

# SUSTAINABILITY STATEMENT



**5 FOCUS AREAS:**



**BUSINESS MODEL & INNOVATION**



**LEADERSHIP & GOVERNANCE**



**HUMAN CAPITAL**



**ENVIRONMENT**



**SOCIAL CAPITAL**

## REPORT OVERVIEW

The Group is pleased to adopt the <IR> Framework by International Integrated Reporting Council ("IIRC") for the first time in the 14<sup>th</sup> annual reporting of our sustainability best practices. In line with the <IR> Framework, this report underscores our commitment to ensure holistic value creation for our stakeholders by managing and operating our input capitals in a responsible and sustainable manner as encapsulated in our value creation model.

This year, the Group undertook a robust Materiality Survey and Assessment involving internal and external stakeholders to identify and prioritize sustainability issues that could substantively affect our ability to create value for our key stakeholders in the short, medium and long term. By inter-relating the key material issues to the Group's overall business strategy and risk management process, the Group is better placed to inform investors, regulators and other stakeholders on our environmental, social and governance impacts, risks and opportunities.

We look forward to continue our sustainability journey by constantly benchmarking our sustainability efforts against global reporting frameworks and local guidelines; which has allowed us to anticipate emerging issues, meet sustainability reporting expectations, strengthen sustainability communications as well as provide a basis for development of performance measures.

## Reporting Period

Reporting period: 1 January 2020 – 31 December 2020

## Reporting Scope

This Sustainability Report covers the overall Economic, Environmental, Social & Governance (EESG) performance of the operating businesses of the Group, namely the Water & Wastewater Treatment, Property Development, Transportation, Technology Services with operations in Malaysia and Sri Lanka.

1. Salcon Engineering Berhad (Water Engineering)
2. Envitech Sdn Bhd (Wastewater Engineering)
3. Eco-Coach & Tours (M) Sdn Bhd (Transportation)
4. Volksbahn Technologies Sdn Bhd (Technology Services)
5. Azitin Venture Sdn Bhd (Property Development)
6. Salcon Petroleum Services Sdn Bhd (Oil & Gas Software Marketing)

## Guidelines & References

The preparation of this report is guided by the following guidelines:

	<b>Principal Guidelines</b>	<ul style="list-style-type: none"> <li>▶ Bursa Malaysia Sustainability Reporting Guidelines 2<sup>nd</sup> Edition</li> <li>▶ Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations</li> <li>▶ &lt;IR&gt; Framework by International Integrated Reporting Council ("IIRC")</li> </ul>
	<b>Supplementary Guidelines</b>	<ul style="list-style-type: none"> <li>▶ FTSE4Good Bursa Malaysia Index Rating Guide</li> <li>▶ Global Reporting Initiative ("GRI") Standards</li> <li>▶ AA1000 Stakeholder Engagement Standards 2015</li> </ul>
	<b>Commitment</b>	<ul style="list-style-type: none"> <li>▶ Sustainability Development Goals ("SDGs")</li> <li>▶ United Nations Global Compact ("UNGC") Principles</li> </ul>

## 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](mailto:corporate@salcon.com.my).

### SUSTAINABILITY STATEMENT

#### SUSTAINABILITY AT SALCON

In line with our vision to be a respected and synergistic corporation transforming lives for the better, we are committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment where we operate in; whilst upholding our mission of providing top quality products and services.

By integrating economic, environmental and social considerations into our corporate value creation strategies and performance, we are committed to create inclusive and sustainable value over the long-term.

#### Awards & Recognitions



**Asia Sustainability Reporting Award –**  
Asia's Best Sustainability Report Award (SME)  
Bronze



FTSE4Good

**FTSE4Good**  
Inclusion in FTSE4Good Bursa Malaysia Index  
for the 6<sup>th</sup> consecutive year

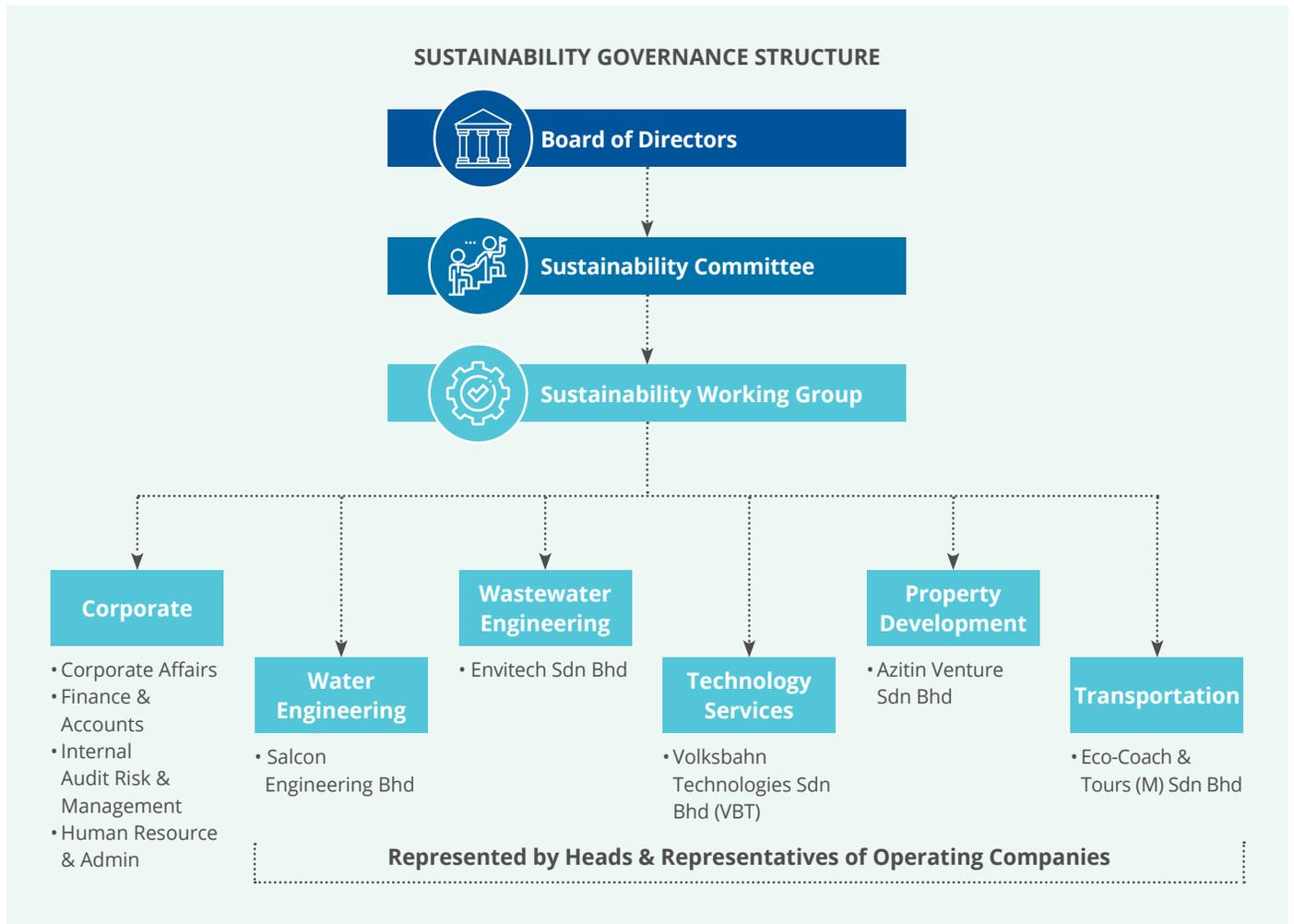
#### GOVERNANCE STRUCTURE

The sustainability governance structure at Salcon is committed to ensuring that the right executive leadership, strategies and internal controls are in place to embed sustainability practices across the organisation, manage goal-setting as well as ensure overall accountability and reporting.

This year, the Group streamlined the governance structure to formally include the heads and representatives from the Group's 4 business units i.e Envitech Sdn Bhd (Envitech), Volksbahn Technologies Sdn Bhd (VBT), Azitin Venture Sdn Bhd and Eco-Coach & Tours (M) Sdn Bhd (ECT) into the Sustainability Working Group (SWG). Having a cross-functional SWG that engages leadership across business units, regions and functions will provide further oversight whilst encouraging cross-organisational communication and engagement to implement the Group's sustainability strategies.

The sustainability operating model consists of 3 layers as below:





## STAKEHOLDERS ENGAGEMENT

The Group engaged with internal and external stakeholders including customers, suppliers and investors to get their direct feedback through face-to-face meetings, where possible, as well as an online survey questionnaire during a materiality assessment conducted in FY2020. Their feedback was then analyzed, mapped and prioritized based on each stakeholders' expectation, and actions are defined grounded on their feedback. Please refer to the Materiality section of this report.

Based on the results of the Materiality Survey & Assessment, our stakeholders key needs and expectations were identified and analysed. Our engagement approach and values created for the respective stakeholder groups are as tabled in the next page.

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Occupational health &amp; safety</li> <li>Employee activities/events</li> </ul>	Occupational safety & health	Safety & Health Campaign	Annually	Safe and healthy working environment with better productivity	64
		Training & development	Training opportunities	As needed	Enhanced skills for improved work efficiency	61
	<ul style="list-style-type: none"> <li>Salaries &amp; benefits/well-being</li> <li>Career enhancement</li> </ul>	Talent attraction & retention	<ul style="list-style-type: none"> <li>Employee performance review &amp; rewards</li> <li>Employee entitlements &amp; benefits</li> </ul>	As needed	Recognising our employees' contributions	60
		Workplace well-being	Festive celebrations	As appropriate	Fostering positive relationships amongst colleagues	62
	Company Facebook page		As needed	Up-to-date information on the company's direction/ news	53	
	Internal newsletter		As needed			
	Wok-life balance activities		As needed	Fun activities in the office to foster good work-life balance	61	
 <b>Shareholders/ Investors</b>	<ul style="list-style-type: none"> <li>Economic and financial performance</li> <li>Dividend and growth prospect</li> <li>Sustainability performance</li> </ul>	<ul style="list-style-type: none"> <li>Business model resilience</li> <li>Financial performance &amp; profitability</li> </ul>	Analysts/ bankers/fund managers meeting	As needed	<ul style="list-style-type: none"> <li>Analyst presentations with positive feedback on information shared</li> <li>Return on investment</li> </ul>	53
			Annual General Meeting	Annually	<ul style="list-style-type: none"> <li>Platform to share the company's economic performance, business direction and strategies with our shareholders</li> <li>Rewarding our shareholders through dividend payment.</li> </ul>	20

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
 <b>Clients/ Customers</b>	<ul style="list-style-type: none"> <li>Timely delivery</li> <li>Quality works/ services</li> <li>Innovative solutions</li> <li>Pricing of product/services</li> </ul>	<ul style="list-style-type: none"> <li>Project delivery</li> </ul>	<ul style="list-style-type: none"> <li>Client satisfaction survey</li> <li>Regular project meetings</li> </ul>	Annually	<ul style="list-style-type: none"> <li>Project delivery within timeline and budget</li> </ul>	54
				Daily (working day)	<ul style="list-style-type: none"> <li>Fast and prompt attention to customer needs at billing services center</li> </ul>	54
 <b>Regulators/ Government Authorities</b>	<ul style="list-style-type: none"> <li>Governance &amp; Compliance</li> <li>Business Ethics &amp; Integrity</li> </ul>	<ul style="list-style-type: none"> <li>Corporate governance</li> <li>Anti-corruption</li> <li>Ethics &amp; integrity</li> <li>GHG emission &amp; climate change</li> </ul>	<ul style="list-style-type: none"> <li>Full compliance with Bursa Malaysia, Security Commissions and Quality Management (ISO 9001) policies and guidelines</li> </ul>	As needed	<ul style="list-style-type: none"> <li>Create reputable branding as well as keeping track with the current market regulations</li> </ul>	53
				As needed	<ul style="list-style-type: none"> <li>Biodiversity conservation at project sites and create minimal carbon footprint</li> <li>Effective resources management</li> <li>Better awareness on environmental issues and compliance knowledge among employees</li> </ul>	67
 <b>Business Partners/ Associate partners</b>	<ul style="list-style-type: none"> <li>Strategic business planning</li> <li>Long-term business relationships</li> </ul>	<ul style="list-style-type: none"> <li>Business Model Resilience</li> <li>Project delivery</li> <li>Financial management &amp; profitability</li> </ul>	<ul style="list-style-type: none"> <li>Strategic business planning meetings</li> </ul>	As needed	<ul style="list-style-type: none"> <li>Improve business and economic performance</li> <li>Forge long term bond</li> </ul>	53

### SUSTAINABILITY STATEMENT

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
 <p><b>Local Community</b></p>	<ul style="list-style-type: none"> <li>Socioeconomic development</li> <li>Safety &amp; Health</li> <li>Impact of operation on community and environment</li> <li>Employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Community engagement</li> <li>Local employment</li> <li>Community investment &amp; development</li> </ul>	Charitable giving	As needed	Build positive relationships with the community and attend to their needs	81
			Internship opportunities	As needed	Real corporate world exposure for students	82
			Salcon Water Genius Challenge	As needed	Raising awareness of water issues and reduce water consumption	80
			Local employment	As needed	Creation of job opportunities for local communities at project sites	82
 <p><b>Suppliers/ Sub-contractors</b></p>	<ul style="list-style-type: none"> <li>Pricing and good payment practices</li> <li>Long-term working relationship</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain management</li> <li>Ethics &amp; Integrity</li> <li>Corporate governance</li> <li>Anti-corruption</li> </ul>	Suppliers & sub-contractors evaluation	Annually	Performance monitoring and Improve efficiency throughout supply chain	55
			Tender & bidding/ quotation requests	As needed	Share the same ethical procurement values	54
			Procurement policies & system	As needed		54
 <p><b>Media</b></p>	<ul style="list-style-type: none"> <li>Long-term relationship building</li> <li>Impact to the communities</li> </ul>	<ul style="list-style-type: none"> <li>Branding &amp; reputation</li> </ul>	Media releases	As needed	Reach out to public on company's strategic direction, future aspirations to promote company branding and reputation.	53
			One on One interviews	As needed		53

Stakeholder Group	Key Needs & Expectation	Materiality Topics	Engagement Approach	Frequency	Values Created	Page Reference
 <b>Non-Governmental Organisations (NGOs)</b>	<ul style="list-style-type: none"> <li>• Sustainability performance</li> <li>• Impact to the environment and communities</li> </ul>	<ul style="list-style-type: none"> <li>• Community investment &amp; development</li> <li>• Community engagement</li> <li>• GHG emission &amp; climate change</li> <li>• Human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership and support in community and environmental sustainability</li> <li>• Support NGOs</li> </ul>	As needed	<ul style="list-style-type: none"> <li>• Mutual understanding on sustainable environmental and social growth as well as biodiversity conservation</li> <li>• River &amp; water conservation and education for community</li> </ul>	70
 <b>Industry Associations</b>	<ul style="list-style-type: none"> <li>• Building good relationship with industry peers</li> </ul>	<ul style="list-style-type: none"> <li>• Branding &amp; reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Industry exhibitions and conferences</li> </ul>	As needed	<ul style="list-style-type: none"> <li>• Keeping track with industry updates</li> <li>• Foster good relationships with industry peers</li> </ul>	53
			<ul style="list-style-type: none"> <li>• Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA)</li> </ul>	As needed		53

#### MATERIALITY

In FY2020, the Group undertook its 2<sup>nd</sup> Materiality Survey & Assessment having undertaken the first one in FY 2017. The new Materiality Matrix is a result of a materiality assessment process which involves identifying the latest trends in sustainability, defining key needs and requirements of stakeholders, integrating the expectations of stakeholders within the activities of the Group and identifying the most significant sustainability issues for our business.

#### Methodology

The materiality assessment process is conducted in accordance with Bursa Malaysia Sustainability Reporting Guidelines and guided by the GRI Framework, <IR> Framework and SASB materiality map to better disclose the information about the material matters that affect the Group's ability to create values for our stakeholders.



## 01

### Identification & Review of Material Issues from Internal & External Sources

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A total of 32 material topics were identified from initial consultation and a review of existing literature to determine the relevance and significance of issues through internal and external sources:

- a. Internal Sources: Internal Data, Materiality Survey, Stakeholder Prioritization
- b. External Sources: Materiality Survey, rating & FTSE4Good Bursa Malaysia Guidelines, GRI guidelines, Bursa Malaysia Sustainability Reporting Guide, TCFD Recommendations, SASB materiality map, media reporting, analyst reports, external peer review, clients survey and industry news.



## 02

### Prioritization – Online Survey and Review by The Sustainability Working Group (SWG)

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An online quantitative survey on the 32 material topics was conducted, involving 348 Salcon employees, more than 500 professional stakeholders and 49 key customers. The material topics were then consolidated into 17 material issues and ranked through a scoring methodology to weigh and prioritize the input from the various stakeholders.

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 stakeholders' priorities and aspirations. The SWG collectively reviewed and gauged the material issues which are material to our business from both the Group and stakeholders' perspective. Based on this, 12 key material issues which emerged as the most material were mapped onto a matrix to help visualize their relative importance to the Group and our stakeholders.

The result of this review is further elaborated under 'Materiality Analysis' on page 49.



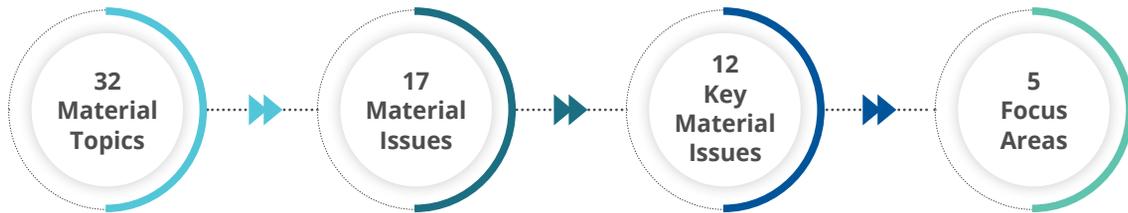
## 03

### Validation – Presentation to the Sustainability Committee (SC)

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The outcome of the materiality matrix review and analysis by the SWG was then presented to the Sustainability Committee for validation and approval with recommendations on key measures and targets as reported from page 49-51 in relation to each key material issue.

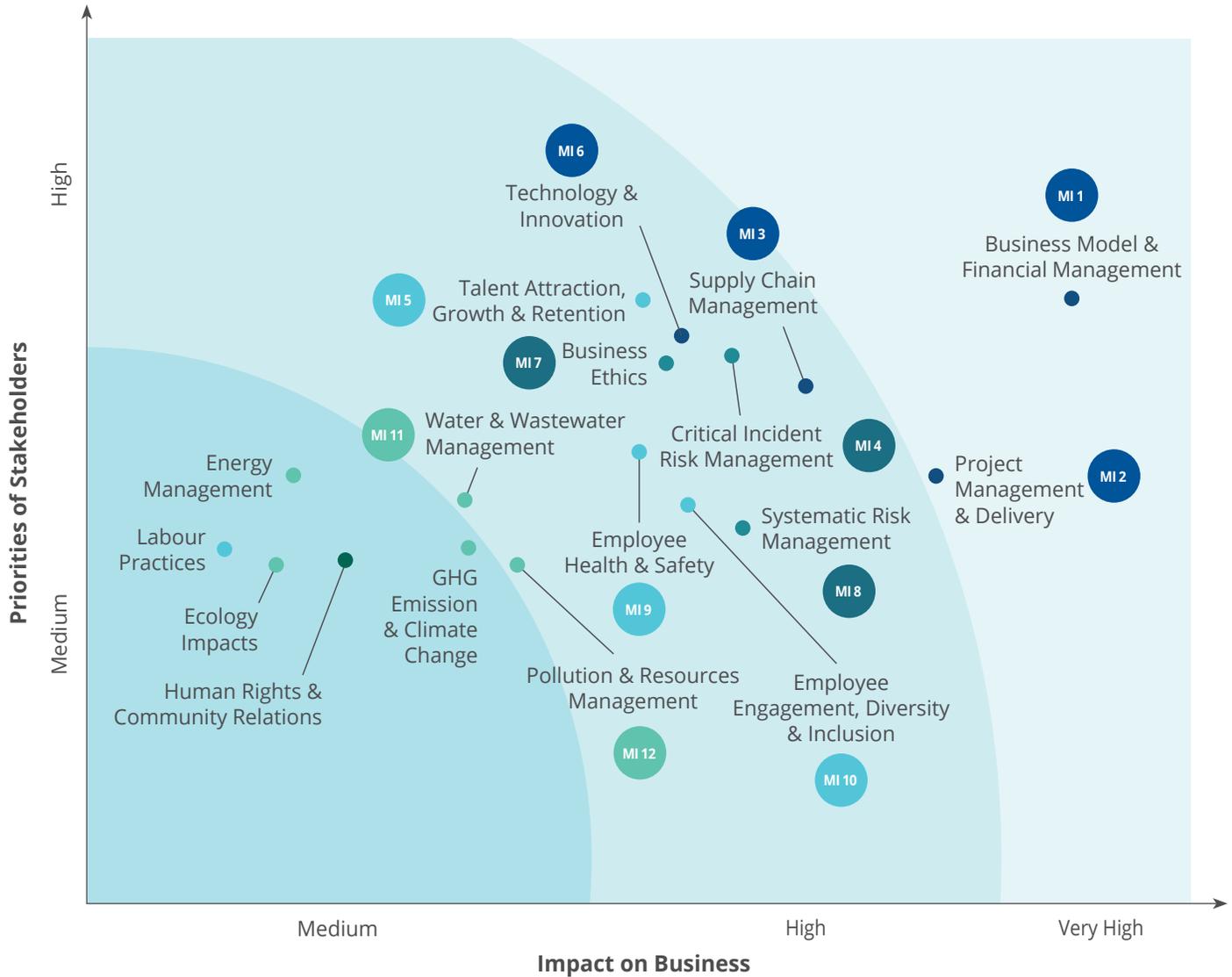
The process of our materiality analysis is shown in the diagram below:



Focus Areas (5)	No.	Topics (32)	Issues (17)
 <b>BUSINESS MODEL &amp; INNOVATION</b>	1	Business Model Resilience	Business Model & Financial Performance
	2	Financial Management & Profitability	
	3	Branding & Reputation	Technology & Innovation
	4	Technology & Innovation	
	5	Supply Chain Management	
	6	Project Delivery	
	7	Client Satisfaction	
 <b>LEADERSHIP &amp; GOVERNANCE</b>	8	Corporate Governance	Business Ethics
	9	Ethics & Integrity	Critical Incident Risk Management
	10	Anti-corruption	
	11	Crisis Management	
	12	Risk Management	Systematic Risk Management
 <b>HUMAN CAPITAL</b>	13	Grievance Mechanisms	Labour Practices
	14	Occupational Safety & Health	Employee Health & Safety
	15	Training & Development	Talent Attraction, Growth & Retention
	16	Talent Attraction & Retention	
	17	Equal Opportunities & Diversity	Employee Engagement, Diversity & Inclusion
	18	Workplace Well-being	
 <b>ENVIRONMENT</b>	19	Carbon Emission	GHG Emission & Climate Change
	20	Environmental Compliance	
	21	Energy Management	Energy Management
	22	Water Use & Management	Water & Wastewater Management
	23	Wastewater Use & Management	
	24	Biodiversity	Ecological Impacts
	25	Air Quality	Pollution & Resources Management
	26	Noise	
	27	Raw Material Used	
	28	Hazardous Waste Management	
 <b>SOCIAL CAPITAL</b>	29	Human Rights	Human Rights & Community Relations
	30	Community Investment & Development	
	31	Local Employment	
	32	Community Engagement	

Materiality Matrix

The Materiality Matrix plots the Group's material issues (MI) in two dimensions: (1) Impact to the business and (2) Priorities of stakeholders. The material issues identified are categorised into our 5 focus areas ie Business Model & Innovation, Leadership & Governance, Human Capital, Environment & Social Capital.



**Focus Areas**

- Business Model & Innovation
- Leadership & Governance
- Human Capital
- Environment
- Social Capital

## Materiality Analysis

The table below describes the Group's key material issues, captures emerging risks & opportunities, targets and mitigation measures across the business for the twelve (12) material issues and their relationships within the five focus areas of the Group i.e. Business Model & Innovation, Leadership & Governance, Human Capital, Environment & Social Capital, which forms a foundation of our values creation framework for our stakeholders.

The Group also reviewed how these key material issues are aligned with the Sustainable Development Goals (SDG) and the United Nations Global Compact (UNGC) principles, finding that its efforts align most closely with the goals on Good Health & Well-being, Quality Education, Gender Equality, Clean Water and Sanitation, Decent Work and Economic Growth, Industry, Innovation Infrastructure, Reduce Inequalities, Responsible Consumption and Protection, Peace, Justice & Strong Institutions and Partnership for the goals whilst for UNGC, we are aligned with Principle 2, 4, 5, 6 & 8 in four areas on human rights, labour standards, environment and anti-corruption.



### BUSINESS MODEL & INNOVATION



No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
<b>MI1</b>	Business Model & Financial Management	<ul style="list-style-type: none"> <li>Potential losses leading to reduction of shareholder values and poor share price performance.</li> </ul>	<ul style="list-style-type: none"> <li>Re-define Company direction and business strategy.</li> <li>Good management on the Group's financials and investment as well as maintaining healthy profits.</li> </ul>	52
<b>MI2</b>	Project Management & Delivery	<ul style="list-style-type: none"> <li>Risk of losses arising from payment of compensation and reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Successful completion and delivery of projects on time and within budget.</li> </ul>	54
<b>MI3</b>	Supply Chain Management	<ul style="list-style-type: none"> <li>Risk of unethical business practices/compliances throughout the supply chain which might affect the Company's reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Embed strong business practices in all aspects throughout our supply chain.</li> </ul>	54
<b>MI6</b>	Technology & Innovation	<ul style="list-style-type: none"> <li>Obsolete technologies leading to lack of competitiveness and loss of business.</li> </ul>	<ul style="list-style-type: none"> <li>Harnessing new skills, competencies and tools to support innovation.</li> </ul>	55



### LEADERSHIP & GOVERNANCE

UNGC Principles 10



No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
M14	Critical Incident Risk Management	<ul style="list-style-type: none"> <li>Cost incurred from the damages of unprecedented incidents.</li> </ul>	<ul style="list-style-type: none"> <li>Immediate response to the crisis to minimize the damage on costing and corporate image.</li> </ul>	56
M17	Business Ethics	<ul style="list-style-type: none"> <li>Risk of unethical business practices among employees or throughout the value chain which might affect the Company's reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Embed integrity and ethical business practices in all aspects of our business.</li> </ul>	57
M18	Systematic Risk Management	<ul style="list-style-type: none"> <li>Risk of harming organization's operations such as finance, revenues, reputation, market position etc.</li> </ul>	<ul style="list-style-type: none"> <li>Able to identify, assess and mitigate any events which might harm the organisation based on strategic and operational risks management plan.</li> </ul>	58



### HUMAN CAPITAL

UNGC Principles 2, 4, 5, 6



No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
M15	Talent Attraction, Growth & Retention	<ul style="list-style-type: none"> <li>Not being able to attract and retain talents will negatively impact the Company's ability to perform and achieve its objectives.</li> </ul>	<ul style="list-style-type: none"> <li>To be the employer of choice by nurturing competent talent for company's growth.</li> </ul>	60
M19	Employee Health & Safety	<ul style="list-style-type: none"> <li>Major accidents due to non-compliance of policies and procedures that may lead to fatality or severe injury.</li> </ul>	<ul style="list-style-type: none"> <li>Creating a safe and healthy workplace, at both offices and project sites to enhance productivity and performance.</li> </ul>	64

No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
<b>MI10</b>	Employee Engagement, Diversity & Inclusion	<ul style="list-style-type: none"> <li>Impacts to productivity and losses to the Company.</li> <li>Challenges arising from workplace discrimination and unfair treatment.</li> </ul>	<ul style="list-style-type: none"> <li>Social &amp; recreational activities/ initiatives for employees. Employees benefits and compliance with all wage laws for all categories of employees.</li> <li>Fair treatment to all employees, employee diversity in respectful workplace.</li> </ul>	61



**ENVIRONMENT**

UNGC Principles 7, 8

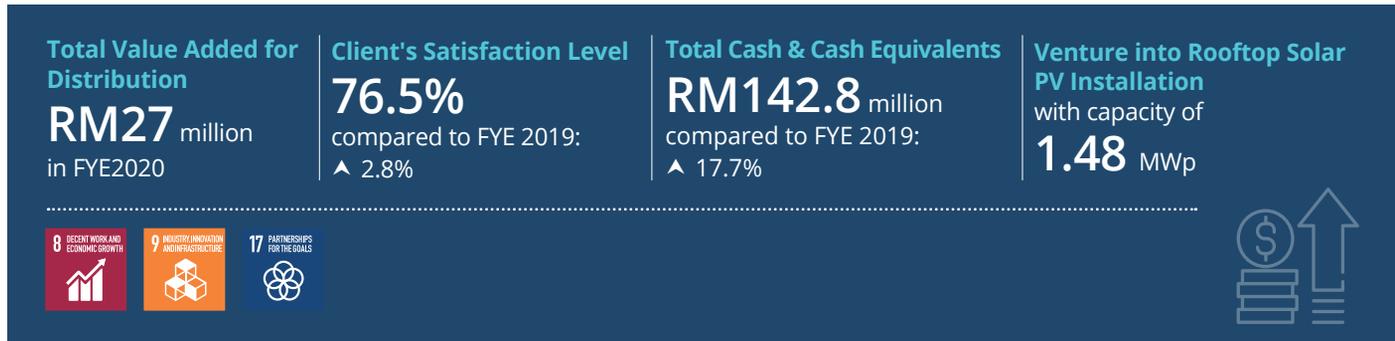


No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
<b>MI11</b>	Water & Wastewater Management	<ul style="list-style-type: none"> <li>High costs, loss of biodiversity, degradation of the multitude of benefits from ecosystems, and an increasing prevalence of environmental hazards.</li> </ul>	<ul style="list-style-type: none"> <li>Undertake actions to mitigate the impact towards the environment within our business operations.</li> </ul>	71
<b>MI12</b>	Pollution & Resources Management			73



# BUSINESS MODEL & INNOVATION

Maximising Shareholders' Value



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.

In this section, we present our performance under Business Model & Innovation: Maximising shareholders' value based on the following areas:

### 1. Business Model & Financial Performance

- a. Business Model Resilience
- b. Financial Management & Profitability
- c. Branding & Reputation

### 2. Project Management

- a. Project Delivery
- b. Client Satisfaction

### 3. Supply Chain Management

### 4. Technology & Innovation

## MI 1 BUSINESS MODEL & FINANCIAL MANAGEMENT

**Business model & financial management refers to economic value generated and distributed by the Group in our value-creation process.**

The Group is cognizant that a strong economic and financial performance is crucial as it is one of the indicators used in accessing its ability in generating direct economic values to its stakeholders, which includes shareholders, investors, employees, suppliers and bankers. This is also reflected in our

Materiality Matrix which ranked Business Model & Financial Performance as the top priority of our stakeholders.

### Business Model Resilience

As an integrated services provider, with focus on water and wastewater engineering construction, transportation, property, technology services and solar power sectors, the Board embraces long term value creation across our businesses in dealing with rapidly-shifting external contexts such as disruptive technologies, economic uncertainties, changing demographics and natural resource scarcity. The Board is of the view that a resilient business model is one which takes sustainability as our foundation for long-term value creation. Our business model resilience strategy is built on the following elements:

- 1) **Board & Management Leadership** – Having the strategic foresight and structured ways to identify signals of change on the horizon, explore multiple possible futures, and create fit-for-purpose strategies
- 2) **People** – Attracting and retaining employees with alignment to the company's values, purpose, and sustainability impacts
- 3) **Process** – Ensuring that enterprise risk management (ERM) processes fully consider sustainability challenges such as climate resilience, natural resource availability and social volatility
- 4) **Product** – Generating revenue growth by developing products, services and solutions that meet sustainability needs, such as reducing greenhouse gas (GHG) emissions,

achieving the UN Sustainable Development Goals (SDGs), or reaching underserved customers. This requires that we view the sustainability challenge not as a risk to be mitigated but as a driver of innovation for new products, services and technologies.

In line with Salcon's strategy of growth and diversification to build a resilient business model, the Group put plan into action by venturing into the glove manufacturing business and strengthened our position in the renewable energy (RE) sector through the signing of three solar power purchase agreements with HeveaPac Sdn Bhd in FYE 2020. Both business expansions are expected to contribute additional income streams to the Group.

### Financial Management & Profitability

The Group seeks to maximise its shareholders' value through prudent financial management and increasing returns on investment in the form of dividend payments and capital appreciation which is reflected in market value of shares.

Our strategy to increase shareholder value through financial management and profitability is based on three strategic pillars:



While we anticipate near-term growth prospects to be impacted by the COVID-19 pandemic on our existing businesses, we see opportunities out from the storm by venturing into the glove making business and investing in the solar panel installation business which will enable us to generate new sources of income in the coming year.

The Group's economic value generated are detailed in Management Discussion and Analysis on page 36.

### Branding & Reputation

Our business reputation impacts all our relationships – with our clients, investors, suppliers, regulators and all our other stakeholders; it has a ripple effect throughout our organisation. We recognise that a good business reputation is critical for the growth and success of our business.

#### 1. **Langat 2 Package 15 (4) Project Implementation Briefing with Residential JKP Zone 4 Hulu Kelang**

Together with our client and consultant, a briefing on the project implementation for project Langat 2 Package 15 (4) was conducted with the representatives of residential at JKP Zone 4 Hulu Kelang to provide the information about the project construction and answer the queries raised by the representatives of the residents.

#### 2. **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.

#### 3. **Membership participation**

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

- a) Global Water Intelligence
- b) Malaysia Water Association (MWA)
  - Participation & support in the Water Industry Guide & Table Calendar
- c) International Water Association (IWA)
- d) Malaysia Investor Relations Association (MIRA)
  - Attended seminars/ workshop organized by MIRA
- e) Malaysia South-South Association (MASSA)
  - Participation in Anniversary Dinner and experience sharing on venture into Vietnam market
- f) Malaysia Institute of Corporate Governance (MICG)
- g) Malaysia Employment Federation (MEF)

#### 4. **Online platform**

Currently, the Group's corporate website ([www.salcon.com.my](http://www.salcon.com.my)), corporate webmail ([corporate@salcon.com.my](mailto:corporate@salcon.com.my)) and Facebook page ([www.facebook.com/SalconBerhad](http://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.

#### MI 2 PROJECT MANAGEMENT & DELIVERY

**Project management & delivery refers to the process of leading the work of our project teams to achieve goals and meet success criteria within a specified time and budget.**

Successful project delivery and management is a key indicator of customer satisfaction and we are committed to deliver all projects entrusted to us on time and within budget. The status of key projects is monitored closely through monthly operational meetings at various levels in the organisation to ensure that the project is delivered with quality and meeting our clients's requirements.

Salcon has in place a dedicated team to oversee the ongoing management and maintenance of the ISO 9001:2015 Quality Management System (QMS). The team identifies, tracks and implements system changes in a timely and consistent manner for the benefit of project teams that use construction materials in their daily operations. Our projects undergo annual Internal Quality Audit to ensure QMS compliance, where the findings are clearly communicated to the project teams and tracked for timely corrective action. All issues are further communicated to the Management Team for their awareness and used in monitoring project performance.

#### Client's Satisfaction

Customer satisfaction surveys are conducted twice a year to provide a channel for our clients to evaluate our performance. Led by the QA/QC team, the responses from the surveys are consolidated, analysed and compiled into a report to provide the various project teams an insight into

the satisfaction levels of our clients' based on the various service elements identified. If written comments have been provided in any area of concern, relevant project teams are required to provide an action plan to manage customers' concerns.

Through our continuing efforts over the years we have been able to maintain our scores in ensuring our clients' satisfaction. In FY2020, we conducted a client's satisfaction survey for 8 projects in Malaysia, namely Kuala Terengganu Utara Water Treatment Plant, NRW Sandakan, Langat 2 Water Treatment Plant, Langat 2 Package 15 (4), Telibong Water Treatment Plant, Langat CSTP , Langat NPS and Ambathale Stormwater Pumping Station. We were rated 76.5% on the average by our clients, compared with 73.7% 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.

Under our NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. We have 2 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 2 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 FY2020, there are no incidents or complaints pertaining to breaches of clients' privacy.

**2 minutes**

call handling time at Sandakan customer service centre

**88.8%**

of suppliers ranked at excellent performance level

**ISO 9001: 2015**

Quality Management System in place



#### MI 3 SUPPLY CHAIN MANAGEMENT

**Supply chain management refers to the management of ESG risks within our Group's supply chain and addresses the issues associated with sub-contractors' & suppliers' operation activities.**

At Salcon, we are committed to working with suppliers, sub-contractors and other supply chain partners who share our values and work innovatively. Our suppliers and sub-contractors are vetted through stringent pre-selection criteria depending on the goods or services offered and they are only appointed for projects upon meeting these selection criteria. As for new suppliers, they will have to undergo a pre-qualification process prior to being included in the panel of approved suppliers.

The Company's Statement of Policies and Business Ethics ("SPBE") defines the basic requirements placed on our suppliers and sub-contractors concerning their responsibilities towards their stakeholders and the environment. Acknowledgement of the SPBE is a prerequisite in every

Salcon contract and it is the suppliers'/ contractors' responsibility to actively communicate and convey to their employees to ensure it is enforced and complied in every aspect in order to comply with Salcon's principles and requirements.

A yearly evaluation is conducted on existing suppliers and sub-contractors to assess their performance in areas including service delivery, quality of products and price competitiveness. We also work with our sub-contractors and provide them with safety and health trainings to drive improvements across the operations.

Supplier & sub-contractors performance evaluations:



**MI 6 TECHNOLOGY & INNOVATION**

**Technology & innovation refers to the Group's strategy of developing new services and products to fulfill the needs and trends in the marketplace.**

The Group recognises the importance of advancing technology and digitalization as it provides opportunities for businesses to become more productive, innovative and relevant in a fast-changing world. Besides continuously identifying new technology partners to develop and bring to market new technologies relevant to the different industries we operate in, the Group seeks to increase its operation efficiency through technology advancement in management information systems.

Under the Engineering & Construction Division, our collaboration with Wide Plus Smart City Sdn Bhd serves as a milestone for us to provide end-to-end water management solutions throughout a water utilities' entire water network system supported by internet of things (IOT) solutions for remote meter reading, water quality, pressure and level monitoring and leakage detection. Through this technology, fast data analysis and statistics for decision

making and efficient monitoring of water quality and water supply conditions can be achieved to meet our clients' need and requirements.

In our solar business endeavour, Salcon further strengthened its commitment in environmental sustainability by establishing a joint venture company with HeveaPac Sdn Bhd ("HeveaPac") namely Satria Megajuta Sdn Bhd ("Satria") to install the Solar PV systems in HeveaPac's premises. With this collaboration, we are able to lower Heveapac's operating cost and reduce their carbon footprint in the daily business operations.

The technology services division is driven by our subsidiary Volksbahn Technologies Sdn Bhd (VBT) which 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 in joint venture with HeveaPac Sdn Bhd to install rooftop solar PV systems at HeveaPac's premises

# LEADERSHIP & GOVERNANCE

Becoming a Trusted & Reliable Working Partner

**ZERO**  
case reported through  
whistleblowing channel

Launching of  
**Crisis Management  
Plan** in FY2020

**190** employees  
attended anti-bribery & anti-corruption  
briefing in FY2020




We are committed to be a trusted, reliable and sustainable partner for our customers, business partners and employees by upholding the principles of transparency and integrity in all aspects of our business practices.

In order to gain and maintain the confidence of our stakeholders, aspects such as how the Group manages our critical incident risks, business ethics & integrity and how we manage our key risks and opportunities play a major part in being a trusted and reliable company.

**MI 4 CRITICAL INCIDENT RISK MANAGEMENT**

**Critical incident risk management refers to the alignment of our operations, services and functions to manage assets and situations to prevent or mitigate the occurrence of critical risks to the Group.**

In FY2020, Salcon launched its Crisis Management Plan (“CMP”) driven by key divisions and subsidiaries to respond to crises involving the company’s assets, businesses and reputation. It is crucial to implement predictive and preventive measures before facing any critical issues that threaten our business, and if such occur, we strive to minimize any

potential damage and take measures to prevent recurrence in order to properly manage crises while ensuring continuous and stable business development.

The roles of each response team to different levels of crisis are summarized in the table below:

TYPE OF MANAGEMENT	RESPONSE TEAM	ROLES
 <b>Crisis Management</b>	Crisis Management Team (CMT)	<ul style="list-style-type: none"> <li>• Manage and make decisions on human impacts (both employees and the community), company reputation, share values and corporate assets.</li> </ul>
 <b>Emergency Coordination</b>	Emergency Management Team (EMT)	<ul style="list-style-type: none"> <li>• To gather, assess and disseminate information and to propose decisions for solution to affect recovery.</li> <li>• To advice and coordinate all response activities beyond the scope of the on-scene response, and manage internal and external stakeholder issues.</li> <li>• To ensure that targeted audiences receive crisis-related information through the most efficient, expedient Channels.</li> </ul>
 <b>Accident/ Incident Management</b>	Emergency Response Team (ERT)	<ul style="list-style-type: none"> <li>• Responsible for executing the on-scene response. This team is typically led by an Incident Commander. The individuals of this team are highly skilled and trained in specific response measures.</li> <li>• These specialized members include Fire Marshall, First Aider and Safety Officer.</li> </ul>

The detailed CMP was circulated to all Salcon's employees and respective head of the Crisis Management Team ("CMT") to discuss with their staff accordingly to ensure everyone in the organisation is briefed clearly on how to respond efficiently in the event of a crisis.

## MI 7 BUSINESS ETHICS

**Business ethics refers to the management of ethical conduct within the Group's operation while providing services that satisfy the highest professional and ethical standard of the industry.**

The Group takes matters related to ethical behaviour and proper conduct seriously and stress on the highest standards of conduct amongst our employees.

### Corporate Governance

Good corporate governance forms the foundation of a healthy organisation and can set the tone as to how a company operates and behaves, both internally and in the market. A company must also comply with laws and regulations, not only to protect its reputation, but also because failure to do so could result in a variety of penalties that lead to additional costs. Salcon is committed to achieving compliance with the Malaysian Code on Corporate Governance ("MCCG"). Our Company Secretarial Department and Internal Audit & Risk Management Department work closely with the Board to implement measures that ensure accountability and adherence to related best practices.

For more details on Corporate Governance, kindly refer to the Corporate Governance Overview Statement from page 84 to 87.

### Ethics & Integrity

All directors and employees at Salcon are expected to comply with our corporate code of business ethics conduct ("COEC"), which require everyone at Salcon to observe the highest ethical business standard of honesty and integrity and to apply these values to all aspects of our business and professional practices.

The COEC, which was recently reviewed by the Board in FY2020 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 employees 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 FY2020.

### Anti-corruption

In line with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009) which takes effect in June 2020, the Group launched its Anti-Bribery and Anti-Corruption

Policy ("ABAC") duly approved by the Board for all employees.

The ABAC is available on the Company's website and outlines our commitment to business integrity and compliance with applicable laws. Corruption is a great challenge that poses major risks to our business goals and operations. With this, Salcon adopts a zero-tolerance stance toward corruption and firmly believes that addressing it requires concerted action from all. In order to communicate the amendment with all our employees, a briefing was also conducted for the employees on the details of the amendment and the employees were requested to sign a declaration form that they understand and adhere to the policy.

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.

### In FY2020, we achieved:



#### MI 8 SYSTEMATIC RISK MANAGEMENT

**Systematic risk management refers to the management of the business risks and the mechanism addressed in the system to mitigate the risk impact.**

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).

#### Managing our Risks & Opportunities

Effective risk management is crucial to the long-term and sustainable growth of the Group.

Salcon Integrated Risk Management Policy is a comprehensive risk management methodology and system which is in compliance with ISO 31000. We use 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 Overview Statement and Statement of Risk Management and Internal Control on page 84 and 90.

The significant business risks to the Group and the mitigation efforts are as follows:

Risks	Description	Mitigation Efforts
 <b>Financial Risk</b>	<ul style="list-style-type: none"> <li>Credit risk exposure to an external counter-parties, cash flow liquidity, fluctuations in foreign exchange rates, interest rates and etc.</li> </ul>	<ul style="list-style-type: none"> <li>The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the Statement of Risk Management &amp; Internal Control on page 90-93.</li> </ul>
 <b>Competition Risk</b>	<ul style="list-style-type: none"> <li>Intense competition from local players/ global players.</li> </ul>	<ul style="list-style-type: none"> <li>Keep informed through market intelligence/ surveillance, news media and trade journals.</li> <li>Initiatives to increase service capabilities and reliability in line with economic conditions and market demand.</li> <li>Yearly customer satisfactions survey and feedback.</li> </ul>
 <b>Geopolitical Risk</b>	<ul style="list-style-type: none"> <li>Every country in which we operate has its own set of geopolitical risks, based on the political environment and government stance on foreign direct investment.</li> </ul>	<ul style="list-style-type: none"> <li>Build good rapport with local authorities and regular visit to ensure smooth operations.</li> <li>Closely monitor the political environment through news media and regular discussion with Management on local geopolitical climate.</li> </ul>

Risks	Description	Mitigation Efforts
 <p><b>Regulatory and Litigation Risk</b></p>	<ul style="list-style-type: none"> <li>Amendments, revisions or introduction of new regulations may disrupt business processes, delay approvals or necessitate changes to operations.</li> <li>Failure to meet contractual obligations with clients, vendors and other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Build rapport and work closely with government regulators and authorities to stay abreast with current developments in legislation and comply with applicable laws and regulations.</li> <li>Continuous review and management of contractual terms and conditions by the business units to ensure compliance at all times.</li> </ul>
 <p><b>Project Management and Construction Risks</b></p>	<ul style="list-style-type: none"> <li>Project delays, projects are not within the expected quality, cost overruns, inaccurate method of technology deployment and contractual disputes.</li> </ul>	<ul style="list-style-type: none"> <li>Proper selection of sub-contractors, suppliers, consultants etc.</li> <li>Form Project Management Team to oversee and closely monitor on the project progress.</li> <li>Conducting periodic operation reviews to ensure the compliance of procedures on process control, inspection and testing, project implementation and etc.</li> <li>Strengthened in-house training measures to improve Project Management Team capabilities.</li> <li>Innovate &amp; develop strategies that enhance operational efficiency and cost optimization.</li> </ul>
 <p><b>Workplace Health and Safety Risk</b></p>	<ul style="list-style-type: none"> <li>Safety hazards that lead to worker accidents and injuries.</li> <li>Risk of non-compliance with the government's COVID-19 Standard Operating Procedures (SOPs).</li> </ul>	<ul style="list-style-type: none"> <li>Well-defined health and safety policies and procedures are in place.</li> <li>Constantly raise awareness of health and safety via training.</li> <li>Audits and inspections are conducted periodically to ensure effective implementation and compliance.</li> <li>Pro-actively monitor and update relevant SOPs to be in line with the government's policies, with improved work environment conditions and enhanced precautionary measures.</li> </ul>
 <p><b>Cyber Security Risk</b></p>	<ul style="list-style-type: none"> <li>Disruptions to information technology infrastructure, as well as the threat of cyber terrorism and information security breaches.</li> </ul>	<ul style="list-style-type: none"> <li>Well-defined IT policies and procedures are in place.</li> <li>Constant monitoring of security network for any potential threats.</li> <li>Ensure employees are aware of cyber risks and play their part to keep the systems safe.</li> </ul>

 **HUMAN CAPITAL**  
 Building a Thriving Workplace for Employees

<b>Total no. of employees</b> <b>326</b>	<b>26.4%</b> Female in managerial level & above	<b>100%</b> project sites are ISO 45001:2018 certified	<b>Achieved</b> <b>1,932,710</b> man hours without LTI
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**3** GOOD HEALTH AND WELL-BEING

**4** QUALITY EDUCATION

**5** GENDER EQUALITY

**8** DECENT WORK AND ECONOMIC GROWTH

**10** REDUCED INEQUALITIES

**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



At Salcon, our people are the driving force powering our business activities. As such, a thriving and sustainable workplace where employees feel energetic and alive is vital at improving job performance, good health, effective leaderships and having a positive work-life balance. Besides this, we firmly believe in providing our people the necessary training and career development opportunities to accelerate their professional and personal development.

**MI 5** **TALENT ATTRACTION, GROWTH & RETENTION**

**Talent attraction, growth & retention refers to the Group’s workforce strategy to prepare appropriate human resource to correspond to the company’s business growth strategy.**

A well-thought out talent management and succession plan with clearly defined metrics can ensure a ready talent pipeline that can be leveraged for continuity in key leadership and workforce roles. The Group adopts 2 approaches i.e. Talent Attraction & Retention and Training & Development in our human capital management to ensure the continued growth and development of our most talented people.

**Talent Attraction & Retention**

In order to ensure that the Group is positioned to execute and consistently achieve our strategic business objectives, we focus on acquiring the right talents, engaging and retaining our employees with on-going initiatives and activities to create a positive and productive work culture.

We adopt best practices with respect to benefits and wellness including annual leave and benefits which differ depending on the position the employee holds within the organisation. From time-to-time we review our benefit packages to ensure they are well-suited for our employees and competitive. This year, we revised some policies and procedures as well as the benefits of employees Salcon’s Employee Handbook (HRPP). It was circulated to all employees through email and saved in internal server for employees to access at anytime. Improved benefits to employees include increase in subsistence allowances, training and education assistance schemes, replacement leaves claim, executive medical examination reimbursement, handphone subsidy and reimbursement.

Salcon’s employee performance is regularly evaluated to identify strong performers and detect performance gaps in individuals. Performance reviews are conducted to assess goals achieved for the year by employees based on Key Performance Indicators (KPIs) and core competencies. Rewards are offered according to employees’ performance based on our Performance Management System (PMS).

In FYE2020, our full-time employee turnover rate stands at 8.0%





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

### Training & Development

At Salcon, we provide our employees with continuous training and career development opportunities to sharpen their knowledge in soft skill, leadership & management, technical training and safety, health & environment.

Employees undergo relevant training based on the findings or gaps derived from training needs analysis which is conducted on a yearly basis.

Total number of training hours:

**687 hrs**

Average training day per employee:

**0.5 day**

Average training hour per employee:

**3.1 hrs**

Total training investment:

**RM94,128**

Effectiveness of training:

**97.7%**



MI 10

### EMPLOYEE ENGAGEMENT, DIVERSITY & INCLUSION

**Employee engagement, diversity & inclusion refers to the Group's ability to ensure its practices in human capital management embrace the building of a diverse and inclusive workforce.**

At Salcon, we place great importance on establishing a culture of respect for diversity and inclusion as well as an environment conducive to work-life balance where employees can demonstrate their potentials to the fullest.

#### Equal Opportunities & Diversity

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. At Salcon, we do not practise discrimination in gender, age, race, religion, culture or nationality as set out in our Equal Employment

Policy. We strongly believe that diversity in the workplace is a good indicator of a healthy working environment.

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.

As at FYE 2020, we have a workforce of 198 male employees and 128 female employees. Female employees account for 39.3% of the total employees and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 26.4% of the senior management consists of female employees, an decrease of 0.3% compared with the preceding year.

Currently, the Board members consist of 6 male and 1 female director with mix of skills, knowledge, experience and independence as well as gender.

#### Workplace Well-being

Most of the workplace well-being activities lined up for the year such as company trips, family days, festive celebrations and sporting events were not continued this year due to the COVID-19 pandemic. Nevertheless, we conducted engagement activities with our employees through other approaches such as via online or through limiting the number of participants in order to adhere to the COVID-19 SOPs on social distancing to promote good health and work-life balance.

## How We Create Value

### SUSTAINABILITY STATEMENT

Salcon strives to promote good health, work-life balance and environmental awareness among the employees whilst adhering to the COVID-19's SOPs

**Workplace Well-being Activities**



**Salcon Earth Hour**  
in office to create awareness on climate change



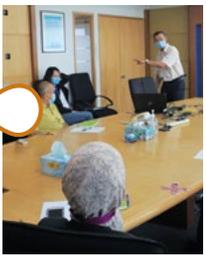
Staff participation in **Salcon new website contest**

**Salcon Core Value contest**  
to recognise staff excellence in our core values



**First Aid Video Competition**  
in conjunction with safety & health campaign week





**Mental Health Talk**  
during the COVID-19 pandemic

**Save Paper, Save Planet**  
awareness activity



**Annual Recycling Competition**  
with items totalling 1,793kg recycled from staff



**Safety Hunt Contest**  
to all staff during the safety & health campaign week

**Health Talk**  
on Eczema





Distributing water saving kit to staff during the **Slow the Flow, Save H2O campaign**

**Raya Goodies Giveaway**  
to all staff during Ramadhan month



Staff participation during **Salcon Blood Donation Campaign**



### EMPLOYEE DEMOGRAPHY

The employee demography of the Group is presented in the table below:

Description	2018	2019	2020
<b>Total employees</b>	334	376	<b>326</b>
<b>Total employees by gender</b>			
- Male	202	216	<b>198</b>
- Female	132	160	<b>128</b>
<b>Total employees by region</b>			
- Malaysia	309	350	<b>303</b>
- Thailand	1	1	<b>1</b>
- Sri Lanka	14	17	<b>15</b>
- Vietnam	8	6	<b>7</b>
- India	2	2	<b>0</b>

Description	2018	2019	2020
<b>Total employees by employment type</b>			
- Executive	232	257	<b>222</b>
- Non-executive	102	119	<b>104</b>
<b>Total employees by age group</b>			
- <30 years old	66	92	<b>65</b>
- 30-49 years old	189	199	<b>179</b>
- > 50 years old	79	85	<b>82</b>
<b>Salary ratio (female:male)</b>	1:1.38	1:2.4	<b>1:2.37</b>
<b>Ethnicity (Malaysia only)</b>			
- Malay	162	189	<b>163</b>
- Chinese	96	101	<b>92</b>
- Indian	33	32	<b>26</b>
- Others	18	28	<b>22</b>
<b>New employees hires</b>			
- Permanent employee	34	25	<b>7</b>
- Non-permanent employee	13	53	<b>20</b>
<b>Employee Turnover by employment</b>			
- Permanent	24	28	<b>26</b>
- Non-permanent employee	17	37	<b>27</b>
<b>Employee Turnover Rate</b>	7.2%	7.4%	<b>8.0%</b>
<b>Gender of employees with position manager &amp; above</b>			
- Male	75	77	<b>64</b>
- Female	28	28	<b>23</b>
<b>Total Training Investment (RM)</b>	RM136,761.5	RM236,613.2	<b>RM94,128.3</b>
<b>Average Training hours per employee</b>	5.9 hrs	5.39 hrs	<b>3.1 hrs</b>

#### LABOUR PRACTICES

##### Employee Rights

Respecting employee rights is a key element in our employment offering, as laid out in our Code of Conduct. We respect our workers' rights to privacy, fair compensation and freedom from discrimination.

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.



The principles and actions are detailed on Salcon's website, <https://www.salcon.com.my/sustainability/human-capital-development> under the section of Embracing Diversity.

##### Grievance Mechanisms

The grievance mechanism establishes our commitment as a corporation to provide a mechanism to receive and facilitate the resolution of any concerns and complaints raised by the employees throughout the Salcon Group.

There is no report on grievance or non-compliance on human rights issues in FYE 2020.

#### MI 9 EMPLOYEE HEALTH & SAFETY

**Employee health & safety refers to the Company's ability to ensure a safe and healthy working environment for our employees.**

As a corporation largely involved in engineering and construction projects, it is our responsibility to ensure the safety and health at all levels of employees, especially workers at our construction sites, to prevent accidents and ill health in the workplace.

##### Occupational Safety & Health

Guided by the Group's Safety & Health policy and in line with the SDG 8: Decent Work & Economic Growth, the Quality, Safety, Health & Environment (Q.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. The Committee is responsible for:

- Assisting in the development of safety and health rules and safe systems of work
- Reviewing safety and health policies and making recommendations
- Inspecting the workplace and recommending preventive and corrective measures

In FY2020, we successfully transitioned from Occupational Health and Safety Management Systems standard OHSAS 18001:2007 to ISO 45001:2018 and all the projects sites which are monitored by the Q.S.H.E department are certified with ISO45001 and audited by Bureau Veritas.



The Q.S.H.E. policy is available on Salcon's website, <https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment>



- The successful transition to the ISO 45001 certification is testament of the company's ongoing commitment to meet optimum occupational safety and health standards throughout its operations and to proactively improve its system to prevent accidents and ill-health

## OUR RESPONSE TO COVID-19 PANDEMIC



Since the first outbreak of COVID-19 in early 2020, our first priority has been to protect the well-being of our employees and their families. Aside from cancelling internal and external events that pose safety and health risks for our employees and the public, we also imposed self-quarantine for staff who have been to high risk countries. Besides this, all our office staff and workers at the project sites are clearly briefed to follow the precautionary SOPs strictly such as temperature screening daily and compulsory mask wearing in office. Besides that, swab-tests were arranged for every worker at all project sites.

In response to the Movement Control Order (MCO) imposed by the Government on beginning 18 March 2020 and

following the various relaxation of the restriction regulations beginning May 2020, the working arrangement for staff was revised to staggered working hours and working on rotation basis till today.

Although precautions measures were taken prudently to ensure the safety at our workplace all the time, Salcon recorded one (1) case of COVID-19 at Salcon headquarters in November 2020. The office was closed immediately to undergo deep sanitizing and cleaning and the staff who are identified as possible close contacts were requested to do the swab test as well as undergo self-quarantine at home. We are pleased to report that the infected staff has fully recovered and there were no further cases reported in FY2020.

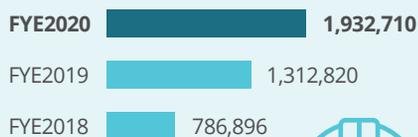
We monitor the safety and health progress, targets and its implementation periodically through the following initiatives:

No.	Initiatives/Actions	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	
4.	Reminder emails on current workplace safety and health issues Safety and health events held during the Annual Safety & Health Campaign Month to raise awareness	
		<b>Project site/ office</b>
5.	Immediate execution of COVID-19 prevention measures including: Sanitization, temperature check for all employees and visitors, compulsory mask wearing, staggered working hours	HQ and all project sites
6.	Hazard Identification, Risk Assessment and Risk Control (HIRARC) to identify the potential risks and opportunities before commencement of project	Applicable water and wastewater projects
7.	Basic occupational first aid, CPR & AED training	HQ and all project sites
8.	Safety & Health Campaign	HQ
9.	SHE induction training for new workers	Applicable water and wastewater project sites
10.	Toolbox briefing	
11.	Machinery inspection	
12.	S.H.E. audit & inspection	
13.	Fire drill and emergency evacuation	HQ and all project sites
14.	Traffic management training	HQ and all project sites
15.	ISO 45001:2018, Occupational Health & Safety Management System Awareness training	HQ and all project sites
16.	Health check	HQ
17.	Blood donation	HQ

#### Working towards zero LTI

Following the new target of the Group's man hours without loss time injury (LTI) at 2.5 million hours, we achieved 1,932,710 man hours without loss time injury (LTI) through various health and safety measures and we will continue to ensure a healthy and safe workplace to our employees and contractors.

##### Achieved man hours without LTI (hours)



► Toolbox briefing for workers at Langat 2 Package 15 (4) project site

#### Safety & Health Training

Inadequate health & safety training to site workers and employees might increase the risks of dangerous mistakes and incidents happening. Therefore, we conduct frequent health and safety training programmes to ensure that high-risk employees are up-to-date with the latest developments in health and safety.

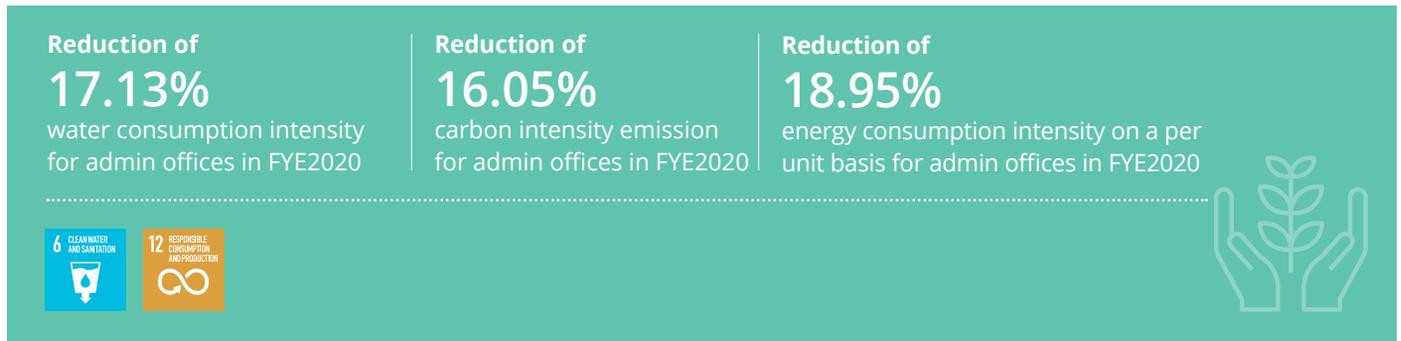
During the COVID-19 pandemic period, we continue to provide safety and health trainings for the employees and site workers with adhering SOP for COVID-19 stringently. In FYE 2020, 21.62% or 24 of the Safety Committee members underwent safety training. Nonetheless, employees who are not part of the Safety Committee were strongly encouraged to attend safety-related trainings to instill awareness of the importance of workplace safety.

In FYE 2020, 87 employees who are not part of the S.H.E. Committee were also sent to attend safety-related trainings.

	FYE 2018	FYE 2019	FYE 2020
Total safety & health training hours for employees	1,268	264	<b>350</b>
Total safety & health training hours for sub-contractors	12	4	<b>18</b>
S.H.E. Committee members have attended safety & health related training	82%	21.45%	<b>21.62%</b>

# ENVIRONMENT

## Protecting the Environment

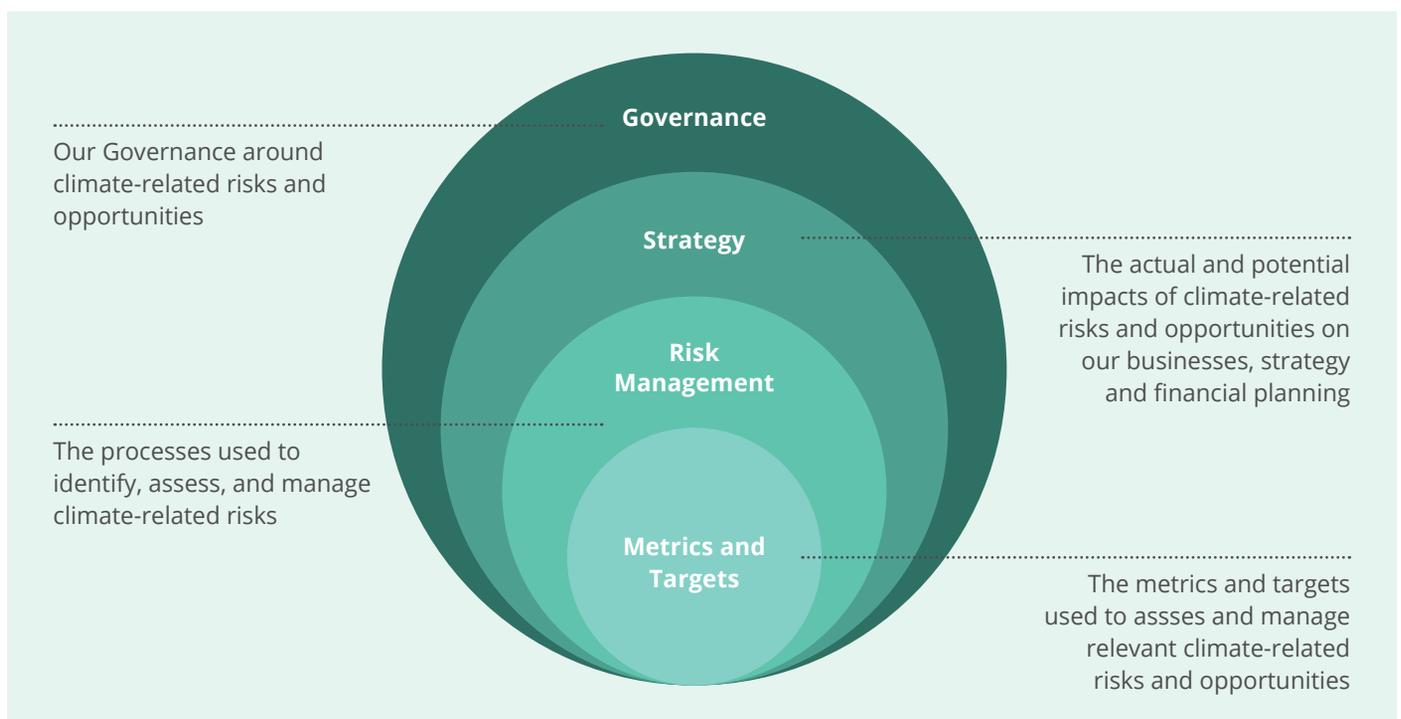


We are committed to protect the environment by minimising the environmental impacts of our business operations through the reduction of waste and pollution, optimizing water and energy use, minimizing our carbon emissions as well as protecting biodiversity.

### ALIGNMENT WITH TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In recognizing the impact, risks and opportunities of climate change to the business and environment, we identify our business risks and opportunities and verify business resilience and strategy based on TCFD's recommendations.

### Core Elements of Recommended Climate-Related Financial Disclosure



Key Pillars	Salcon's Key Approaches	Refer to page
 <b>Governance</b>	<ul style="list-style-type: none"> <li>The Board, with the support of Sustainability Committee (SC) oversees the Group's environmental and climate change risks &amp; opportunities, strategies, initiatives and performance and approves the Sustainability Statement which provides disclosure of the Group's environmental and climate change agenda.</li> </ul>	40
	<ul style="list-style-type: none"> <li>Governance structure reviewed this year to include subsidiaries which are Envitech, VBT, ECT and Property Division for more connected and cohesive information, whilst breaking down silos and encouraging cross-organisational communication and engagement.</li> </ul>	40
	<ul style="list-style-type: none"> <li>The Group's Green Policy which is available on the company website state our positions and commitments and steer how we manage climate change and environmental risks and opportunities to achieve our environmental objectives.</li> </ul> <p> <i>The Green Policy is available at <a href="https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf">https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf</a></i></p>	
 <b>Strategy</b>	<ul style="list-style-type: none"> <li>Conducted Materiality Survey &amp; Assessment on the impact on EES issues from our business operations; the top 3 environmental issues of priority for the Group are water &amp; wastewater management, pollution &amp; resources management and carbon emissions &amp; climate change.</li> </ul>	46
	<ul style="list-style-type: none"> <li>Climate Change Scenario Planning by analyzing the impact of an increase in 2°C on the company operations</li> </ul>	68
	<ul style="list-style-type: none"> <li>Climate Change Adaptation strategies and initiatives through strategic partnerships, environmental collaboration, diversification and compliance with environmental regulations over short, medium and long term.</li> </ul>	69-70
 <b>Risk Management</b>	<ul style="list-style-type: none"> <li>Environmental and climate change risks and opportunities are identified and mitigated through Salcon's Enterprise Risk Management (ERM) framework via the risk scorecard and discussed at the Risk Management Committee.</li> </ul>	90-91
	<ul style="list-style-type: none"> <li>Climate related operational issues such as carbon emissions, energy efficiency, water consumption and raw material resources are managed through the externally certified ISO 14001 Environmental Management System (EMS).</li> </ul>	73
 <b>Metrics and Targets</b>	<ul style="list-style-type: none"> <li>Track and monitor a number of climate related metrics including 3-year energy consumption intensity, water consumption intensity &amp; waste generation</li> <li>Disclosure of carbon intensity including Scope 1 &amp; 2 GHG emissions.</li> </ul>	71-79

This year, we achieved zero cases of significant fines and non-monetary sanctions for environmental non-compliance from government authorities.

#### CLIMATE CHANGE SCENARIO ANALYSIS

The effects of climate change present significant risk and opportunities on our business operations.

In managing our key material environmental issues ie water and wastewater management and pollution & resources management and GHG emissions & climate change, we considered how the effects of an increase of >2°C change might affect our business operations over the short, medium and long term.

We have identified the risks and opportunities in terms of physical risk such as extreme weather events and water-related hazards and transition risks and opportunities in the legislative and financial areas. The scope of study covered our key markets such as water and wastewater, property management, property development, transportation. Based on the analysis, climate change is projected to bring the following impacts/risks to our business directly.

### Climate-related risks & opportunities and Impacts

Category		Impacts on Salcon's Business Operation
Risks	Physical	<ul style="list-style-type: none"> <li>Water related hazards such as water pollution and water scarcity and drought as well as human health may affect our business operations at project sites</li> <li>Storms and flooding causing damage to buildings and infrastructure</li> <li>Disruption to transportation operations, including facilities and assets</li> </ul>
	Transition	<p><b>Legislative</b></p> <ul style="list-style-type: none"> <li>Contractual or legal obligations due to uncertainty of water quality, quantity and volume</li> <li>Changes in infrastructure and building codes under the new Climate Change Act in Malaysia</li> </ul> <p><b>Financial</b></p> <ul style="list-style-type: none"> <li>Increase in cost of raw materials, construction costs and water/wastewater treatment process</li> <li>Increase in building materials prices leading to higher property prices</li> <li>Increase in stakeholder pressure – stakeholders look for companies that operate responsibly and sustainably to reduce the impact to the environment</li> <li>Rise in fuel and energy prices</li> </ul>
Opportunities	Transition	<p><b>Financial</b></p> <p><i>Market &amp; Technology Shifts</i></p> <ul style="list-style-type: none"> <li>Increased corporate value and revenue from expanded collaboration with institutions or higher learning to develop innovative technology that can contribute to the mitigation and adaptation to climate change</li> <li>Market diversification into Renewable Energy sector, example solar power system for efficient energy management</li> </ul>

### Climate Change Adaptation Strategies & Initiatives

Understanding the need and urgency for climate adaptation, the Group looks to implement mitigation measures to minimize our environmental impact through strategic partnerships, environmental collaboration, diversification and compliance with environmental regulations over the short, medium and long term.

### Minimising Our Carbon Footprint & Reducing Waste

Our efforts to manage our environmental impact focuses on reducing our carbon footprint and GHG emissions through our Salcon's Green Policy in the following key areas:

1. Efficient energy consumption
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

#### Collaboration with External Stakeholders

Environmental preservation can be much more effective and impactful when people are united by a shared purpose to drive positive change. Operating on this principle, the Group collaborates with Non-Governmental Organisations (NGOs) to raise environmental awareness and to contribute green initiatives in the areas of water conservation and recycling.



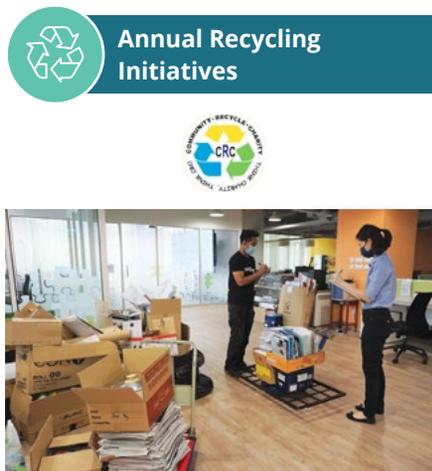
Given the nature of our business operations, we take pride in continuing our efforts to raise awareness on water conservation programme to the community with our long-term collaborative partner – **Water Watch Penang (WWP)**.

The outbreak of COVID-19 has impacted the execution of the Salcon Smart Water Programme, our flagship water conservation programme. Nevertheless, our conservation efforts continued online with the launching of the first phase of our inaugural Water Genius Challenge (WGC) via online learning and approach to the secondary teachers and students.

The WGC aims to empower school communities with knowledge and skills on the management of water resources.



Please refer to page 80 for more details on WGC.



We continue to promote recycling through our annual recycling campaign in office. In FY2020, we worked with **Community Recycle for Charity (CRC)**, a non-profit organisation to encourage employees to practice the 3Rs (Reduce, Reuse, Recycle) culture by organising an interdepartmental spring cleaning and recycling competition.

A total of 1,792.8 kg of paper, plastic, glass, reusable items, metal and electronic items being collected during the campaign to reduce the greenhouse (GHG) emissions.



Please refer to details of recycling data on page 74.



We embarked on a fabric recycling initiative in collaboration with fabric recycling organiser **Kloth Cares**. This initiative is aimed at educating our employees to recycle unwanted fabrics and to help the environment by creating less waste for landfills and less pollution through the reduction in manufacturing of new clothes. Clothes collected are segregated at the collection centre and those that are still in good condition are sent to charitable organisations locally and abroad. Items that are no longer wearable will be made into useful items such as wiping cloth or fabric pallets that can be used to fuel boilers.

Salcon Fabric Recycling Bin has been set up in office to encourage employees to recycle unwanted fabric. We managed to collect 112.3 kg of fabric from Nov to Dec 2020 including pre-loved clothing, handbags, belts, linen and soft toys.



Please refer to details of recycling data on page 74.

**MI 11 WATER & WASTEWATER MANAGEMENT**

**Water & wastewater management refers to the efforts in ensuring effective water usage and proper treatment of effluent from our operations.**

**Water Management**

**Target:**

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

**Performance in 2020:**

Achieved a reduction in water consumption intensity of **17.13%**



Further to the Group's commitment on water use under the Group's Green Policy, a Water Management Plan (WMP) was established in FY2019 to focus and emphasize on our commitment to reduce water consumption via water conservation.

*The Green Policy and WMP are available at <https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf>*

Over the last 3 years (FY2020, FY2019, FY2018), 100% of our water was discharged to off-site wastewater treatment plant whilst 100% of our water was withdrawn from surface water i.e. dams or rivers.

The initiatives in water management are presented in the table below:

Key Water Consumption Reduction Initiatives	Company/ Operation Country
<ul style="list-style-type: none"> <li>Non-Revenue Water (NRW) reduction projects in Sandakan. Our NRW reduction achievement in FY2020:               <ul style="list-style-type: none"> <li>a. 51% vis-à-vis 49% target reduction</li> </ul> </li> </ul>	Malaysia
<ul style="list-style-type: none"> <li>Partnership with Non-Government Organisation – Water Watch Penang for a holistic educational approach on water conservation.</li> </ul>	HQ
<ul style="list-style-type: none"> <li>Recycle water for site washing at project sites as well as car and depot washing.</li> </ul>	Malaysia
<ul style="list-style-type: none"> <li>Regular checking and immediate action taken for any leakage.</li> </ul>	Group
<ul style="list-style-type: none"> <li>Water Management Plan outlining approach to manage and reduce water resources.</li> </ul>	Group
<ul style="list-style-type: none"> <li>Environmental Week – Slow the Flow, Save H2O campaign to place water bottle in the flush tank and distribution of water thimbles sponsored by SPAN.</li> </ul>	Malaysia



➤ A rain harvesting system with storage capacity of 13,500 litres is used for site washing and plant watering at Langat CSTP

### SUSTAINABILITY STATEMENT

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas. We are pleased to report that as at FYE 2020, there are no incidents of non-compliance with water quality/quantity permits, standards and regulations

#### Water Consumption at Data:

	FYE 2018		FYE 2019		FYE 2020	
	Water consumption (m <sup>3</sup> )	No. of employees	Water consumption (m <sup>3</sup> )	No. of employees	Water consumption (m <sup>3</sup> )	No. of employees
<b>Administrative Offices</b>						
Envitech	335	45	362	51	382	51
SPS	19	18	13	18	6	17
Eco-Coach	7	20	329	22	149	13
<b>Total</b>	<b>361</b>	<b>83</b>	<b>704</b>	<b>91</b>	<b>537</b>	<b>81</b>
<b>Water consumption intensity per person (m<sup>3</sup>)</b>	<b>4.3</b>		<b>7.74</b>		<b>6.63</b>	

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

	FYE 2018 (m <sup>3</sup> )	FYE 2019 (m <sup>3</sup> )	FYE 2020 (m <sup>3</sup> )
<b>Project sites</b>			
Langat 2 WTP	73,605	22,894	<b>18,294</b>
Langat CSTP	299	5,173	<b>3,350</b>
KTU WTP	2,768	5,484	<b>3,720</b>
Ambathale Storm Water Pumping Station	n/a	869	<b>422</b>
Telibong WTP	n/a	n/a	<b>212</b>

Note: Data for Ambathale project is not available in FYE2018 as the project was awarded in FY 2018 and data for Telibong WTP is only available in FYE 2020.

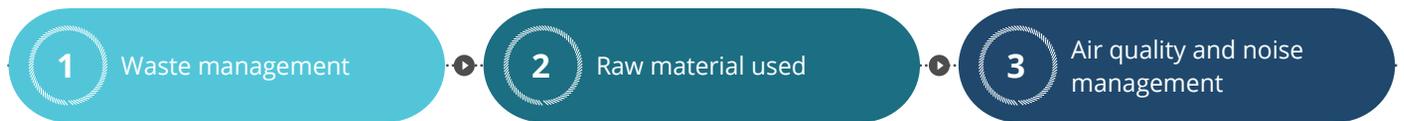
#### Wastewater/Sludge Management

In FY2020, the sludge generated from Langat CSTP project site, which had started operations at end of 2019, was recorded at 40 tonnes per day subject to the daily treatment capacity. The dried sludge from the plant is disposed by a licensed contractor to a sanitary landfill operated by the local council at Tapak Pelupusan Tanjung Duabelas, Kuala Langat.

**MI 12 POLLUTION & RESOURCES MANAGEMENT**

**Pollution & resources management refers to the management of our resources and pollution generated from our business activities which cover the treatment, storage, disposal and regulatory compliances.**

As one of our key material issue, pollution & resources management cover the following topics:-



The Group fully complies with the ISO 14001 standard and ensures 100% compliance across our business operations with Malaysia's Department of Environment (DOE) as well as the guidelines set out by local authorities.

**Waste Management**

**Target:**

- i) To ensure disposal of scheduled waste generated in compliance with environmental laws and regulations
- ii) To ensure that construction wastes are disposed at authorized landfills that are licensed by the Local Authority



Having a proper waste management is essential to develop a long-term strategy for environmental protection. As such, guided by our QSHE policy, we strictly adhere to all applicable environmental laws and regulations across all our operations to ensure that all construction waste are managed properly, improving resource efficiency and minimising waste disposal to landfills.

Our initiatives in waste management are presented in the table below:

Key Waste Reduction Initiatives	Company/ Operation Country
<ul style="list-style-type: none"> <li>• Scheduled / hazardous waste to be stored in designated container for onward disposal by Department of Environment (DOE) licensed contractor to licensed location.</li> <li>• We engage with responsible and ethical waste management contractors to ensure proper collection and disposal of the waste generated by the Group.</li> </ul>	Malaysia
<ul style="list-style-type: none"> <li>• Recycle practice at all offices.</li> </ul>	Group level
<ul style="list-style-type: none"> <li>• Recycling campaign/competition.</li> </ul>	HQ
<ul style="list-style-type: none"> <li>• Setting target of reducing 10% of paper consumption in office by 2020.</li> </ul>	HQ
<ul style="list-style-type: none"> <li>• Introduction of e-waste bin at office for employees to dispose household or office e-waste properly.</li> </ul>	HQ and Project sites
<ul style="list-style-type: none"> <li>• Fabric/textile recycling bin placed in office.</li> </ul>	HQ

### SUSTAINABILITY STATEMENT

We monitor our scheduled waste and recycling data regularly to manage waste efficiently and to minimize our environmental impact. The 3-year scheduled waste data for our existing projects and recycling data are as below:

#### Scheduled Waste Data:

Project Site	FYE 2018 (metric tonnes)	FYE 2019 (metric tonnes)	FYE 2020 (metric tonnes)
Langat CSTP	2.40	0.2	n/a
KTU WTP	n/a	0.01	0.01
Ambathale Storm Water Pumping Station	n/a	6.00	1.3
Telibong WTP	n/a	n/a	0.007

Note: Data for Langat CSTP is not available due to the project was completed and handover to government authority in FYE2020, data for Telibong WTP is only available in FYE 2020

#### Recycling Data:

Recycled Items	FYE 2018 (kg)	FYE 2019 (kg)	FYE 2020 (kg)
Paper	2,362	2479.0	3,032.3
Plastic	13.3	22.1	63.5
Metal	24	24	64.7
Glass	4.3	4.3	12.4
Reusable Items	76.9	274.9	134.1
Electronic Items	0.5	0.5	141

#### Raw Material Used

We aim 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 data on raw material used is recorded to ensure adequate stock levels and monitored to prevent wastages.

The data for raw material used is presented in the table below:

Raw Material Used	FYE 2018	FYE 2019	FYE 2020
<b>KTU WTP Project (tonnes)</b>			
- Reinforcement Bar	n/a	1,179.1	3,143.8
- Concrete		26,832	247,815
<b>Ambathale Storm Water Pumping Station Project (tonnes)</b>			
- Ready mixed concrete		3,875	1,830
- Steel bar		250	106.5
- Wooden plywood	n/a	31.5	-
- Cement		n/a	16.6
- Sand		n/a	207.5

<b>Eco-Coach &amp; Tours (M) Sdn Bhd (litres)</b>			
- Diesel	1,080,521	1,094,773.6	929,517
<b>Green Fleet Sdn Bhd (litres)</b>			
- Diesel	n/a	269,627.7	231,960.4

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

### Air Quality & Noise Management

We ensure 100% compliance within the approved ranges as determined by Malaysia's Department of Environment (DOE) at our project sites to prevent air and noise pollution.

The initiatives in pollution & resources management are presented in the table below:

Key Initiatives in Pollution & Resources Management	Company/ Operation Country
<b>Air Quality</b> • Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood.	Project Sites
<b>Noise</b> • Noise monitoring devices are installed at prime locations and the monthly monitoring reports are highlighted during site progress meetings.	Project Sites

SUSTAINABILITY STATEMENT

Green House Gas (GHG) Emission Management

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

**Performance in 2020:**  
Achieved a reduction in carbon intensity emissions of **16.05%**



The initiatives in GHG emission reduction and management are presented in the table below:

Key GHG Emission Reduction Initiatives	Company/ Operation Country
• Video conferencing to replace air travel	Salcon HQ
• Usage of diesel instead of oil for our transportation services.	Penang

We started to track and monitor our Greenhouse Gas (GHG) emissions in FY 2019 as base year at our offices and subsidiaries. Our transportation division, namely Eco-Coach and Green Fleet which are involved in the heavy usage of transport vehicles in their daily operations contribute the most to the Group's carbon emissions.

This year, we continue to monitor the Direct (Scope 1) GHG emission and Energy Indirect (Scope 2) GHG emissions across our business units. The GHG emissions factor is based on the internationally recognised 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.

We exceeded our carbon intensity emissions target by 16.05% mainly due to the reduction of fuel consumption in ECT and GF. This is due to the lower frequency and level of activity of the transport operations during the movement control order (MCO) period.

**Total Carbon Intensity in FY2020 (Scope 1 and 2) for admin offices: 3,474,951.19 MT**

<p><b>Scope 1</b></p> <p>Emission from company-owned vehicles by fuel type</p> <p><b>3,474,715.93 MT</b></p> 	+	<p><b>Scope 2</b></p> <p>Emission from electricity consumption</p> <p><b>235.26 MT</b></p> 
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### Scope 1 - CO<sub>2</sub> Emissions (MT equivalent) from Company-owned Vehicles by Fuel Type:

Administrative Offices	CO <sub>2</sub> emissions (MT equivalent) FYE 2019		CO <sub>2</sub> emissions (MT equivalent) FYE 2020	
	Petrol	Diesel	Petrol	Diesel
HQ	217,756.11	131,891.12	159,837.24	121,453.46
Envitech	103,715.92	61,947.67	85,718.62	39,655.80
SPS	-	20,159.76	589.15	-
Eco-Coach	-	2,891,297.15	-	2,454,854.37
Green Fleet	-	712,086.73	-	612,607.29
<b>Total</b>	<b>321,472.03</b>	<b>3,817,382.43</b>	<b>246,145.01</b>	<b>3,228,570.92</b>
<b>Total CO<sub>2</sub> emission (MT)</b>	<b>4,138,854.46</b>		<b>3,474,715.93</b>	

Note: The CO<sub>2</sub> emission calculation is based on the protocol from IPCC Guidelines for National Greenhouse Gas Inventories.

### Scope 2 - CO<sub>2</sub> emissions (MT equivalent) from Electricity Consumption

Data from FYE 2018 is presented to benchmark our CO<sub>2</sub> 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	CO <sub>2</sub> emissions (MT equivalent)		
	FYE 2018	FYE 2019	FYE 2020
HQ	93.22	98.1	80.24
Envitech	48.23	51.71	58.2
SPS	10.12	6.39	5.55
VBT	29.48	31.56	31.92
Eco-Coach	31.4	3.18	51.78
Green Fleet	n/a	7.43	7.57
<b>Total CO<sub>2</sub> emission (MT)</b>	<b>212.45</b>	<b>198.37</b>	<b>235.26</b>

Note: The CO<sub>2</sub> emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.

Projects Sites	CO <sub>2</sub> emissions (MT equivalent)		
	FYE 2018	FYE 2019	FYE 2020
KTU WTP	35.59	72.74	32.84
Langat 2 WTP	191.65	259.39	149.65
Langat 2 Package 15 (4)	n/a	9.01	3.11
Telibong WTP	n/a	10.33	40.82
Langat CSTP	13.01	225.45	100.15
Ambathale Storm Water Pumping Station	n/a	7.68	13.81
<b>Total CO<sub>2</sub> emission (MT)</b>	<b>240.25</b>	<b>584.60</b>	<b>340.38</b>

Note:

- The CO<sub>2</sub> emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.
- Data for Langat 2 Package 15 (4), Telibong WTP and Ambathale Water Project is not available in FYE 2018 as the projects were awarded in FY 2019.

#### Energy Management

**Target:**

To reduce energy consumption intensity by 50%\* on a per unit basis by 2026 from 2016 for administrative offices

**Performance in 2020:**

Achieved a reduction in energy consumption intensity of **18.95%**



*Note: Target energy consumption intensity was increased from 10% to 50% in FY2020 as the target has been achieved in FY 2019.*

As part of our commitment to reduce the environmental impact generated from energy consumption, we view our electricity consumption every year as not only contributing to our operational expenses but also a significant source of emissions release. Along the years, we strive to maximise energy efficiency and increase energy conservation across our business units as stated in the Group's Green Policy.

The initiatives in energy management are presented in the table below:

Key Energy Reduction Initiatives	Company/ Operation Country
• Temperature control for air conditioning	Group level
• Turn-off air conditioning system and light when the room is not occupied	Group level
• Replacing faulty lights to LED lights which is more environmentally friendly.	HQ, Envitech
• Turn off lights during lunch time for one hour in conjunction with Salcon Environment Week	HQ
• Educating employees on energy saving through posters and email	Project sites, Malaysia
• Clear Perspex roofing to reduce electricity usage at Eco-Coach & Tours in Penang.	Penang
• Diversification into Renewable Energy sector (Solar Power)	Malaysia

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

## Energy Consumption Data:

	FYE 2018		FYE 2019		FYE 2020	
	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees
<b>Administrative Offices</b>						
HQ	134,329	140	141,359	238	115,623	220
Envitech	69,502	45	74,513	51	83,860	51
VBT	42,476	17	45,472	17	45,993	16
SPS	14,585	18	9,203	18	7,992	17
Eco-Coach	45,252	20	54,915	22	74,613	13
Green Fleet	-	-	10,713	2	10,905	3
<b>Total</b>	<b>306,144</b>	<b>240</b>	<b>336,175</b>	<b>348</b>	<b>338,986</b>	<b>320</b>
<b>Energy consumption intensity per person (kWh)</b>	<b>1,276</b>		<b>966.02</b>		<b>1,059.33</b>	

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

Project Sites:	FYE 2018 (kWh)	FYE 2019 (kWh)	FYE 2020 (kWh)
KTU WTP	51,277	61,592	47,317
Langat 2 WTP	276,146	373,756	215,631
Langat 2 Package 15 (4)	n/a	12,980	4,478
Telibong WTP	n/a	14,884	58,818
Langat CSTP	18,749	324,861	144,314
Ambathale Storm Water Pumping Station	n/a	11,072	19,903

## Ecological Impacts

### Biodiversity

Although we do not monitor biodiversity data from our operations at present, under the Group's Green Policy, we are committed to apply biodiversity conservation practices within our controllable area to reduce the loss of biodiversity in order to achieve a net positive biodiversity impact.

The initiatives in pollution & resources management are presented in the table below:

Key Initiatives in Biodiversity Management	Company/ Operation Country
• 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
• Yearly tree planting day with NGO such as Malaysia Nature Society (MNS).	Malaysia

## SOCIAL CAPITAL

Engage & Uplift the Community

Contributed  
**RM100,000**  
for COVID-19 pandemic

Virtual learning  
platform benefitting  
**120** teachers & school children

Total of  
**71**  
pints of blood collected  
for PDN



Positive engagements with the communities where we operate in is crucial for the long term relationships and success of our business. We are committed to engage and uplift the local communities through targeted social investments, local employment and skills opportunities to deliver a significant and positive contribution to the society.

### COMMUNITY RELATIONS

We aspire to be a good corporate citizen, a valuable member of and active contributor to local communities wherever we operate based on a three (3) pronged approach; 1) community engagement, 2) local employment and 3) philanthropic giving. We strive to empower and improve the standard of living for local communities by providing support for basic needs, skills training and youth development programmes.

#### Community engagement

Under our Salcon Cares CSR programme that was established in early 2019, the Group's charitable efforts and initiatives are aligned with our aspirations for community investments and development through the following initiatives:



► Salcon demonstrates its commitment to social causes through its 11<sup>th</sup> annual blood donation drive with the National Blood Centre (PDN)

#### Salcon 11<sup>th</sup> Blood Donation Drive

In the midst of the COVID-19 pandemic, we are proud to continue our efforts to organize the company's 11<sup>th</sup> blood donation drive in response to the call by the National Blood Centre (PDN) to replenish its depleted stock of blood supply. The drive was organized with strict adherence to Standard Operating Procedures set by National Security Council and we successfully collected **71 pints** of blood with the potential to save up to **213 lives**.

#### Virtual learning - Water Genius Challenge

The unprecedented challenges we face this year are a strong reminder for us

to step up on our efforts to engage with the community. In collaboration with Water Watch Penang and supported by MyCDNet, affiliated to Cap-Net, a UNDP's global network for capacity development in sustainable water management, we launched the inaugural Water Genius Challenge 2020 (WGC) which adopts a virtual learning approach to reach out to secondary school teachers and students in the Klang valley.

The objective of WGC is to empower school communities with knowledge and skills to promote innovative and creative ways to reduce water consumption in their respective schools. A total of five (5) secondary schools involving more than 120



➤ Salcon in collaboration with Water Watch Penang organised an online forum/video presentation as part of the Water Genius Challenge in conjunction with World Water Day

students and teachers participated in this programme.

The first phase of WGC started in Sept 2020 via remote learning and training where teachers were given four (4) sessions of online water education training conducted by WWP. The second phase of WGC involves a 6-months project implementation period to commence in early 2021. The programme is expected to produce long term outcome in water stewardship practices among communities.

### Charity Book Donation

In order to foster interest toward education and nurture the love for reading, we collaborated with Friends to Mankind, an international non-profit organisation to collect preloved books from our employees. All donated books were channelled to #TheBookEffect project. It is a year-long project organised by Friends of Mankind, dedicated to collecting 10,000 books and building libraries for various orphanages and refugee schools across Klang Valley.

### Philanthropic Giving

In line with the Group's commitment of 'Transforming lives for the better', we identify opportunities to support charitable causes and initiatives to the vulnerable and those in need. All of our community investments adhere to the Group's donation policy to ensure that all initiatives we support are compatible with our business activities and reflect our commitment to operate in an ethical manner.

### Supporting front-liners to combat the COVID-19 pandemic

The COVID-19 has adversely impacted every industry especially our healthcare system and also underprivileged communities. At the height of the COVID-19 pandemic last year, the Group contributed RM100,000 to The Star Foundation to provide essential medical supplies and equipment for healthcare professionals as well as frontliners who put their lives at risk battling the pandemic every day.

### Contribution for the needy groups

In FY2020, we donated more than RM16,000 to various charity homes namely Pusat Bantuan Sentul, Yayasan Orang Buta Malaysia, Pertubuhan Kebajikan Mental Selangor and Squad 69 PDRM Sabah.

Besides that, Salcon staff shared the joy of Christmas by giving gifts to the children of Rumah K.I.D.S, Subang Jaya based on their wish list. Employees also donated cash which was then channelled to groceries and necessities for the home. Rumah K.I.D.S is a charitable home for the orphaned, abused and abandoned children.



➤ Salcon's employees shared the joy of Christmas with the children of Ruman K.I.D.S.

#### 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.

#### PROTÉGÉ & INTERNSHIP PROGRAMME

It is our priority to provide opportunities to local graduates to help them recognise their potential and talent through our internship programmes. To date, we have benefitted 8 graduates under the Malaysian government Professional Training and Education for Growing Entrepreneurs (PROTEGE) programme. Our involvement in the programme underlines our commitment in developing youth and talent.



Total graduates  
for Protégé  
Programme  
**8**

#### Community Rights

The Group is cognizant that our business activities especially at the project sites may cause disruptions and affect the well-being of communities where we operate in. We are committed to promoting transparent and proactive engagement with communities in a timely, honest and culturally appropriate manner at appropriate stages throughout the life-cycle of projects. This is achieved through an open exchange of information during community briefings which serve to inform the communities on what to expect throughout the project period and helps to minimize any potential disruptions.

We have also established grievance mechanisms at the operational level, from the start of our activities to provide various channels for the residents to report any wrongdoings in relation to the project or lodge any complaint. The public complaint form is available at project sites in English and Bahasa Malaysia. To date, there was no case of human rights violation reported in FY2020.

#### MOVING FORWARD

As we progress into embedding sustainability throughout our value chain, we continue to identify areas for improvement in our operations to address gaps in performance. We look forward to strengthen our relationships with stakeholders through active engagement to gauge their expectations of the business. Through these efforts, we aim to promote the sustainable growth of our business and ensure long-term success.