9,930 | 14 | 14,585 | 18 | 9,203 | 18 |
| Eco-Coach | 3,900 | 20 | 45,252 | 20 | 4,586 | 22 |
| Green Fleet | n/a | n/a | n/a | n/a | 10,713 | 2 |
| Total | 265,957 | 216 | 306,144 | 240 | 285,846 | 348 |
| Energy consumption intensity per person (kWh) | 1,231 | | 1,276 | | 821 | |

Note: Data for Green Fleet is not available in FYE 2017 & FYE 2018 as the company only commenced operations in FY 2019.

Energy Consumption at Project Sites

| Project sites | FYE 2017 (kWh) | FYE 2018 (kWh) | FYE 2019 (kWh) |
|-------------------------|----------------|----------------|----------------|
| KTU WTP | n/a | 51,277 | 61,592 |
| Langat 2 WTP | 271,749 | 276,146 | 373,756 |
| Langat Package 15 (4) | n/a | n/a | 12,980 |
| Telibong WTP | n/a | n/a | 14,884 |
| Langat CSTP | 74,876 | 18,749 | 324,861 |
| Ambatale WTP, Sri Lanka | n/a | n/a | 11,072 |

• Data for KTU WTP is not available in FYE 2017 whilst data for Langat Package 15 (4), Telibong WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.

Sustainability Statement

Green House Gas (GHG) Emission Data

The GHG emissions factor is based on the internationally recognized GHG protocol published by IPCC Guidelines for National Greenhouse Gas Inventories for Scope 1 emissions and Malaysian Green Technology Corporation for the Peninsular Grid for Scope 2 emissions.

1. **Scope 1: Direct GHG Emissions** – Calculated based on fuel consumption of company owned vehicles extracted from fuel card transaction statement generated by Shell Business Card Operator.
2. **Scope 2: Indirect GHG Emissions** – Calculated based on electricity bills generated by the national electricity utility authority in the respective operating areas.

As a start, the boundary of GHG emissions disclosure will be confined to Scope 1 and Scope 2 emissions with FYE 2019 as a base year for target setting.



Target



To reduce total carbon emissions by 10% by 2026 from 2019 (base year) for administrative offices

Scope 1 - CO₂ emissions (MT equivalent) from Company-owned Vehicles by Fuel Type

| Administrative Offices | CO ₂ emissions (MT equivalent) FYE 2019 | |
|---|--|---------------------|
| | Petrol | Diesel |
| HQ | 217,756.11 | 131,891.12 |
| Envitech | 103,715.92 | 61,947.67 |
| SPS | - | 20,159.76 |
| Eco-Coach | - | 2,891,297.15 |
| Green Fleet | - | 712,086.73 |
| Total | 321,472.03 | 3,817,382.43 |
| Total CO₂ emission (MT) | 4,138,854.46 | |

Note: The CO₂ emission calculation is based on the protocol from IPCC Guidelines for National Greenhouse Gas Inventories.

Scope 2 - CO₂ emissions (MT equivalent) from Electricity Consumption

Data from FYE 2017 and FYE 2018 is presented to benchmark our CO₂ emission level from our business operations although we have set 2019 as the base year to achieve the target of reducing carbon intensity by 10% by 2026 for the Group.

Administrative Offices

| Administrative Offices | CO ₂ emissions (MT equivalent) | | |
|---|---|---------------|---------------|
| | FYE 2017 | FYE 2018 | FYE 2019 |
| HQ | 97.32 | 93.22 | 98.10 |
| Envitech | 49.93 | 48.23 | 51.71 |
| SPS | 6.89 | 10.12 | 6.39 |
| VBT | 27.73 | 29.48 | 31.56 |
| Eco-Coach | 2.71 | 31.40 | 3.18 |
| Green Fleet | n/a | n/a | 7.43 |
| Total CO₂ emission (MT) | 184.58 | 212.45 | 198.37 |

Note: The CO₂ emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.

Sustainability Statement

Project Sites

| Projects | CO ₂ emissions (MT equivalent) | | |
|---|---|---------------|---------------|
| | FYE 2017 | FYE 2018 | FYE 2019 |
| KTU WTP | n/a | 35.59 | 72.74 |
| Langat 2 WTP | 188.59 | 191.65 | 259.39 |
| Langat Package 15 (4) | n/a | n/a | 9.01 |
| Telibong WTP | n/a | n/a | 10.33 |
| Langat CSTP | 51.96 | 13.01 | 225.45 |
| Ambatale WTP, Sri Lanka | n/a | n/a | 7.68 |
| Total CO₂ emission (MT) | 240.55 | 240.25 | 584.60 |

Note:

- The CO₂ emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.
- Data for KTU WTP is not available in FYE 2017 whilst data for Langat Package 15 (4), Telibong WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.

3-Year Water Consumption Data

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas. Over the last 3 years (FY 2019, 2018, 2017), 100% of our water was discharged to off-site wastewater treatment plant whilst 100% of our water was withdrawn from surface water ie dams or rivers.

As at FYE 2019, there are no incidents of non-compliance with water quality/quantity permits, standards and regulations.



Target



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

Water Consumption at Administrative Offices

| Office | FYE 2017 | | FYE 2018 | | FYE 2019 | |
|---|-------------------------------------|------------------|-------------------------------------|------------------|-------------------------------------|------------------|
| | Water consumption (m ³) | No. of employees | Water consumption (m ³) | No. of employees | Water consumption (m ³) | No. of employees |
| Envitech | 365 | 44 | 335 | 45 | 362 | 51 |
| SPS | 12 | 14 | 19 | 18 | 13 | 18 |
| Eco-Coach | 19.2 | 20 | 7 | 20 | 329 | 22 |
| Total | 396.2 | 78 | 361 | 83 | 704 | 91 |
| Water consumption intensity per person (m³) | 5.1 | | 4.3 | | 7.74 | |

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

Water Consumption at Project Sites

| Project site | FYE 2017 (m ³) | FYE 2018 (m ³) | FYE 2019 (m ³) |
|-------------------------|----------------------------|----------------------------|----------------------------|
| Langat 2 | 1,928 | 73,605 | 22,894 |
| Langat CSTP | 841.75 | 299 | 5,173 |
| KTU WTP | n/a | 2,768 | 5,484 |
| Ambatale WTP, Sri Lanka | n/a | n/a | 869 |

Note: Data for KTU WTP is not available in FYE 2017 whilst data for Langat Package 15 (4), Telibong WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.

Sustainability Statement

3-Year Scheduled Waste Data

| Project Site | FYE 2017 (metric tonnes) | FYE 2018 (metric tonnes) | FYE 2019 (metric tonnes) |
|-------------------------|--------------------------|--------------------------|--------------------------|
| Langat CSTP | 1.27 | 2.40 | 0.2 |
| Langat 2 | 2.18 | 0.45 | - |
| KTU WTP | n/a | n/a | 0.01 |
| Ambatale WTP, Sri Lanka | n/a | n/a | 6.00 |

Note: Data for KTU WTP and Ambatale Water Project is not available in FYE2017 and FYE 2018 as the projects were awarded in FY 2018 and FY 2019 respectively.



Target



To ensure disposal of scheduled waste generated in compliance with environmental laws and regulations

3-Year Raw Material Used Data

| Langat 2 project | FYE 2019 (tonnes) |
|------------------|-------------------|
| Chlorine | 50 |
| Lime | 89 |
| Fluoride | 8 |
| Potassium | 1 |
| Polymer | 1 |
| PAL | 657 |

Note: Langat 2 WTP commenced Testing & Commissioning works in August 2019.

| KTU WTP project | FYE 2019 (tonnes) |
|-------------------|-------------------|
| Reinforcement Bar | 1,179.09 |
| Concrete | 26,832 |

3-Year Diesel Consumption Data

| Office/ Site | FYE 2017 (liters) | FYE 2018 (liters) | FYE 2019 (liters) |
|-------------------|-------------------|-------------------|-------------------|
| Eco-Coach & Tours | 940,801 | 1,080,521 | 1,094,773.63 |
| Green Fleet | n/a | n/a | 269,627.69 |

Note: Green Fleet Sdn Bhd (GF), a subsidiary of Eco-Coach & Tours provides oil product logistic services. Data for GF is not available in FYE 2017 & FYE 2018 as the company only commenced operations in FY 2019.

3-Year Recycled Data (kg)

| | Paper | Plastic | Metal | Glass | Reusable items | Electronic items |
|----------|---------|---------|-------|-------|----------------|------------------|
| FYE 2017 | 3,778 | 0 | 34 | 0 | 0 | 0 |
| FYE 2018 | 2,362.4 | 13.3 | 24 | 4.3 | 76.9 | 0.5 |
| FYE 2019 | 2,479.0 | 22.1 | 24 | 4.3 | 274.9 | 0.5 |

Sustainability Statement



SOCIAL - EMPLOYEES

Focus Area: Thriving Workforce

Value our people as the key asset to the Company and to ensure a thriving and sustainable workforce.

Salcon's alignment to SDGs:

Secondary



At Salcon, our people are a key element in driving the company's growth. As such, building a thriving and sustainable workforce where employees feel energetic and alive at work is vital in improving job performance, good health, effective leaderships and having a positive work/life balance.

We strive to promote a respectful, diverse, inclusive and collaborative work culture while providing employees with fair remuneration as well as a healthy and safe workplace to ensure our employees thrive and work in the company with maximum productivity.

Salcon's alignment to SDGs, material issues and our programmes under Social Employees section:

| SDG Logo | Salcon Alignment to SDGs | Material Issues |
|---|--|---|
|  | 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 Workplace well-being |
|  | <p>We provide trainings to employees to enhance their skills and competencies for career development and promotion opportunities.</p> <p>We have zero tolerance on child and forced labour and job opportunities are offered according to individual capabilities.</p> | <ul style="list-style-type: none"> Training & development Talent attraction & retention Human Rights |
|  | 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

Salcon is committed to defending and upholding the welfare and human rights of our employees. 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. There is no report on grievance or non-compliance on human rights issues in FYE 2019.

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 also adhere to all international agreements preventing child labour, forced labour and are committed to provide freedom in political views, fair treatment as well as best industry practices in creating a safe & healthy workplace.

Sustainability Statement

| Principle | Our actions |
|-------------------------------------|--|
| No child labour | The Company prohibits the hiring of any child labour or forced labour throughout our business operations and complies with the local laws and regulations in all the countries in which we operate in. |
| No forced labour | |
| Freedom in political view | The Company respects our employees' rights to their own political views. However, employees are not allowed to influence other workforce or allow their work performance to be affected by their political views. |
| Fair treatment | The Company complies with applicable wage laws to ensure fair and decent human resources management practices, including working hours, overtime and minimum wage. |
| Safe & healthy workplace | The Company provides a safe and healthy workplace and complies with applicable safety and health laws, regulations and internal requirements. For more information, please refer to the Safety & Health at this section. |

DIVERSITY & INCLUSION

As one of the key material issue in our Materiality Matrix, we are committed to provide a diverse, inclusive and collaborative work culture as well as an environment that embraces differences so that employees with diverse backgrounds, experience, skill-sets and attitudes are given the opportunity to power the company with new ideas and drive to excel.

In order to promote diversity and inclusion in Salcon, we organize a wide range of activities for employees, including company trips, family days, festive celebrations, movie day, sports events, volunteering activities, activities to promote good health to promote work-life balance as well as an opportunity for employees from different backgrounds and ethnicity to get-together with same vein.

Salcon pursues its commitment to Diversity & Inclusion through the following focus areas:



Equal Opportunities & Differing Ability

We strive to create an open and trusting work environment characterized by equal opportunity as well as diverse, inclusive, collaborative and learning culture by upholding the principles in treating our employees fairly and equally in terms of recruitment opportunities and career advancement. Promotions, remunerations or performance incentives are solely based on performance and merit.

Guided by the Group's Equal Opportunity Employment Policy (EOEP) which was formalized at end 2019, it is the Company's aim to recruit suitable people on the basis of qualifications, experience and performance potential regardless of gender, age group, racial, ethnicity, sexual orientation, nationality, religion, cultural background, marital status, disabilities, political inclination or union membership. The EOEP is available on the company's intranet and official website.

We respect and value people with productive abilities irrespective of their differing abilities. At our subsidiaries namely Envitech Sdn Bhd , we have hired employee with hearing disabilities who receive fair treatment and benefits.

During the year under review, we are pleased to report that there is no incident of discrimination reported.

Sustainability Statement

Women Empowerment & Gender Diversity

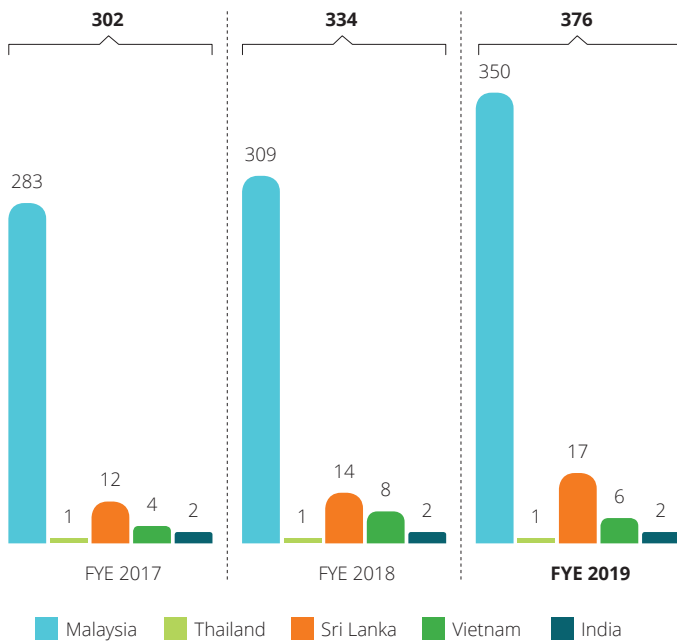
As at FYE 2019, we have a workforce of 216 male employees and 160 female employees. Female employees account for 42.6% of the total employees and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 26.7% of the senior management consists of female employees, a decrease of 0.3% compared with the preceding year.

With the aim to elevate the independence and diversity of the Board of Directors, we are pleased to report the appointment of the Company's first female director joining the existing 6 male directors on the Board this year.

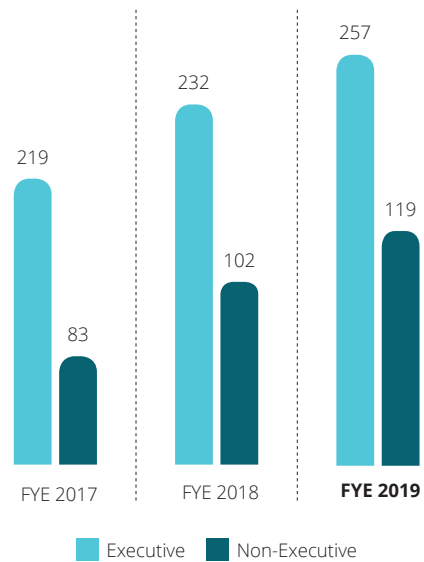


▲ Salcon Movie Day is one of the work-life balance activities organised for the employees and their family

TOTAL NUMBER OF EMPLOYEES

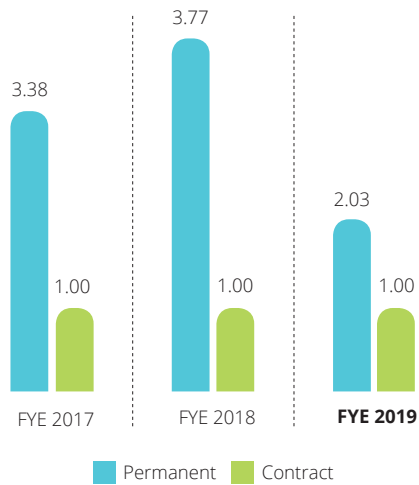


CATEGORY (EXECUTIVE AND NON-EXECUTIVE)

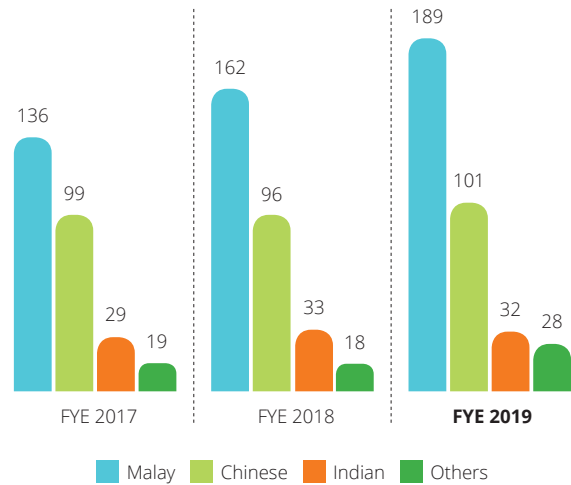


Sustainability Statement

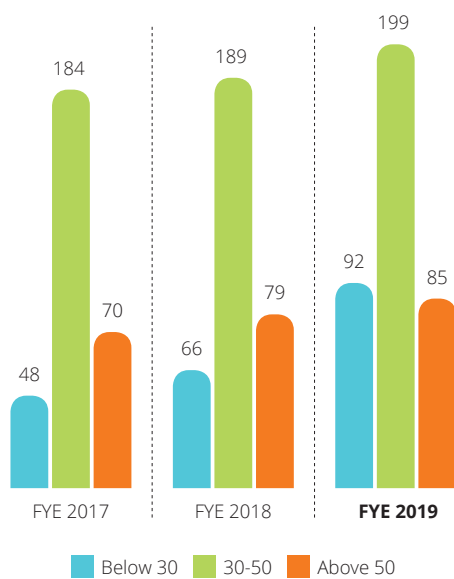
RATIO BETWEEN PERMANENT TO CONTRACT EMPLOYEES



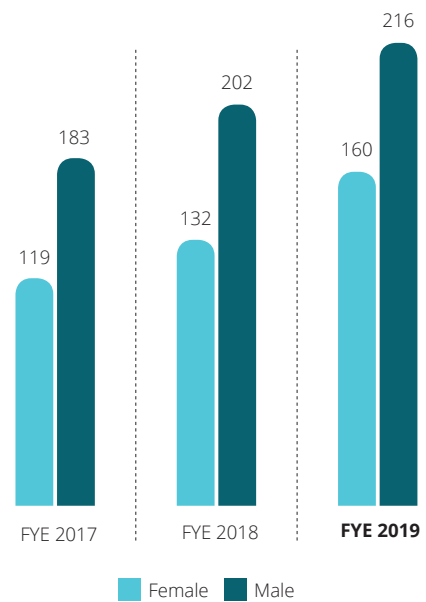
ETHNICITY (MALAYSIA ONLY)



AGE GROUP

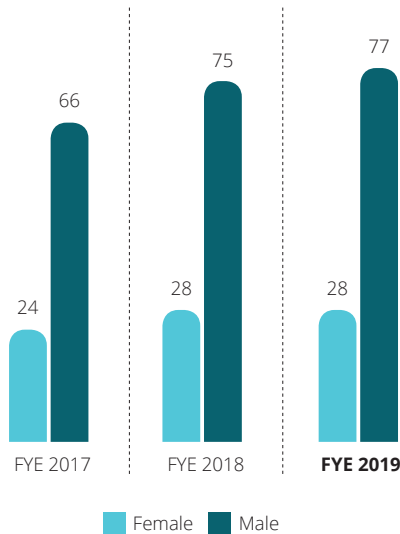


GENDER

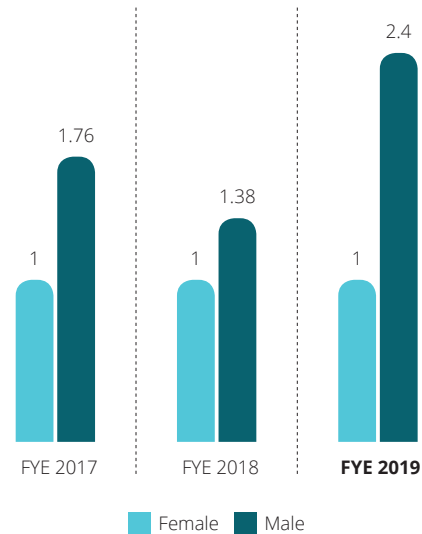


Sustainability Statement

GENDER OF EMPLOYEES WITH POSITION MANAGER & ABOVE



RATIO OF REMUNERATION (MEN VERSUS WOMEN)



HUMAN CAPITAL DEVELOPMENT

In pursuit of grooming our talent, we adopt 2 approaches i.e. talent retention & attraction and training & development in our human capital management.

Talent Retention & Attraction

Attracting and retaining the best talent through learning and development opportunities as well as career prospects is fundamental to continued competitiveness and growth.

We continue to make efforts to engage more effectively with our employees and attract as well as retain our pool of talents through fostering career development opportunities as well as positive work experiences for all. Besides that, we ensure that our wages, benefits and perks are competitive by benchmarking ourselves with our industry peers from time to time.

In FY 2019, an Employee Satisfaction Survey (EES) was conducted for all employees in Salcon, covering 220 employees in Malaysia and overseas, with a response rate of 64 %. The survey covered five (5) major areas of materiality issues in workplace, including Employee Well-being, Equal Opportunities & Diversity, Work-life Balance, Talent Attraction & Retention and Training & Development. Through the feedback from the employees, the management gained a better understanding of our employees'

expectations and input on the company's operations and their work environment. The survey enabled the management to determine the strategy to attract, retain and develop talents in a sustainable manner.

Yearly job performance appraisals are conducted to evaluate our employees' job performance and development potential based on personal Key Performance Index (KPI) and core competencies. Rewards are offered according to employees' performance based on our Performance Management System (PMS).

In FYE 2019, our full-time employee turnover rate stands at 7.4%.

FULL TIME EMPLOYEE TURNOVER RATE



NEW RECRUITS



Sustainability Statement



▲ A variety of training programmes are offered to the employees to enhance their level of skills and knowledge from time to time

Training & Development

A clear focus on learning and development is crucial to ensuring we keep our people engaged, productive and successful at every stage of their careers. 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 Soft Skills, Technical Skills, Leadership & Management and Safety, Health & Environment (SHE).

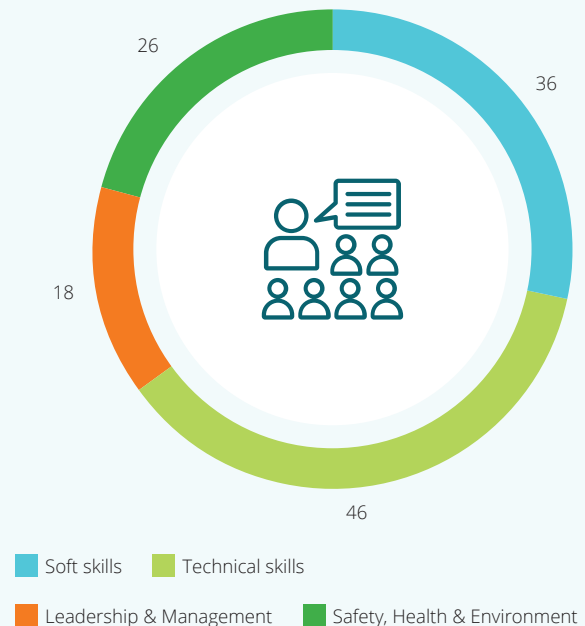
Based on post training surveys from employees, 100% of the trainings organized were effective in achieving and supporting personal development and business needs.

Training Needs Analysis is conducted on a yearly basis to identify learning opportunities and provide employees with relevant training sessions for skills improvement.

TOTAL TRAINING PROGRAMME FOR EMPLOYEES



CATEGORIES OF TRAINING



FYE 2019



Number of training hours
1,386 hours



Average training day per employee
1.5 days



Average training hour per employee
5.39 hours



Training investment
RM236,613.2



Effectiveness of training
100%

of participants met their training objectives

Sustainability Statement

WORKPLACE WELL-BEING

In addition to the benefits stipulated by the law, we value our employees well-being through listening and providing them a wide range of wellness activities that cater to their physical and mental health to ensure that they 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

With the aim to balance the work and family responsibilities, parenting, and other family concerns, we provide various family-friendly benefits to our employees 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 promote work-life balance by encouraging our employees to participate in the physical activities through company's activities, such as regular sports activities, outings and informal get-togethers, which are organized by our Salcon Recreational Club (SRC). At the same time, we conduct annual health checks and blood donation campaign for the employees in conjunction of our Safety & Health Campaign.



▲ Regular sports activities, outings and informal get-togethers were conducted to promote work-life balance amongst employees

Maintaining a Healthy Work-life balance

| Focus area | Organizing unit | Activities |
|----------------------------------|--|--|
| Sports & Recreational | Salcon Recreational Club Corporate Affairs Department | Regular sports activities – bowling and badminton Outings – Family Day, Annual trip, Movie Day Get-together – Annual Dinner, Festive celebrations |
| Physical Health | Safety, Health & Environment Committee | Annual Safety & Health Campaign Month: <ul style="list-style-type: none"> • Blood donation • Fitness Challenge • Stairwalk • Spine & Joint Assessment • Breast checking |
| Mental Health | Human Resources Department | Bullying and Sexual Harrassment course to prevent bullying, harassment and discrimination in the workplace. |

Sustainability Statement

OCCUPATIONAL SAFETY & HEALTH

Occupational safety & health is the Group's top key material issue which can impact one's livelihood or even cost a life. We are committed to creating a hazard free and healthy working environment and to prevent any work related injury and ill health.

Guided by the Group's Safety & Health policy and in line with the SDG 3: Good Health & Well-being, the Safety, Health & Environment (S.H.E.) Department and S.H.E. Committee monitors and implements safety and health initiatives throughout the Group's operations, with the oversight by the Board. The S.H.E. Committee is chaired and led by the Group Chief Operating Officer (COO) with representatives from management and employees.

All projects sites which are monitored by the S.H.E department are certified with the OSHAS 18001 certification and audited by the Bureau Veritas every year.

We monitor the safety and health progress, targets and its implementation periodically through the following initiatives:

| 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. | Actions | 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 & AED training | Envitech |
| 3. | Safety & Health Campaign Month | HQ |
| 4. | Fire drill | HQ, Envitech, 1805 PNB Banting (wastewater project), SPS, VBT, NRW Marang |
| 5. | SHE induction training for new workers | Applicable water and wastewater project sites |
| 6. | Toolbox briefing | |
| 7. | Machinery inspection | |
| 8. | S.H.E. audit & inspection | |
| 9. | Health check | HQ |
| 10. | Blood donation | HQ |

Working towards Zero Loss Time Injury (LTI)

The Group achieved 1,312,820 man hours without loss time injury (LTI) through various health and safety measures to provide a healthy and safe workplace to our employees and contractors. An LTI is an injury sustained by an employee that leads to loss of productive work in the form of absenteeism or delays.

The achievement also indicates the Group's success in achieving its man hours without LTI target of 1 million hours. Following this achievement, the SHE Committee has set a new target of 2.5 million hours without LTI.

| | FYE 2017 | FYE 2018 | FYE 2019 |
|--|----------|----------|-----------|
| Achieved man hours without LTI (hours) | 189,185 | 786,896 | 1,312,820 |

Sustainability Statement

In FY 2017, the target man hours without LTI was reset due to an incident at the Kuala Terengganu Utara (KTU) project site where the finger of the employee of our sub-contractor was hurt by a bar bending machine.

Other than that incident, we are pleased to report that there were no other incidents leading to injuries or fatalities of employees or sub-contractors between FY 2017 to FY 2019.

Safety & Health Training

Regular internal and external safety trainings are provided to ensure our employees' skills and knowledge is up-to-date and applicable in the event of a safety emergency. 21.45% or 59 of the Safety Committee undergo frequent safety training. Besides this, employees who are not part of the Safety Committee are also strongly encouraged to attend safety-related trainings to instill awareness of the importance of workplace safety. In FYE 2019, 216 employees who are not part of the S.H.E. Committee were also sent to attend safety-related trainings.

Aside from adhering to our safety and health policies and programmes at both offices and project sites, we also extend the training to 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.

| | FYE 2017 | FYE 2018 | FYE 2019 |
|---|----------|----------|----------|
| Total safety & health training hours for employees | 492 | 1,268 | 264 |
| Total safety & health training hours for sub-contractors | 15 | 12 | 4 |
| S.H.E. Committee members have attended safety & health related training | 92% | 82% | 21.45% |



▲ Safety-related trainings were conducted to instill awareness of the importance of workplace safety

The number of safety and health training hours for employees suffered a drop from 1,268 hours in FY 2018 to 264 hours this year. This was mainly due to the resignation of the SHE officer in early FY 2019. The SHE department was subsequently restructured and streamlined to include the QA/QC department and renamed QSHE department in the fourth quarter of 2019. The number of training hours are expected to be normalised in the coming year.



Achieved
Zero

work-related injuries or fatalities of employees in FY 2019

Sustainability Statement



SOCIAL - COMMUNITY

Focus Area: Happy Communities

Keeping with our philosophy of giving back to the community and helping to uplift the community living standard.

Salcon's alignment to SDGs:

Secondary

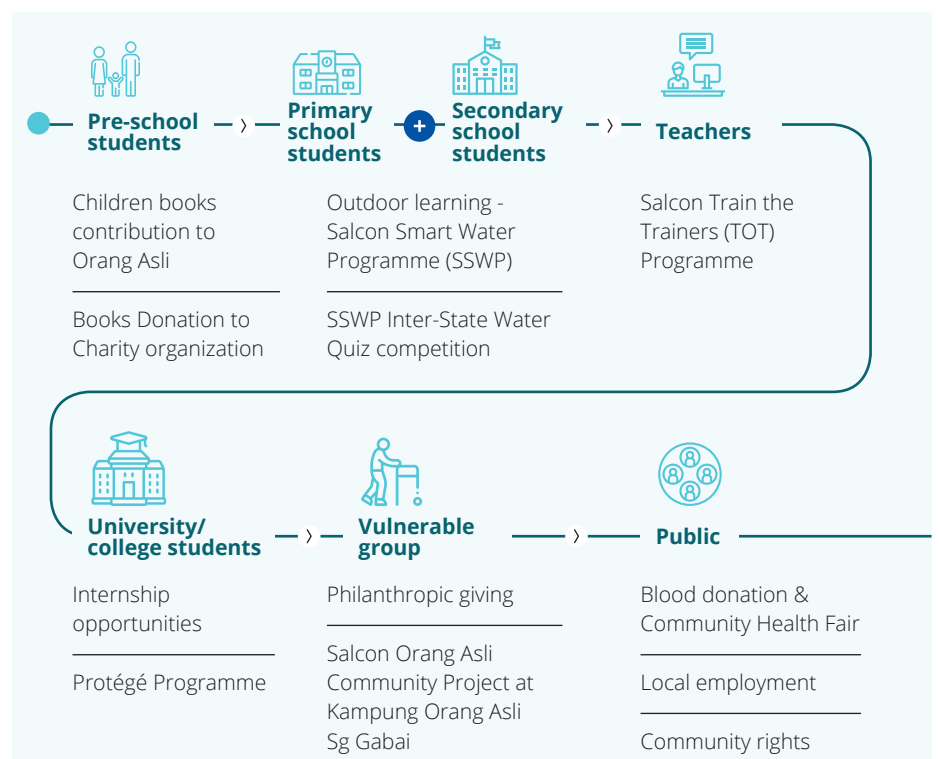


Gaining the trust of our communities is crucial for long term relationships and success of our business operation.

This year, Community Engagement was elevated as one of our key material issues and we seek to actively engage and uplift the lives of the communities where we operate in, improve their quality of live and living standards via local employment, providing educational opportunities, volunteering opportunities and philanthropic support where necessary.

| SDG Logo | Salcon Alignment to SDGs | Material Issues |
|--|---|--|
|  | 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 |
|  | 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 |

Our community engagement programme is tailored to various groups ranging from pre-school children right up to the elderly and vulnerable:



Sustainability Statement

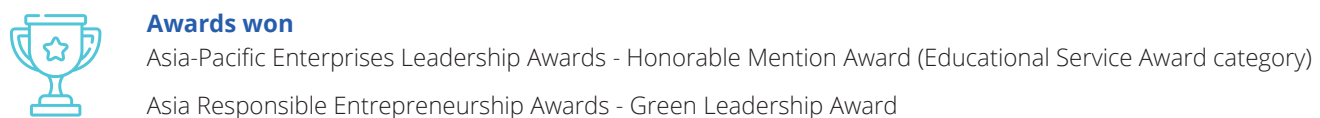
CHARITY BOOK DONATION

This year, we collaborated with Playcentre Library Association, a non-profit organization to collect preloved books for children of all ages, teenage and adult books or magazines from our employees and donated to the children's library operated by the organization.

OUTDOOR LEARNING - SALCON SMART WATER PROGRAMME

Since 2010, the Salcon Smart Water Programme (SSWP) has been raising awareness on water conservation for primary and secondary school students in the Klang valley. This long running programme which has won 2 regional awards, reflects the company's strong commitment in educating our younger generation on the importance of water resources and the effects of river pollution.

SSWP ACHIEVEMENTS SINCE ITS IMPLEMENTATION



SALCON TRAIN THE TRAINERS (TOT) PROGRAMME

As part of our strategy to widen our reach to more children in the SSWP, the TOT programme was conducted with the aim to train school teachers as programme facilitators and certified trainers so that they will be able to conduct the SSWP for their school children by themselves according to the school's schedule and at their convenience. The TOT has been conducted on a yearly basis since 2013 and Salcon supports the school's SSWP by providing water testing kits and teaching materials as well as sponsoring transportation expenses of the programme.

HIGHLIGHTS OF THE SALCON TOT PROGRAMME



Sustainability Statement

SSWP INTER-STATE WATER QUIZ COMPETITION

The SSWP Inter-state Water Quiz Competition is a culmination of the year-long Salcon Smart Water Programme (SSWP). A total of 56 secondary school students from 14 schools based in Selangor and Kuala Lumpur were invited to participate in the competition. During the competition, the participants were tested with questions categorized into Global, Local and National from general information about the local water service provider, water issues to general knowledge about water. SMK Seksyen 4 Kota Damansara emerged as the champion of the competition.



Total graduates for Protégé Programme
6



Total undergraduates for Internship Programme
5

INTERNSHIP OPPORTUNITIES & PROTÉGÉ PROGRAMME

Our Internship Programme caters to local and international undergraduates providing a great way to understand the culture, gain practical experience and obtain an inside view to potential career options. In FY2019, the Group trained 5 undergraduates in their second or third year of study from the field of chemical engineering, human capital development and business administration as our interns.

In FY 2019, in support of the Malaysian government Professional Training and Education for Growing Entrepreneurs



▲ A total of 56 secondary school students from 14 schools participated in Inter-State Water Quiz Competition

(PROTÉGÉ) programme to provide job opportunity for fresh graduates, the Group took in 6 graduates for secretarial, water resource, human resource & admin, business development and QSHE departments under the programme with the aim to impart employability and entrepreneurial skills through soft skills classroom and on-the-job training.

PHILANTHROPIC GIVING

In line with the Group's commitment of 'Transforming lives for the better', we identify opportunities to support charitable causes and initiatives in philanthropic giving to the vulnerable and those in need.

In FY 2019, we have donated RM33,500 to 8 charity homes, such as orphanage homes, old folks homes and disabled people homes.

SALCON BLOOD DONATION DRIVE

Reinforcing Salcon's commitment to social causes, we organized our 10th annual blood donation drive together with the National Blood Centre (PDN)



Total of 87 pints of blood was collected

at the Summit shopping mall at Subang Jaya. The blood donation drive saw enthusiastic participation from the public as well as our employees, where a total of 87 pints of blood were collected. This translates to 261 lives saved as a pint can be divided into three components i.e. red cells, platelets and plasma, which can be used individually for patients with specific conditions.

LOCAL EMPLOYMENT

In line with our commitment to 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. Our local recruitment practices are guided by our recruitment policy with initiatives to groom local talents' technical skills and knowledge as well as to create more job opportunities for the local people.

Sustainability Statement

Employee Volunteering

Employee volunteerism is an integral part of the company's sustainability agenda and we actively organize programmes to keep our employees engaged, build camaraderie and improve corporate culture and employer brand.

Under our Salcon Cares CSR programme, we reached out to brighten the lives of the Sg Gabai Orang Asli Community by installing sustainable and clean solar lighting systems at identified households with school going children. This programme mobilised 24 Salcon volunteers who assisted to construct and assemble solar panel systems at 6 houses in the village.

During the Salcon Tree Planting programme, 40 people comprising Salcon employees and their family members rolled up their sleeves and got their hands dirty to plant 110 mangrove tree saplings (species: Rhizophoraceae) to rehabilitate and protect Kuala Selangor Nature Park.

Both programmes have contributed 160 hours of employees volunteering, compared with 148 hours and 108 hours in FYE 2018 and FYE 2017 respectively.



Employee Volunteering
160 hours



▲ Salcon volunteer installed solar lighting system and light bulbs for one of the identified households

COMMUNITY RIGHTS

As a project developer and contractor, we have the responsibility to ensure that communication with the community is in place to cater the feedback and concerns of the community. In projects which involve working within a local neighbourhood, we engage and communicate with the local community at the start of a project operation to address concerns on security and human rights, health and safety and potential environment impacts.

We provide various channels for the residents to report any wrongdoings 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 and Bahasa Malaysia.

We are pleased to report that there were no case of human rights violation in FY 2019.

CONCLUSION

A strong and sustainable financial performance complemented with a sound corporate EES performance will go a long way towards generating wealth for our stakeholders. This requires persistent and long-term efforts and the Group is committed to improving our sustainable business practices by taking positive actions to sustain healthy economic performance, promoting environmental and social practices and encouraging transparency and accountability throughout our business operations.

