

Corporate Responsibility Report



MARKETPLACE



WORKPLACE



ENVIRONMENT



COMMUNITY

In line with our strategy to create long term values for all stakeholders, we remain committed to operate our business in an environmentally and socially responsible manner. We continue to incorporate long term sustainability best practices and the highest standards of ethics into our business operations, corporate culture, mission and core values.

During the Financial Year 2016, we have taken several strides forward in meeting our Corporate Responsibility (CR) milestones via:-

- 1) Formation of a Sustainability Committee to ensure accountability, oversight and review in the identification and management of sustainability matters
- 2) Introduction of the Group's Green Energy Policy
- 3) Expand our reporting scopes from Headquarters, Envitech Sdn Bhd (wastewater division) and water project sites to our other business units to include:
 - Eco-Coach & Tours Sdn Bhd (transportation division)
 - Prestasi Kemas Sdn Bhd (property development)
 - Volksbahn Technology Sdn Bhd (technology services)
 - Salcon Petroleum Services Sdn Bhd (oil and gas software marketing)
 - Circlix Interactive (Tourism) Sdn Bhd (online-to-offline commerce)

In ensuring an open, transparent and more comprehensive reporting to our stakeholders on our progress and performance throughout the year, this report is guided by the following:-

- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiative GRI-G4 Sustainability Reporting Guidelines
- Bursa Malaysia Sustainability Reporting Guide and Toolkits
- ACCA Malaysia Sustainable Reporting Guidelines for Malaysian Companies

Going forward, we will continue to plan, implement and communicate our CR activities to our stakeholders in four focus areas which are Marketplace, Workplace, Environment and Community.

Awards & Recognition

In FYE 2016, our sustainability performance was evaluated independently across our CR initiatives embracing environmental, social and governance practices by several esteemed organizations. We are honoured to be conferred coveted awards and recognitions from these prestigious bodies.



No.	Awards/ Recognition	Awarded by
1	Inclusion in FTSE4Good Bursa Malaysia Index (F4GBM Index) for the second consecutive year	FTSE Russell 
2	Conferred Asia's Best CSR Communication within Annual Report Award	2016 Asia Sustainability Reporting Awards (ASRA) 
3	Finalist for ACCA MaSRA 2016	ACCA Malaysia Sustainability Reporting Awards (MaSRA) 

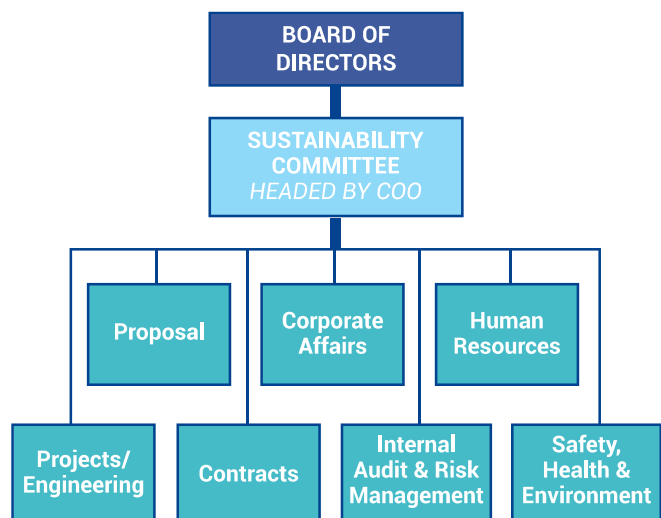
These recognitions reflect the Group's strong culture of corporate governance and commitment to responsible business practices as well as independent third parties verification and confidence towards our sustainability performance.

Sustainability Committee

As part of our journey in embedding and integrating sustainability into the Group's culture, a Sustainability Committee, which is chaired by the Chief Operating Officer (COO) of Salcon was formed with the objective of implementing the Group's CR strategies and planning in a more effective approach and create more sustainable values to the stakeholders. The COO monitors the sustainability progress of the Group and ensures it is integrated within our business strategies and operations as well as reports to the Board on the sustainability issues and updates.

The Board governs the sustainability of the Group. Sustainability issues are included and discussed in the Board Meeting's agenda to decide the Group's sustainability direction and action plans.

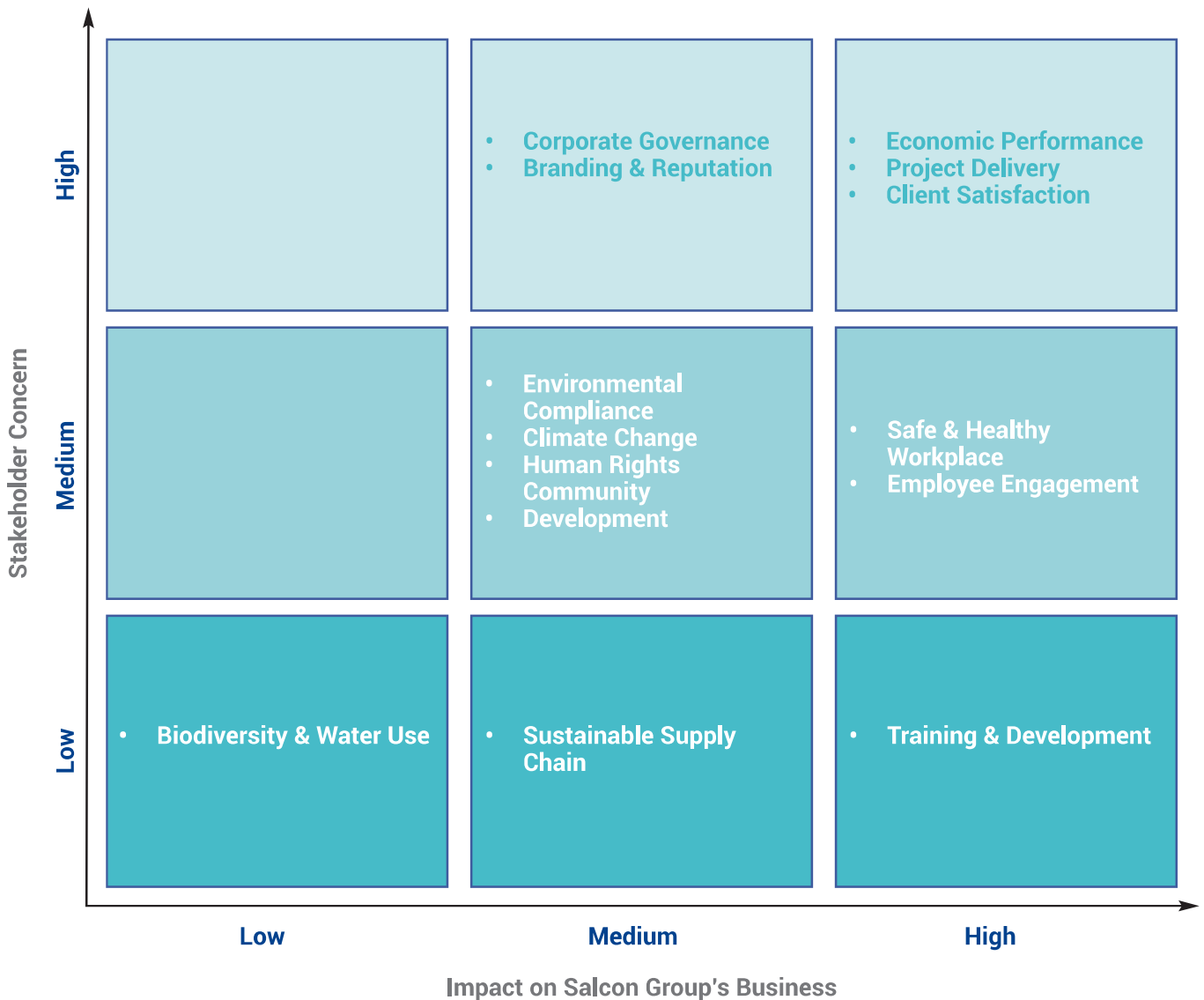
The members of the Sustainability Committee consist of Heads of Departments relevant to identification and management of material sustainability matters. The Corporate Affairs Department works closely with the COO and leads on CR strategies and planning, coordinates with the various departments and oversees materiality assessments.



Materiality

By identifying material aspects throughout our business operations, we are able to articulate and positively influence our key environmental, social and governance impacts and identify sustainability risks and opportunities. This has enabled us to more effectively manage our sustainability performance as well as the reputation of the Group. Going forward, we plan to enhance our materiality assessment system by improving and strengthen stakeholder engagement in materiality assessment whilst at the same time obtaining feedback from different major stakeholders.

Salcon Materiality Matrix



We have applied the GRI Sustainability Reporting Guidelines, Bursa Malaysia Sustainability Reporting Guide and the FTSE4Good ratings index to carry out the assessment of sustainability matters for our business and stakeholders. These material issues are important for the long-term sustainability and development of the Salcon Group and of society.

Sources of information used for this process include:-

- Issues identified by internal stakeholders
- Employee feedback and stakeholder surveys
- A literature review to identify key sustainability trends likely to affect the Group's business

Material areas identified for Sustainable Growth

- **Economic Performance, Project Delivery & Client Satisfaction**
These issues are paramount in growing long term shareholder value and ensuring sustainable economic returns to our stakeholders
- **Corporate Governance, Branding & Reputation,**
We adhere to the highest levels of corporate governance and are guided by Bursa Malaysia, FTSE4Good and other ESG ratings evaluations to ensure that our brand and reputation remain intact throughout the years.
- **Environmental Compliance, pollutions, climate change, human rights**
We recognise that environmental, climate change and human rights issues are important to our stakeholders and we have in place responsible practices, policies and initiatives to minimise our environmental impacts as well as to support human rights issues. Please refer to the Environmental section of this report for further elaboration of our actions in these areas.
- **Safe & Healthy Workplace, Employee engagement**
A safe & healthy workplace and an open and accommodating organizational culture contributes to the wellbeing and happiness of the Group's most important asset.
- **Sustainable Supply Chain**
Promoting responsible procurement / Sustainable raw materials supply
- **Community Development**
Creating job opportunities for local communities across our project sites
- **Training & Development**
Equipping our employees with the relevant skills and investing on leadership development and technical expertise.
- **Biodiversity, Water Use**
Biodiversity conservation and water use issues are important considerations at our project sites.

Stakeholder Engagement

It is critical to understand the point of views and concerns of our broad and diverse stakeholders in order to improve decision making and accountability. By engaging with our stakeholders, the Group is able to understand and further align our business practices with societal needs and expectations, helping to drive long-term sustainability and shareholder value as well as detect potential business opportunities and manage risks at the early stage. We use varied communication channels with different groups of stakeholders and engage with them in a respectful, fair, transparent, inclusive and responsive manner to forge consensus on sustainability management issues and establish long-term cooperative relationship. In FYE 2016, we continued to gather diverse opinion through the following active communications with our major stakeholders.

Stakeholder Group	Engagement Approach	Frequency of Engagement	Achievements	Material Area Alignment (refer Materiality Index)
Employees	<ul style="list-style-type: none"> Salcon Recreational Club Employee performance Review Internal newsletter Training opportunities ie Workplace Safety & Health training, ISO training, leadership training 	As needed Annually As needed As needed	<ul style="list-style-type: none"> Senior and mid management Team Alignment Programme held at Avillion Port Dickson to foster teamwork and improve work relations Company Annual trips, Family Days, and sports tournaments for better work-life balance. Long service awards, salary increment and bonus to reward performance and contribution Effective performance tracking, improved work efficiency and better career development 	<ul style="list-style-type: none"> Employee Engagement Safe & Healthy Workplace Training & Development Human Rights
Shareholders/ Investors	<ul style="list-style-type: none"> Annual General Meeting Analysts/ bankers/ fund managers meeting 	Annually As needed	<ul style="list-style-type: none"> Briefing to shareholders on economic performance, business direction and strategies Analyst presentations with positive feedback on information shared Site visits to project sites 	<ul style="list-style-type: none"> Corporate Governance Branding & Reputation Economic Performance
Clients/ Customers	<ul style="list-style-type: none"> Client satisfaction survey Customers services (at billing services center in Sandakan office) 	Annually Daily (working day)	<ul style="list-style-type: none"> Evaluate capability and deliverability of jobs and services as well as identify areas of improvements Regular project meetings Timely response to attend to customer at billing services center 	<ul style="list-style-type: none"> Economic Performance Project Delivery Client Satisfaction

Stakeholder Group	Engagement Approach	Frequency of Engagement	Achievements	Material Area Alignment (refer Materiality Index)
Regulators/ Government Authorities	<ul style="list-style-type: none"> Corporate governance compliance such as Bursa Malaysia, Security Commissions and Quality Management (ISO 9001) Environmental compliance at project sites 	As needed	<ul style="list-style-type: none"> Create reputable branding as well as keeping track with the current market regulations Biodiversity conservation at project sites and create minimal carbon footprint Effective resources management Better awareness on environmental issues and compliance knowledge among employees 	<ul style="list-style-type: none"> Corporate Governance Branding & Reputation Environmental Compliance Pollutions Water use Climate change
Business Partners/ Associate Partners	<ul style="list-style-type: none"> Strategies planning meetings 	As needed	Conduct strategic business planning meetings to improve economic performance	<ul style="list-style-type: none"> Economic Performance
Local Community	<ul style="list-style-type: none"> Charitable giving Internship opportunities Local employment Environmental education 	<ul style="list-style-type: none"> As needed As needed As needed Bi-monthly 	<ul style="list-style-type: none"> Build positive relationship with the community and attend to their needs Partnership with university college to provide internship opportunity Created local employment at project sites Conducted 5 Salcon Smart Water Programme and 1 Train The Trainers Programme 	<ul style="list-style-type: none"> Community Development Human rights
Suppliers/ Sub Contractors	<ul style="list-style-type: none"> Suppliers & sub-contractors evaluation 	Annually	Performance monitoring and Improve efficiency throughout supply chain	<ul style="list-style-type: none"> Sustainable Supply chain
Media	<ul style="list-style-type: none"> Media releases One on One interviews 	<ul style="list-style-type: none"> As needed As needed 	Reach out to public on company's strategic direction, future aspirations to promote company branding and reputation.	<ul style="list-style-type: none"> Branding & Reputation
Non Governmental Organisations/ Industry Associations	<ul style="list-style-type: none"> Partnership and support in community, and environmental sustainability Industry exhibitions and conferences Support NGOs Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA) 	<ul style="list-style-type: none"> As needed As needed As needed Annually 	<ul style="list-style-type: none"> Mutual understanding on sustainable environmental and social growth as well as biodiversity conservation Keeping track with industry updates River & water conservation and education Signed no-shark fin pledge with WWF for all corporate functions 	<ul style="list-style-type: none"> Biodiversity Water Use Human Rights



Marketplace Sustainability



We are committed and strive to deliver the highest standards of corporate governance and transparency throughout our business operations to deliver sustainable growth to our stakeholders. These guiding principles have been with us throughout the years and we shall continue to conduct ourselves in an ethical, transparent and accountable manner.



Datuk Seri Panglima Dr. Maximus Johnity Ongkili, Minister of Energy, Green Technology & Water, visited Salcon's booth at Asiawater Exhibition 2016

Embedding Integrity & Ethical Business Practices

Across each country in the Asia region in which the Group operates in, we are committed to adhere to the applicable national laws and regulations. In order to ensure transparent and accountable business practices to maximize corporate value. The Board oversees the following compliance policies and rules.

Code of Ethics and Conducts:

All employees are guided by the Group's Code of Ethics and Conduct (COEC) which is clearly communicated to all new recruits upon their joining the Group. Each employee is briefed clearly about the dos and don'ts as well as the Group's expectations on integrity in all areas of our business operations.

Under the COEC, we state our firm stand on zero tolerance on any form of bribery or corruption, whether direct or indirect. The Board sees bribery and corruption as a criminal action which will only bring negative impact to the reputations and values of the Group. We conduct yearly risk assessment to monitor and prevent fraud and corruption in the Group. In FYE 2016, no staff was disciplined or dismissed due to non-compliance with anti-corruption laws. The full copy of COEC is publicly available at www.salcon.com.my.

Each employee is briefed clearly about the dos and don'ts as well as the Group's expectations of integrity in all areas of our business operations.

Risk Management:

We recognize that pre-emptive responses and systematic risk management is important in managing and reducing potential uncertainties and risk factors, especially in today's fast growing and changing global business environment. Salcon's Risk Management Committee is guided by the Integrated Risk Management Policy (IRMP) which is in compliance with the ISO31000. The committee consists of 2 directors and 3 senior management personnel from non-Audit Departments who report to the Board on risk management issues.

We safeguard our shareholders' investments by identifying and mitigating potential risks through the IRMP. With the Policy & Audit Charter, the Internal Audit & Risk Management Department, who assists the Risk Management Committee, will identify, analyze, evaluate, follow up and report on any non-compliance issues in the Group. This includes risk management assessments prior to the commencement of a new project.

Healthy Economic Growth

We are committed to generate healthy and fruitful returns to our shareholders. During FYE 2016, the Group has recorded RM112.7 million gross economic value, a 29.5% decrease compared to the previous fiscal year.

Economic Data (Group Level)

Description	2014 (RM '000)	2015 (RM '000)	2016 (RM '000)
Revenue	194,465	123,079	98,974
Other income and interest income	55,867	37,114	13,823
Gross value generated	250,332	160,193	112,797
Our suppliers: Operation costs	(187,664)	(135,234)	(57,954)
Our employees: Salaries and benefits	(22,271)	(21,935)	(35,438)
Our lenders: Payment to lenders (financial cost)	(1,928)	(5,576)	(4,820)
The Government: Payment to Government	(3,742)	(9,369)	(4,896)
The Rakyat: Community Investments	(190)	(192)	(161)
Net-value added	34,537	(12,113)	(9,528)
Our shareholders: Payment to shareholders	(20,230)	(20,325)	(13,294)
Our Future: Economic Value Retained	14,307	(32,438)	(3,766)

Revenue by Country

Malaysia's operation is still the major contributor for the Group's revenue, which accounts for 90.4% of the total revenue.

Countries	2014 (RM '000)	2015 (RM '000)	2016 (RM '000)
Malaysia	134,864	81,387	89,471
Vietnam	28,388	13,927	207
Sri Lanka	22,567	11,877	8,483
Thailand	2,942	1,485	205
Others	5,704	14,403	608
Total	194,465	123,079	98,974

Sustainable Supply Chain

We are committed to ensure a fair and neutral supply chain throughout the Group's operation to ensure the most cost-effective solutions and efficient deliverability.

Under our procurement policy, we work with suppliers or sub-contractors who are responsible, reliable and have met our stringent criteria to ensure that only quality products/services are being used for our projects. Our corporate values are clearly communicated to our suppliers and sub-contractors so that they understand our requirement and meet our standards. Every supplier and sub-contractor has to comply with our ISO policies ie ISO 9001 Project Quality manual, ISO 14001 Environmental Manual and OSHAS 18001 Manual and are required to acknowledge their acceptance and understanding of these policies upon the award of a project/contract by signing on a condensed version of the policy.

Supplier Evaluations:

We review our suppliers' performance through annual supplier evaluations. A total of 197 suppliers were assessed in FYE 2016 and 71% of them achieved Excellent grades and none were blacklisted during the year under review.

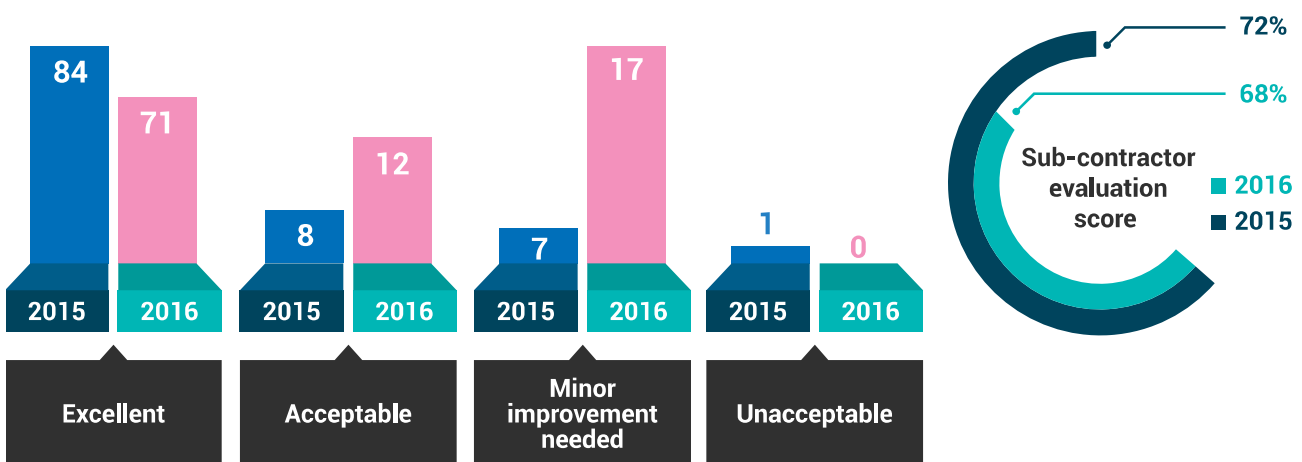
Sub-Contractor Evaluations:

We keep track of our sub-contractors' performance yearly through our rating towards them. They were rated according to several criteria including pricing, workmanship, deliverable, cooperation and emergency response.

Our corporate values are clearly communicated to our suppliers and sub-contractors so that they understand our requirements and meet our standards.

Supplier Performance Evaluations

Percentage (%) in FYE 2015 & 2016



Commitment to Our Clients

We seek to constantly improve ourselves to provide the best possible solutions to our clients. In order to meet our clients' expectations, we seriously listen to their feedback via the Client Satisfaction Survey which is conducted annually to review our performance, identify any shortfalls and take remedial action, where necessary.

Our Sungai Lebam Water Treatment Plant project and Kuala Terengganu Non-Revenue Water (NRW) projects were rated in FYE 2016 and our clients are 67% satisfied with our services in general which is below our benchmark of 75%. We have identified responsiveness as an area to improve and actions were discussed and taken to address this issue.

Customer Service:

We operate a Customer Service Centre in Sandakan, Sabah, Malaysia under our NRW Division as part of our value-added service in the division. There are 5 officers at the centre handling billing and collection matters as well as attend to water issues raised by customers.

Medium of Engagement

Memberships: We support various associations in the industry which share similar values with us. As a member of the International Water Association (IWA) and the Malaysia Water Association (MWA), we are able to keep track of the latest industry news and trends and gain insights or expand our networking through their activities. Besides this, we are also a member of Malaysia South-South Association (MASSA) and the Malaysia Investor Relations Association (MIRA).

Website and Social Media: In order to stay relevant in today's fast-paced world of technology, we utilise different channels to reach our stakeholders namely via the Group's corporate website (www.salcon.com.my) and Facebook page (www.facebook.com/SalconBerhad). All relevant updates of the Group are posted on these medium and stakeholders are welcome to reach out to us as well.

Industrial Exhibitions and Conferences: We support and participate in industrial exhibitions and conferences to keep ourselves updated with the latest industry knowledge as well as expand our networking in the industry. In FYE 2016, we participated in AsiaWater 2016 in Kuala Lumpur, Malaysia and LankaWater Expo 2016 in Colombo, Sri Lanka as an exhibitor. Both exhibitions are the largest in their respective nations.

Get-together Activity: As a gesture of appreciation to our clients and business partners, we hold various activities throughout the year. In FYE 2016, we held a Chinese New Year Get-together Luncheon and a Fruit Fiesta. Via such informal events, we have the opportunity to interact with our stakeholders in a relaxed manner and this allows us to better understand and improve our relationships with them.

Average time taken to handle each call maintained at

1.5 minutes

We use different mediums to engage various types of marketplace stakeholders to maximize effective communications



Industrial exhibitions & conferences keep us updated with the latest industrial news and provide networking opportunities.

Workplace Sustainability



				
Respectful Culture & Fair Treatment	Safe & Healthy Workplace	Embracing Diversity & Inclusion	Appreciating Our Employees' Contributions	Self-improvement & Development
<ul style="list-style-type: none"> • Comply to human rights principles & practices • Equal opportunities to all employees • Zero tolerance on forced and child labour • Rewards to employees • Communications with employees 	<ul style="list-style-type: none"> • Creating safe workplace under guidance of ISO 18001: <ul style="list-style-type: none"> - Zero loss time injury • Advocating healthy living <ul style="list-style-type: none"> - Work-life balance - Prevention of infectious diseases • Raising Awareness through: <ul style="list-style-type: none"> - Health & Safety events - Trainings 	<ul style="list-style-type: none"> • Valuing diversity and embracing individual differences • Women empowerment 	<p>Appreciate our employees' contributions through effective communications and attractive rewards</p>	<ul style="list-style-type: none"> • Training and career development for employees • Voluntary opportunities to employees

As the company's greatest asset, it is important to provide our employees with support and encouragement to create a sense of belonging and to make them feel that they are an integral part of the Group. Thus, we are committed to provide a safe, healthy, fair and respectful workplace for everyone in the Group, with the objective of maximizing work productivity and achieving healthy work-life balance through the creation of a harmonious working environment.

Respectful Culture & Fair Treatment

We strive to create and maintain a respectful and zero discrimination working environment for all our employees and adopt fair treatment to everyone, regardless of gender, ethnicity, age group, sexual orientation, disabilities, religion, political inclinations, union membership, nationality or marital status.

Respect for Human Rights:

We recognize the importance of human rights in our workforce as we believe a respectful workplace would create productive results. We comply with the local Employment Act in Malaysia and other countries in which we operate. We strictly prohibit human rights abuse among our employees and at the same time ensure equal opportunities in the workplace. We have a whistleblower system and grievance mechanism as the platform for our employees to report activities that may involve criminal conduct or violations of the Group's policies and guidelines.

We strive to create and maintain a respectful and zero discrimination working environment for all our employees and adopt fair treatment to everyone

Below are the Group's stand on human rights issues:

Principals & Practices	Description
Child labour Forced labour	We do not and will not recruit child labour and force labour in any of the countries which we operate and abide by all laws and regulations in countries and local communities where we conduct our business.
Political view	We have no restrictions on an employees' political view, so long as it does not affect the business and operations of the Group
Workforce welfare	We comply with all applicable wage laws of all employees, including minimum wages, overtime hours and working hours.
Workplace safety & health	We comply with OHSAS 18001 for all our project sites to ensure a safe and healthy workplace for our employees and sub-contractors

Safe & Healthy Workplace

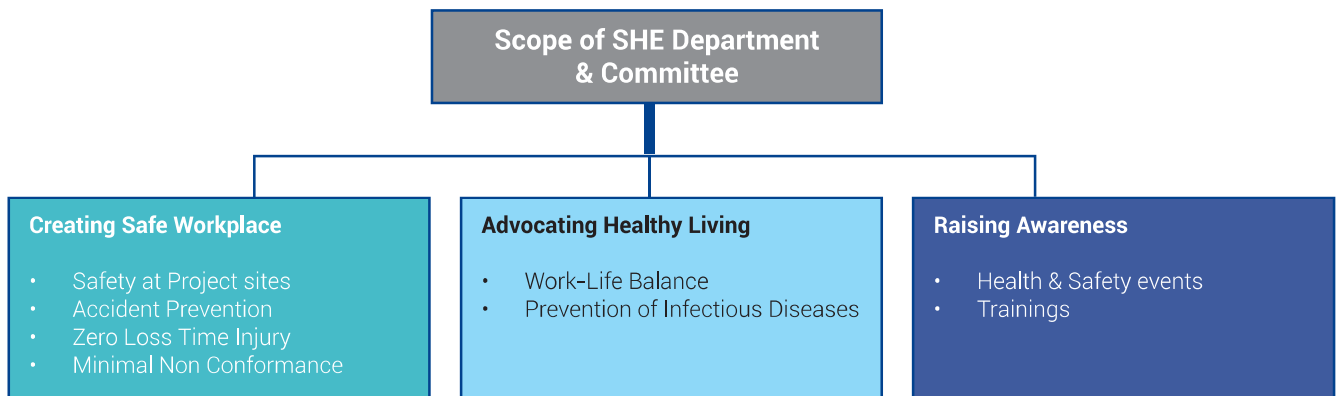
Guided by the Group's Safety & Health Policy, we are committed to foster a safe and healthy workplace for all of our employees, customers, contractors and community, regardless at office or project sites. The Board oversees the workplace health and safety issues to ensure employees benefit from a safe and healthy workplace and the Group is able to protect its assets, ensure business continuity and maximise work productivity.

Safety, Health & Environment (SHE) Committee:

At the Group level, our SHE Committee is chaired by our COO and consists of representatives from various departments. The committee consists of 14 members with clear responsibilities and roles.

SHE Committee's function:

- Cultivate a safe & healthy workplace for all employees and sub-contractors via:
- Conduct inspections and audits to identify any hazardous practices
- Conduct audit at headquarter office (annually) and project sites (quarterly)
- Conduct meetings to discuss workplace safety and health issues
- Organize activities to raise awareness on importance of workplace SHE

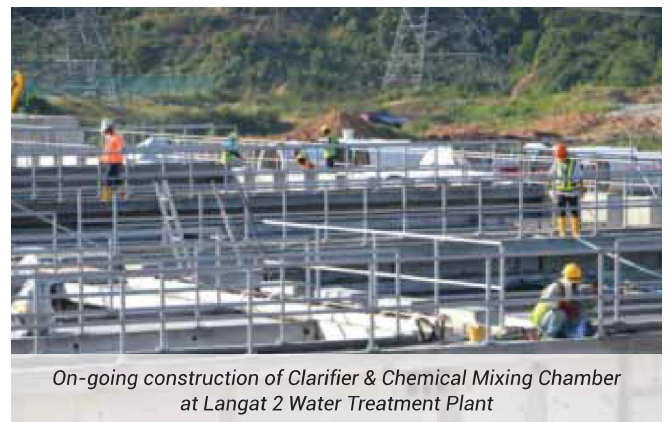


Creating Safe Workplace - Safety at Project Sites:

Safety at Project Sites: We conduct Hazard Identification, Risk Assessment and Risk Control (HIRARC) prior to the commencement of new projects to identify any potential risk which may affect the employees, sub-contractors or public health and safety. All our projects certified with OHSAS 18001 have been subjected to HIRARC analysis.

All projects monitored by the Group’s SHE Department are 100% certified with OHSAS 18001, namely the Kuala Terengganu NRW project, Sungai Lebam Water Treatment Plant project and Klang D55 project. As an OHSAS 18001 certified company, all of our health and safety data, practices and procedures have been gone through audit by the Bureau Veritas, an international certification agency.

In order to secure the safety of our employees and intermediaries’, we have safety reminder signboards at our project sites to ensure that they enter the site with proper clothing and safety equipment. At our Langat 2 Water Treatment Plant project site, safety reminder signboards around the project sites are not only written in Bahasa Malaysia and English language, but also foreign languages so that the foreign workers understand and comply with the regulations.



Creating Safe Workplace: Accident Management Process:

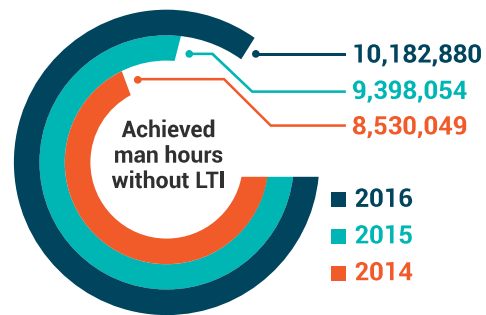
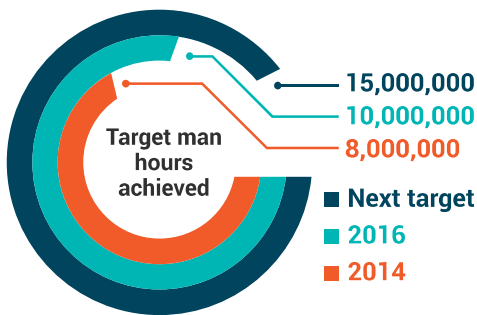
The Group adopts a transparent approach in the event of accidents or incidents leading to injuries or fatalities. Investigations and findings of the reported incidents or accidents will be carried out followed by actions to be taken as well as precautions in future. Below is our process of accident management.



A safe and healthy workplace is important as it could help to protect company assets, ensure business continuity and maximize work productivity.

Creating Safe Workplace: Man Hours with Zero Loss Time Injury (LTI):

We have successfully achieved our 10 million man hours with zero LTI in the fourth quarter of 2016. This marked a significant milestone in our safety management at project sites and the professional handling of equipments and chemicals by our employees and sub-contractors.



0 work-related employee or sub-contractor fatalities case for the past three years

10 Salcon achieved million man hours with zero loss time injury target in 2016

Creating Safe Workplace: Non Conformance Report (NCR)

Company	Particulars	FYE 2014	FYE 2015	FYE 2016
Salcon	NCR	3	0	0
	Closed	3	N/A	N/A
	Achievement (%)	100%	N/A	N/A

Advocating Healthy Living: Work-Life Balance:

Our work-life balance advocacy is promoted through two platforms: the Corporate Responsibility Team under Corporate Affairs Department and the Salcon Recreational Club (SRC). The former conducts staff improvement programmes whilst the latter organizes family and sports-based activities.

Achieving Better Work-Life Balance	
Corporate responsibility team	Salcon Recreational Club
<p>Roles: Organize workplace activities which promote healthy living</p>	<p>Roles: Organize family and sport-based activities to enhance family bonding as well as promote outdoor activities</p>
<p>Major activities organized:</p> <ul style="list-style-type: none"> • 10k steps Challenge – a challenge to walk 10k steps per day • De-stressing Technique Talk • Fruity Monday – a practice of eating fruits on every Monday • Biggest Loser Contest – Weight loss competition • Health Check-up • Blood Donation Drive 	<p>Major activities organized:</p> <ul style="list-style-type: none"> • Weekly badminton • Bi-weekly bowling • Family day • Bowling tournament • Annual dinner



Annual Family Day at Bukit Gambang

Advocating Healthy Living: Prevention of Infectious Diseases:

We keep abreast with the Malaysia Ministry of Health and World Health Organization on infectious diseases which pose a high risk to our employees' health such as Zika, Dengue, MERS and Ebola. We educate our staff on the prevention of such diseases and ban business trips to high-risk countries. At the same time, we urge our staff to report to the S.H.E. team should there is any symptoms of the disease so that we may provide immediate medical assistance.

We also conduct regular spraying and fogging at our property construction site in Selayang to prevent breeding of mosquitoes. No employee was diagnosed with such infectious diseases during the year under review.

Raising Awareness: Safety & Health Activities:

The SHE team members at both offices and project sites are actively involved in conducting workplace health and safety related activities to ensure every employee and sub-contractor are well-educated on safety and health knowledge. Some of the common safety and health initiatives at project sites include weekly toolbox briefing and awareness briefing.

Salcon Safety & Health Campaign Month:

The 2016 Salcon Safety & Health Campaign Month is the most significant awareness campaign which held at the HQ. Activities held included awareness talks such as OSH Transformation Talk, Distress Talk, quiz as well as annual blood donation drive.



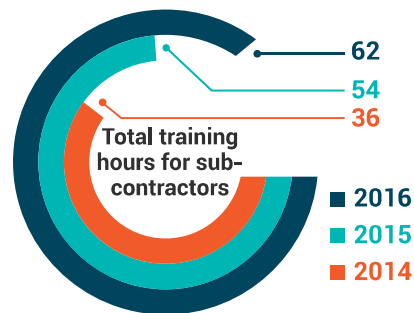
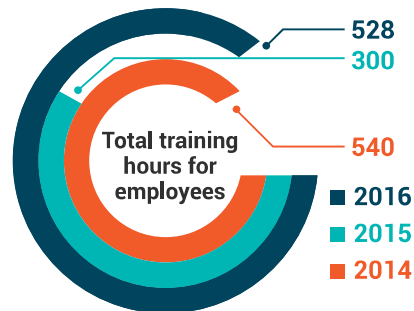
Salcon employees and public donated 78 pints of blood during the company's annual blood donation drive in May 2016.

OHSAS Campaign in Vietnam project site:

Our Vietnam project sites conducted OHSAS Campaign – Labour Safety and Hygiene Week in March and November respectively and successfully created safety awareness to employees.

Raising Awareness: Workplace Safety & Health Training:

Awareness trainings are held for the employees to emphasize the importance of workplace health and safety. Proper handling of the equipments, machines and chemical products will help to mitigate unnecessary risks to the Company. We provide training opportunities to our sub-contractors with the objective to enhance level of safety awareness.



93%
(27 persons)

of SHE committee members attended safety & health related training in FYE 2016, compared with

71%
in FYE 2015

We have also extended the safety and health training to

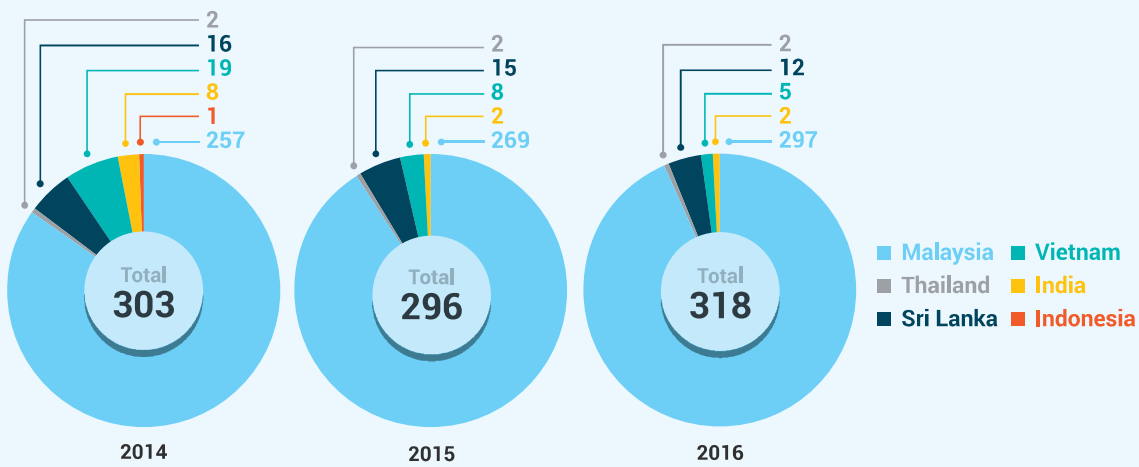
54 employees who are not under the safety & health team

Diversity & Inclusion

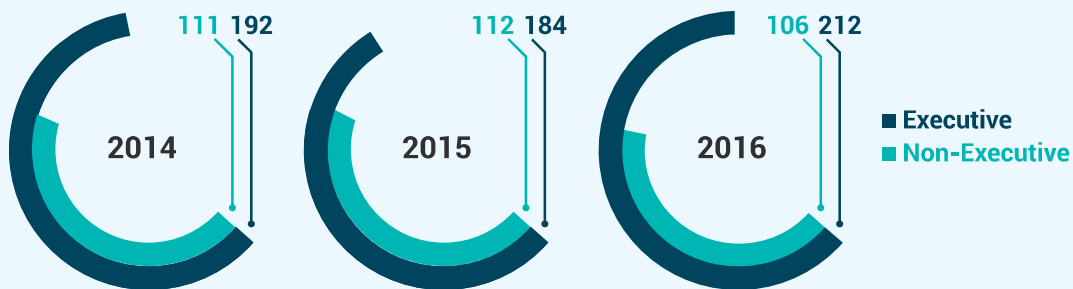
We welcome people with different background and culture as we believe that a diverse workforce would be able to generate creativity and innovation. Our employee diversity data below covers all of our operations and geographical areas, which are water and wastewater business, property development, technology services, transportation, petroleum services and e-Commerce trading.

Employees Diversity:

TOTAL NO. OF EMPLOYEES

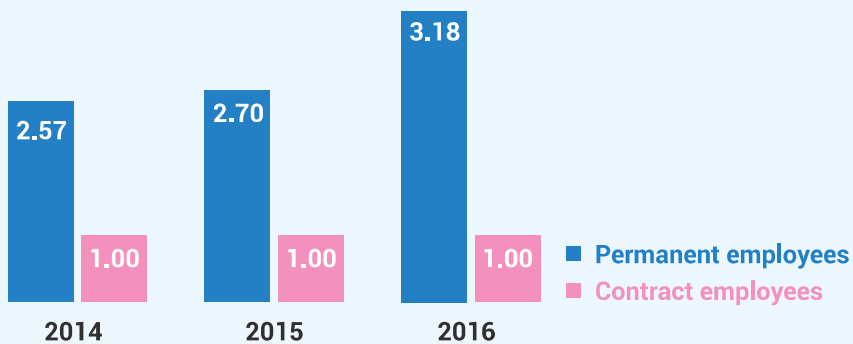


CATEGORY



STATUS OF EMPLOYEES

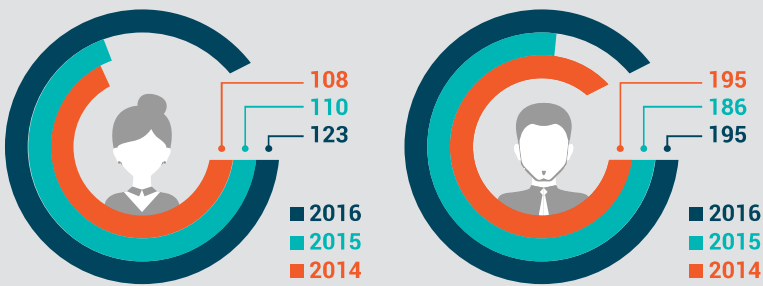
(Ratio between permanent and contract employees)



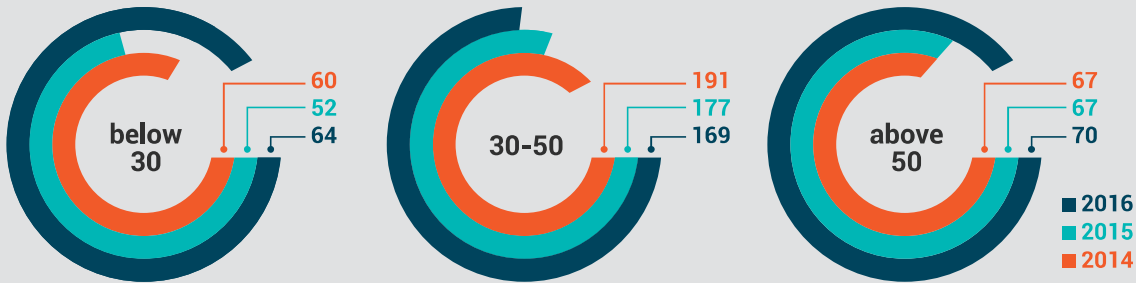
Women Empowerment:

At Salcon, we treat both male and female employees equally in terms of salary, staff benefit and welfare as well as career opportunities. We recruit talent based on experience and related technical knowledge and gender is not a consideration in our recruitment process. Female employees are given equal opportunities to be involved in senior positions should they be capable of delivering the job.

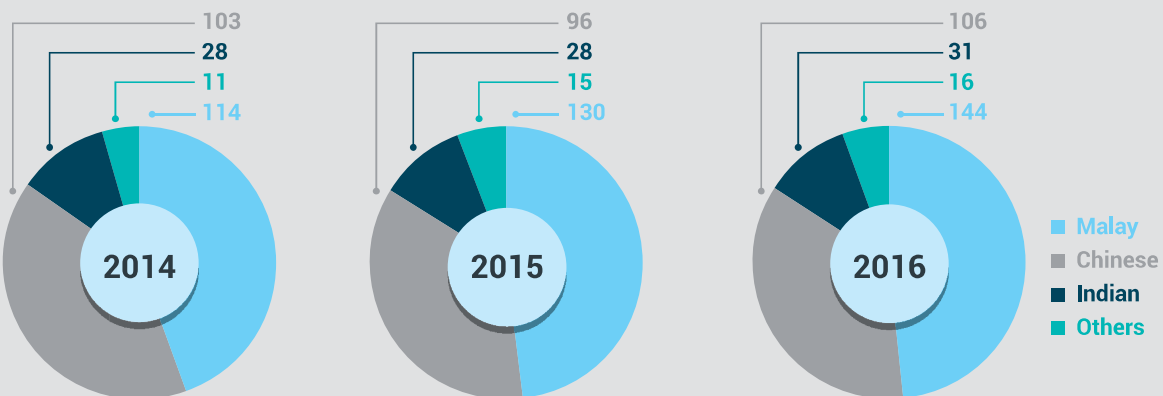
GENDER OF EMPLOYEES



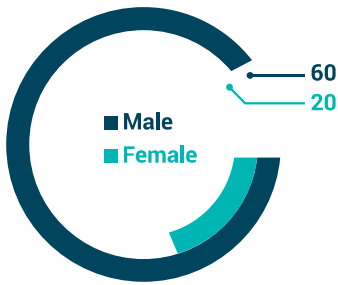
AGE GROUP OF EMPLOYEES



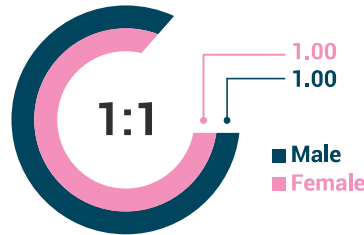
ETHNICITY OF EMPLOYEES (Malaysia only)



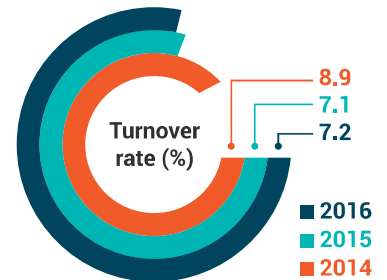
**GENDER OF EMPLOYEES
(With Position of Manager & Above)**



**RATIO OF MEN VERSUS
WOMEN SALARY**



TURNOVER RATE



Directors Diversity:

The six directors on Board with vast experience and diverse background in business management and engineering are the main pillar of the success of the Group. At present, all our directors are male and we welcome without hesitation the opportunity for the appointment of female leaders with the necessary expertise and experience to the membership of the Board. The details and expertise of our directors can be found in page 10 - 15 of this report.

Appreciating with Our Employees

Rewards:

We see our employees as the backbone of our success and recognize employees' contribution by rewarding them through salary increment, bonus, promotion or upgrading. Besides this, long service awards are conferred to employees who work more than 10 years as appreciation for their loyalty to the Group.

Communications:

Effective communications is critical for better understanding between employees and their superior on work progress and performance. Employees are engaged during the annual appraisal to review on the work and departmental performance, analyse and identify any shortfall as well as areas for improvement.

In addition, regular meetings on project progress or business strategy planning are held to ensure timely delivery of projects and sustainable growth of the Company.



Long Service Award given out during the Company's Annual Dinner.

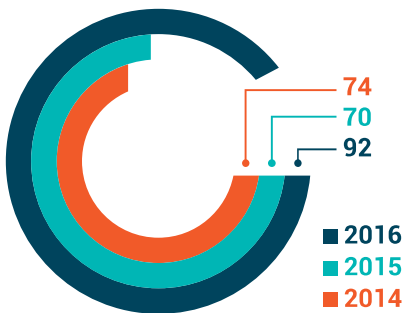
Self-Improvement and Development

Training Opportunities & Career Development:

We support our employees to reach their full potential by providing them with opportunities to grow together with the Group through continuous learning and upgrading themselves in order to prepare for better career development and advancement.

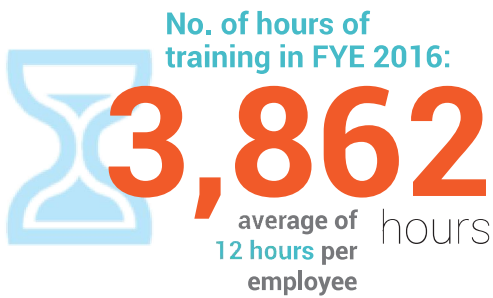
Training is one of the investments the Group emphasizes on with the objective of nurturing better and committed talents. Training opportunities are given to all level of employees as we reckon that the Group's success depends on everyone's contribution in the Group with the same vision and direction.

Total number of training for employees:

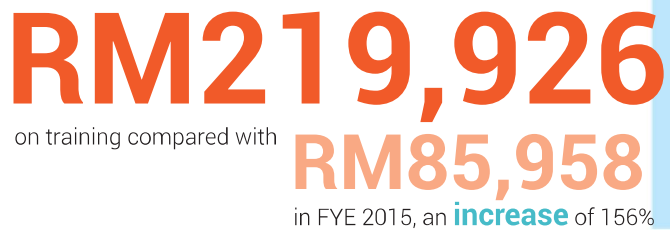


Training opportunities is one of the engagement approach we use to enhance employees' skills

Training is one of the investments the Group emphasizes and actively promotes with the objective of nurturing better and committed talents.



In FYE 2016, the Group has invested



We strongly encourage our employees to give back to the society by contributing their time, money or in-kind assistance.

Volunteering Opportunities:

We strongly encourage our employees to give back to the society by of contributing their time, money or in-kind assistance. Community programmes are organised with the involvement of our employees. In FYE 2016, 5 of our employees have volunteered to join the Gotong-Royong Programme at SK Dusun Nanding to help in landscaping work, drainage cleaning and resolving flooring damaged by tree roots problems.

19 of our employees volunteered their time to pay a visit to Rumah Bakti Ci Hang and spend time with the old folks as well as decorate their home in conjunction with the Chinese New Year festive season. During the Salcon Annual Blood Donation Drive which was open to the public, 17% of the donors were Salcon employees who have shared their gift of life to the needy.

Total voluntary hours contributed:
108





Environmental Sustainability

			
A step forward in Environmental Sustainability Efforts	Climate Change & Pollutions Management	Environmental Progress	Environmental Data/ Performance
<p>Introduction of:</p> <ul style="list-style-type: none">• Salcon Green Policy• 10-year target for key areas• Became signatory of WWF to support "Say No to Shark Fin"	<p>Actions taken to reduce pollutions and green house gas emission</p>	<p>We monitor our environmental progress on areas including:</p> <ul style="list-style-type: none">• energy• water• emission• dust• biodiversity• recycling	<p>We keep track with our environmental data to improve ourselves to achieve our environmental targets</p>

We are committed to maintain a green and clean environment and are guided by our Environmental Policy and ISO 14001 throughout our business operations. The ISO certification is reviewed annually by the Bureau Veritas Certification. All project sites are monitored by the S.H.E. Department are certified under ISO 14001. We are also able to minimize negative environmental impacts at all our project sites through effective management of our supply chain to ensure responsible procurement of raw materials and construction works.

The Board oversees the Group's environment performance and progress to ensure we create minimal carbon footprint through our business operations. Environmental sustainability issues, which are part of the Environment, Social & Governance (ESG) requirements are discussed in the Board Meeting.

The S.H.E. Department and committee are responsible to monitor the Group's safety, health and environmental performance. The COO of the company overlooks the whole operations of the Group to ensure minimal environmental impact and reports any relevant issues to the Board.

As a result of full compliance on our ISO and related regulations requirements, there were no environmental fines and penalties in FYE 2016.

We launched a Green policy for the Group, setting a 10-year target to benchmark our key environmental performance as well as support an NGO's initiative in conserving biodiversity.

A Step Forward:

In FYE 2016, we launched a Green policy for the Group, setting a 10-year target to benchmark our key environmental performance as well as support an NGO's initiative in conserving biodiversity. The details of the initiatives will be discussed under this Environment Sustainability section.

Initiatives taken in environmental sustainability in 2016:

- Launched the Salcon Green Policy
- Set of 10-year target for key areas: energy, waste and water consumption
- Became signatory of World Wildlife Foundation (WWF) to support "Say No to Shark Fin"

Salcon Green Policy:

The Salcon Green Policy was launched last year in conjunction with the Group's Environmental Week to further emphasize the Group's firm stand on our commitment for a sustainable environment to reduce climate change and pollutions. Through the Green Policy, we commit to reduce carbon footprint through the following:

- Efficient energy consumption and management
- Providing quality water to the community in our business areas and water conservation
- Effective waste management to prevent pollution
- Procurement of environmentally sound products
- Reducing actions which will adversely impact the eco-system and biodiversity
- Education to employees and intermediaries

The detailed Salcon Green Policy is available online at Salcon's corporate website: www.salcon.com.my.

Climate Change & Pollutions:




Climate change and pollution are not merely an environmental concern but also a fundamental economic and social issue. The Group's COO oversees environmental issues and concerns of the Group and reports to the Board. The Group's greenhouse gas (GHG) emission is relatively low compared with other heavy industries. Nevertheless, we are committed to reduce GHG emissions in order to minimize our carbon footprint and mitigate climate change. Amongst the initiatives taken include:

Operation Countries	Actions
Malaysia	<ul style="list-style-type: none"> Zero burning at project sites Reduce the flight frequency or other forms of transportation in favour of video conferencing for meetings
Vietnam	<ul style="list-style-type: none"> Tri An lake and Dong Nai river inspection on pollution Drainage cleaning campaign at our Vietnam project sites
United Kingdom	<ul style="list-style-type: none"> Investment in solar panel installations for houses in Southern United Kingdom

Our Environmental Targets:

In order to monitor and benchmark the Group's environmental performance, we have set a 10-year long term target to evaluate our environmental progress.

Salcon's 10-year long term targets to minimize the environmental footprint:

Area to improve	Goal to be achieved in 2026
	To reduce hazardous waste generation by 10% on a per unit basis by 2026 from 2016
	To reduce energy consumption by 10% on a per unit basis by 2026 from 2016
	To reduce water consumption by 10% on a per unit basis by 2026 from 2016

Our Environmental Progress:

All offices and project sites under the Group are responsible to conserve the environment throughout their operations as well as comply to the related environmental laws and regulations. We list below our efforts in our environmental key management areas:

Environmental Progress	Actions	Company/ Operation Country
Energy Management	<ul style="list-style-type: none"> All employees, including the intermediaries are urged to consume electricity wisely at both offices and project sites 	Group level
	<ul style="list-style-type: none"> Energy Saving Contest in conjunction with the Salcon Environmental Week to encourage employees to save electricity at home 	HQ
	<ul style="list-style-type: none"> Introduction of clear perspex roofing to reduce the consumption of electricity at Eco-Coach and Tours in Penang. The roof provide brighter natural lighting until 7pm and it helps to save 8% - 12% of the electricity consumption 	Penang, Malaysia
	<ul style="list-style-type: none"> In Vietnam, energy conservation policy at Binh An Water Corporation (BAWC) which is implemented throughout the company as per the government requirements. 	Binh An, Vietnam
Water Management	<ul style="list-style-type: none"> Water leakage reduction efforts through Non-Revenue Water (NRW) management and reduction works in Kuala Terengganu with the target to reduce 10 million litres per day (MLD) of NRW by December 2017 	Malaysia

Environmental Progress	Actions	Company/ Operation Country
	<ul style="list-style-type: none"> Partnership with Water Watch Penang (WWP), an Non-Government Organization to advocate water conservation among students Keep ourselves updated by joining water related conferences and exhibitions to keep abreast with the latest technologies for efficient water management 	HQ
	<ul style="list-style-type: none"> Recycle rain water for car and depot wash at Eco-Coach and Tours in Penang 	Penang, Malaysia
	<ul style="list-style-type: none"> Conduct regular checking and planned preventive maintenance at our water treatment plant in Vietnam 	Binh An, Vietnam
Emission Management	<ul style="list-style-type: none"> Under our Eco-Coach & Tours operations, we use diesel instead of oil to minimise unnecessary pollution. For FYE 2016, we consumed 4,744,999 liters of diesels for our coaches and vans. 	Penang, Malaysia
Dust Management	<ul style="list-style-type: none"> We conduct regular watering of access roads at Langat 2 Water Treatment Plant site to reduce dust pollution. 	Malaysia
Biodiversity Conservation	<ul style="list-style-type: none"> We practice zero hunting and burning at project sites We became a signatory with World Wild Life (WWF) to support No-shark Fin for all our corporate function. 	Malaysia
Recycling	<ul style="list-style-type: none"> All offices under the Group practice Reduce, Reuse and Recycle habit. Recycling competition at HQ 	Group level

Initiatives taken in environmental sustainability in 2016:

Salcon Environment Week is an awareness campaign held for the employees and our community with the objective of nurturing a sense of responsibility to conserve the environment. Programmes conducted under the week included Electricity Saving Competition, Recycling Competition among employees as well as Recycle talk and recycling competition at SMK Dusun Nanding, Hulu Langat. The details of programme held with SMK Dusun Nanding is discussed under Community Sustainability Section.



Salcon conveys the message of recycling to SMK Dusun Nanding students through educational approach via collaboration with SW Corp

The objective of the Electricity Saving Competition is to encourage the employees to save their housing electricity. We monitored the participants' electricity consumption through their monthly electricity bills for 3 months. At the end of the programme, most of the participants managed to reduce the electricity consumption and average reduction stands at 12.5%.

Recycling is one of the activities we believe is important and should be practiced daily at both home and workplace to reduce rubbish. Thus, we conducted a Recycling Competition in the office for all employees at HQ and nearby project sites, such as Langat 2 Water Treatment Plant in Hulu Langat. The programme was also held 2 months prior to the Chinese New Year, in conjunction with the Spring Cleaning programme. We worked together with CRC, a recycling NGO in this programme where CRC collected and rated all the recycled items according to categories. Total recycled items collected under this competition weighted at 2855.5kg, including paper, metal, aluminium, glass, electronic items, reusable items and plastic.

Environmental Data:

Below are the available environmental data for our offices and project sites. We are progressing in the improvement of disclosure for all offices and sites and monitor our consumption to achieve our environmental targets.

3-Year Energy Consumption Data (kWh)

Office/ Site	2014	2015	2016
Salcon HQ	147,598	146,622	128,393
Envitech	75,933	77,136	79,240
VBT	9,061	34,025	47,096
Langat 2	N/A	100,174	417,089
Langat CSTP	N/A	N/A	240,000
Eco-Coach	113,715	119,700	126,000
Vietnam	10,482,700	10,510,412	10,434,400

The above data was extracted from the electricity bills generated by the electricity utility authority in the respective operating areas.

- Data not available for Langat 2 & Langat CSTP in FYE 2014 and 2015 as the projects have yet to commence then.

3-Year Water Consumption Data (cubic meter):

Office/ Site	2014	2015	2016
Envitech	492	444	549
Langat 2	N/A	35,840	148,861
Langat CSTP	N/A	N/A	480
Eco-Coach	1,300	1,368	1,440
Vietnam	20,000	20,000	20,000

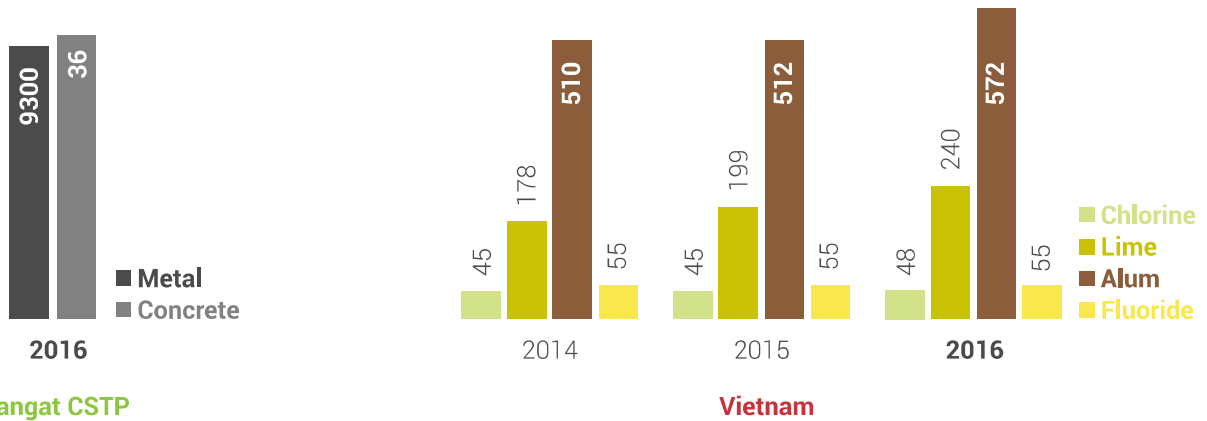
- The above data was extracted from the water bills generated by the water supply authority in the respective operating areas.

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

3-Year Scheduled Waste Data (metric tonnes):

Office/ Site	2014	2015	2016
Langat CSTP	N/A	N/A	1.60
Langat 2	4.31	8.60	4.30
Vietnam	0.12	0.12	0.12

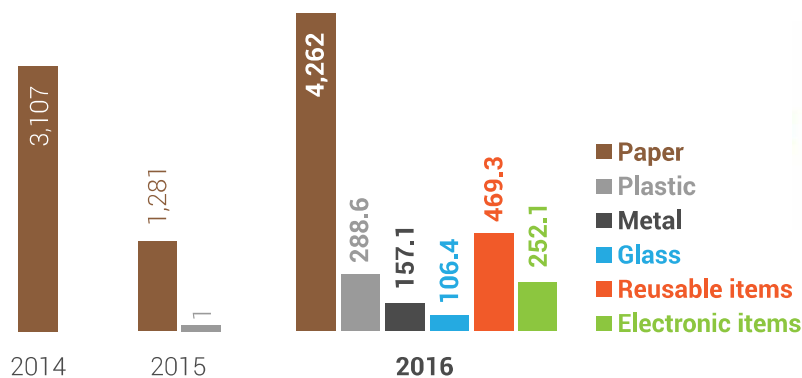
3-Year Raw Material Used Data (tonnes):



- Data in 2014 & 2015 is not available for Langat CSTP project site the project was only commenced in 2016

We are achieving steady progress in improving the disclosure for all offices and sites and monitor our consumption to achieve our environmental targets.

3-Year Recycled Data (kg):








Total of **5,535.5** kg of items were recycled in 2016

- Only paper and plastic were recycled in 2014 & 2015



Community Sustainability

 Primary School Students	 Secondary School Students	 University Students	 Charity Homes	 Other Community
<ul style="list-style-type: none">• Salcon Smart Water Programme• Gotong-Royong (Communal Work) Programme• Train of Trainers Programme	<ul style="list-style-type: none">• Salcon Smart Water Programme• Recycling Talk & Competition• Train of Trainers Programme	<ul style="list-style-type: none">• Internship Programme	<ul style="list-style-type: none">• Philanthropic giving	<ul style="list-style-type: none">• Local employment• Blood donation

Through positive engagements with the communities where we operate in, we are able to understand and receive feedback on the impact of our operations and initiate improvements, where necessary. Ultimately, it is the Group's goal to ensure that we uplift the lives of the communities and improve their quality of life and living standards via local employment, providing educational opportunities, volunteering opportunities and philanthropic support where necessary.

We uphold the concept of human rights which encompass civil and political rights, and economic, social and cultural rights as a fundamental right of all human beings. At our projects sites, local communities can always easily reach us through our site office to highlight any of their concerns or report any breaches of human rights. Engaging with local communities is important to help us identify any risks on human rights issues and take appropriate steps to prevent any such abuse. We are happy to report that there have been no incidents pertaining to human rights issues thus far.

Underprivileged groups and environmental conservation organizations are our two focus areas under our community investments. We engage with different levels of the community in our operation area and cover most of the age groups of our community, from primary schools, secondary schools, universities and charity homes as well as the less fortunate ones. We adopt an educational approach for students via our partnership with NGOs. For community and charity homes, we provide financial and support in kind including spending time and spreading cheer during festive seasons.

Our Engagement with Primary School Students:

Salcon Smart Water Programme:



We have been working with Water Watch Penang (WWP) since 2010 to conduct the Salcon Smart Water Programme (previously known as Salcon River & Water Educational Programme). This is a bi-monthly programme where school students are invited and brought to the river at a park to conduct physical, chemical and biological water testing under the guidance of WWP facilitators. Surveys on pre and post event are conducted on every participant to measure the water conservation knowledge of participants as well as effectiveness of the programme implementation. We are honoured that the programme was awarded two regional CSR awards in 2013 in Singapore.



The Salcon Smart Water Programme provides a platform for students to understand more about our precious natural resources

Effectiveness of the Salcon Smart Water Programme:

Benefitted more than
1,680 
 students
 since FYE 2010

Reached out to
42 & **4**  
 schools orphanage
 since FYE 2010 homes

 **16.6%**
 of knowledge improvement

100% 

of participants would like to join the programme again and recommend it to their friends

Train the Trainers Programme:

Following the success of the programme, we have branched out to train the teachers to be the facilitators for their own students via Train the Trainers (TOT) Programme. The main objective of the TOT is to disseminate the knowledge to teachers so that more students are able to participate in the Salcon Smart Water Programme. Interested teachers will go through a training session conducted by both Salcon & WWP to learn how to conduct the Smart Water Programme. Subsequently, teachers can conduct their own programme for the students according to their school schedule and Salcon will support in providing the water testing kits and transportation costs from the school to the river.



Teachers learn identify the aquatic life in the river and measure the health of the river through the Train the Trainers (TOT) Programme.

Salcon Train the Trainers (TOT) Programme

 **116** teachers were trained via the Salcon TOT Programme since 2014

 **5** schools have conducted their own water programme for their students

 **17** individual water programmes were conducted by schools

Gotong-Royong Programme:

Our Langat 2 Water Treatment Plant project site has taken initiative to conduct a Gotong-Royong Programme (Communal Work) together with the neighborhood nearby for SK Dusun Nanding, Hulu Langat. Our employees joined together to help to beautify the environment. Approximately 50 people from the neighbourhood participated in the programme, including representatives from the police and fire department. All participations contributed to beautify the school compound by cleaning drains, landscaping as well as removing trees which the roots have encroached the flooring.

Our Engagement with Secondary School Students:

Extension of Smart Water Programme:

We extended the Salcon Smart Water Programme to secondary school students in Klang Valley by revising the syllabus to suit the students. The hands-on approach of water knowledge learning has created positive impacts on students in their water conservation behavior and this is also reflected in the survey results.

Recycling Talks & Competition:

In conjunction with the Salcon Environment Week, we organized Recycling Talks & Competition with SMK Dusun Nanding at Hulu Langat, a secondary school nearby our operation area. We collaborated with the 2 NGOs, namely SW Corp and CRC for the talks and competition respectively.

SW Corp has given recycling talks to all students and teachers of the school to create awareness on the importance of recycling. Form 3 students subsequently were given a period of time to collect recyclable items for the recycling competition. All recycled items are donated to CRC, a charity center who also rated and weight the items collected.



We educate students to recycle and segregate waste through talk and competition

Recycling Talk & Competition with SMK Dusun Nanding:

Number of people reached in this programme:

1,783 students

Total items (paper, plastic, metal & glass) collected:

1,700.2 kg

Our Engagement with University Students:

Internship Programme:

We provide a platform for university students to prepare themselves in the real corporate world via partnership with university to offer internship opportunities. We are one of the partners in the Tunku Abdul Rahman University College's i-Star Internship Programme to provide their students internship opportunities.

Our Engagement with Charity Homes:

Philanthropic Giving:

We believe it is important for every corporate citizen to provide support for the less fortunate in the community. Guided by our Sponsorship & Donation Policy, we support charity homes, including orphanage homes, disabled people homes and old folk homes in our operating states by giving philanthropy support. In FYE 2016, the Group has donated RM 160,862 for charity purpose, 74% increase compared with last year.

Our Vietnam project site has its annual charity home visit to help the less fortunate people in their living. We gave support in-kind to poor citizens in Binh Thang Ward and support cancer research by participating in the Terry Fox Run Fundraising Programme. It is a good opportunity to remind our employees of our responsibility to give back to the society.



Salcon's visit to Old Folks Home:

Salcon organized an old folks home visit to Rumah Bakti Ci Hang in Selangor. Prior to the visit, a donation drive was conducted in the office and employees' came out in full support by donating cash and in-kind. 19 of our employees also volunteered to join the visit, decorate their home as well as spent time with the old folks.



We care for our community and attend to their needs

Our Engagement with Other Community:

Local Employment:

At the commencement of a project at a new site, priority is given to the local communities for job opportunities. We see this as a win-win situation for both Salcon and the community whereby we do not need to import talent unnecessarily from outside, the local community is thus able to benefit economically.

Blood Donation:

We collaborated with the National Blood Bank to organize the annual Salcon Blood Donation Campaign in conjunction with our Salcon Safety & Health Campaign Month for the 7th year. Last year, we collected total of 78 pints of bloods, which equals to 234 lives being saved.

CONCLUSION

A sustainable financial performance balanced with a healthy performance on environmental, social and corporate governance (ESG) issues requires persistent and long-term efforts and we remain committed to achieve more milestones in our marketplace, workplace, environment and community sustainability in the coming years to provide a better and healthier living environment for all.