

About This Report

SALCON BERHAD [200201026133 (593796-T)]

Salcon Berhad is pleased to present its 2nd annual report adopting the structure in the Integrated Reporting framework as defined by the Value Reporting Foundation (VRF) (formerly known as International Integrated Reporting Council (IIRC)). This report provides a holistic overview of Salcon's philosophy and approach to creating true value over the long-term for its stakeholders including clients, customers, employees, investors and community. By incorporating the element of value creation into our reporting and understanding how these elements interact, we are better able to deliver sustained value for all stakeholders in the short, medium and long term.

SCOPE AND BOUNDARY

The report focuses information on business operations of Salcon, aptly disclosed through six capitals as defined by IIRC. All the six capitals cover information on a consolidated basis. The report covers the financial and non-financial information performance from 1 January to 31 December 2021. All financial statements have been prepared in accordance with the requirements of the Companies Act 2016 ("CA 2016") and Malaysian Financial Reporting Standards ("MFRS").

REPORTING FRAMEWORK

In preparing this report, we are guided by the following reporting framework:

NAVIGATION ICONS

Our Capitals



FINANCIAL CAPITAL



HUMAN CAPITAL



MANUFACTURED CAPITAL



INTELLECTUAL CAPITAL



NATURAL CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL

Our Focus Areas



BUSINESS GROWTH

Innovative Products & Services through Operational Excellence



LEADERSHIP & GOVERNANCE

Becoming a Trusted & Reliable Working Partner



HUMAN CAPITAL

Building a Thriving Workplace for Employees



ENVIRONMENT

Protecting the Environment



SOCIAL CAPITAL

Enriching the Community

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CORPORATE & FINANCIAL DISCLOSURE

- <IR> Framework by International Integrated Reporting Council (“IIRC”)
- Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”)
- Companies Act 2016 (“CA 2016”)
- Malaysian Code on Corporate Governance 2021 (“MCCG”)
- The Malaysian Financial Reporting Standards (“MFRS”)

SUSTAINABILITY DISCLOSURE

- Bursa Malaysia Sustainability Reporting Guide 2nd Edition
- Bursa Malaysia Corporate Governance Guide 3rd Edition
- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiatives (“GRI”) Standards

- AA1000 Stakeholder Engagement Standards 2015 (“SES”)
- Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations

MATERIALITY

We conducted our materiality assessment based on Bursa Malaysia Sustainability Reporting Guide 2nd edition and sought our stakeholders’ input in addition to the business perspectives to determine the material issues which impact our ability to create value for our stakeholders. Our strategic responses to these material issues are presented throughout this report.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements regarding the Group’s future performance, prospects and potential

opportunities for growth. However, such statements in relation to both financial and non-financial performance are not conclusive, and the actual implementation and results may differ from our expectations depending on a number of emerging risks, market uncertainties and other important matters that beyond management’s control that could adversely affect our business and financial performance.

APPROVAL BY THE BOARD

The Board acknowledges its responsibility to ensure the integrity of the Annual Report and adoption of IIRC’s Integrated Reporting Framework. In the Board’s opinion, the report addresses all material issues and matters and fairly presents the Group’s performance for 2021.

Key Material Issues

- | | |
|--|--|
| MI1 Business Model & Financial Management | MI8 Critical Incident Risk Management |
| MI2 Project Management & Delivery | MI9 Employee Health & Safety |
| MI3 Supply Chain Management | MI10 Employee Engagement, Diversity & Inclusion |
| MI4 Business Ethics | MI11 Water & Wastewater Management |
| MI5 Systematic Risk Management | MI12 Pollution & Resources Management |
| MI6 Talent Attraction, Growth & Retention | MI13 GHG Emission & Climate Change |
| MI7 Technology & Innovation | MI14 Labour Practices |

Cross References

- Tells you where you can find more information within the report
- Tells you where you can find more information online at www.salcon.com.my

Our Businesses



Who We Are

SALCON BERHAD [200201026133 (593796-T)]

Sustainable Organisation

Salcon Berhad (“Salcon”) is a well-diversified investment holding company with businesses in water and wastewater engineering & construction, healthcare, technology services, transportation, renewable energy and property development with presence in Malaysia, Vietnam, Sri Lanka, India and The United Kingdom.

The Group takes pride as a sustainable organisation with almost five decades of track record of excellence and experiences, having contributed to some of the nation’s most essential infrastructure developments while creating significant value that contributes to the socio-economic development of the nation.

OUR BUSINESS



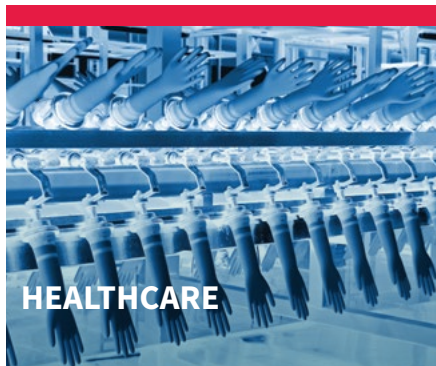
WATER & WASTEWATER ENGINEERING

We provide end-to-end water and wastewater solutions from raw water management, design, construction, commissioning, concession, operation & maintenance of water and wastewater treatment facilities including downstream activities ie non-revenue water reduction, customer service, billings and collection.

Creating value by:

- ⇒ Providing communities with clean, safe and reliable water for healthy and sustainable living.

Where we operate:



HEALTHCARE

We manufacture medical and industrial grade disposable latex, nitrile and polychloroprene gloves which cover various market segments such as dental, food, healthcare, industrial and laboratory.

Creating value by:

- ⇒ Providing high quality grade disposable latex fulfilling demand in both the healthcare and non-healthcare segment.

Where we operate:



TECHNOLOGY SERVICES

We provide ultra-low latency mobile backhaul services as well as metro ethernet for carrier and enterprise markets through our fiber optic backbone in the Klang valley.

Creating value by:

- ⇒ Providing smart city solutions that focus on sustainable outcomes for citizens, municipal authorities and delivery partners through efficient and fast telecommunication networks.

Where we operate:



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OUR PURPOSE

Transforming lives for the better through sustainable business portfolios



We enrich people’s lives through our products and services whilst ensuring long-term, sustainable value creation for shareholders.



We build sustainable enterprises and seek to ensure that every company in our portfolio fulfils our requirements and makes a positive contribution to a more sustainable world.



We identify growth opportunities for new products and markets to improve returns on capital through sustainable value chains and operations whilst managing regulatory, reputational and operational risks & opportunities.



We provide workers transportation for multinational companies in the northern region of Malaysia, inbound and outbound tour services including providing palm oil and soy oil product transporting service.

Creating value by:

- ⇒ Enabling a safe & reliable travel experience while protecting & conserving our environment.
- ⇒ Delivering goods/services safely and minimising our carbon footprint.

Where we operate:



We provide green energy solutions for our partners to support and develop renewable energy technologies and initiatives as part of the global drive to create a sustainable future through the efficient use of renewable energy sources.

Creating value by:

- ⇒ Reducing carbon footprint by providing clean renewable energy sources to various industries.

Where we operate:



We offer niche property development which cater to market/community needs.

Creating value by:

- ⇒ Providing quality, sustainable living environment & memorable experience for our customers.

Where we operate:



At A Glance



SALCON BERHAD [200201026133 (593796-T)]

BUSINESS OVERVIEW

Established in

1974

More than

5,000 MLD

total water treatment capacity successfully delivered

More than

1,000

total water and wastewater projects completed

383

Employees under Salcon Berhad Group (as at 31 December 2021)

17

Branch/Subsidiary Offices

SEGMENTAL NET PROFIT (RM'000)

Engineering & Construction
(RM'000)

7,620 ▲261%

FY 2020 (4,741)

Property Development
(RM'000)

(2,606) ▲42%

FY 2020 (4,486)

Healthcare
(RM'000)

13,244

Trading & Services
(RM'000)

426 ▲148%

FY 2020 (885)

CREATING MEANINGFUL IMPACT

PEOPLE

- Achieved zero work-related injuries or fatalities of employees in FY 2021
- 37.4% of Women Representation in Senior Management**



injuries

** Senior Manager and above

COMMUNITIES

- Contributed 274 volunteer hours in 7 community projects
- RM255,905.00 invested for community development



ENVIRONMENT

- 37.89% Co₂ emission reduced



*excluding carbon emissions data from JREMT

AWARDS WON

- Asia Sustainability Reporting Awards (ASRA): Asia's Best Sustainability Report within Annual Report – Bronze
- 7th consecutive year recognised under FTSE4Good Bursa Malaysia Index



ASRA FTSE4Good

PARTNERSHIP

- Signed partnerships with Haveapac for the installation of Solar PV system
- Signed partnership with JR Engineering And Medical Technologies (M) Sdn Bhd to diversify into glove manufacturing under its newly added Healthcare Division

Corporate Information

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BOARD OF DIRECTORS

Tan Sri Abdul Rashid bin Abdul Manaf
Chairman,
Independent Non-Executive Director

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

Dato' Leong Kok Wah
Executive Director

Datin Goh Phaik Lynn
Non-Independent Non-Executive Director

Dato' Choong Moh Kheng
Independent Non-Executive Director

Chan Seng Fatt
Senior Independent Non-Executive
Director

Dato' Rosli bin Mohamed Nor
Independent Non-Executive Director

AUDIT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Rosli bin Mohamed Nor
Datin Goh Phaik Lynn

NOMINATION COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

REMUNERATION COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Choong Moh Kheng
Dato' Rosli bin Mohamed Nor

RISK MANAGEMENT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Leong Kok Wah
Leong Yi Shen
Jamiluddin Amini Bin Sulaiman

SUSTAINABILITY COMMITTEE

Dato' Rosli bin Mohamed Nor (Chairman)
Dato' Leong Kok Wah
Leong Yi Shen
Jamiluddin Amini Bin Sulaiman
Chern Meng Gaik

COMPANY SECRETARIES

Wong Wai Foong
(SSM PC No.: 202008001472)
(MAICSA 7001358)
Joanne Toh Joo Ann
(SSM PC No.: 202008001119)
(LS 0008574)

REGISTERED OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811

HEAD OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811

AUDITORS

KPMG PLT
Chartered Accountants
Level 10, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

PRINCIPLE BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
Standard Chartered Bank Malaysia Berhad
United Overseas Bank (Malaysia) Berhad
HSBC Bank (Malaysia) Berhad

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd [197101000970
(11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9299
Fax : 603-2783 9222

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
(Listed since 3 September 2003)
Sector : Utilities
Stock Name : SALCON
Stock Code : 8567

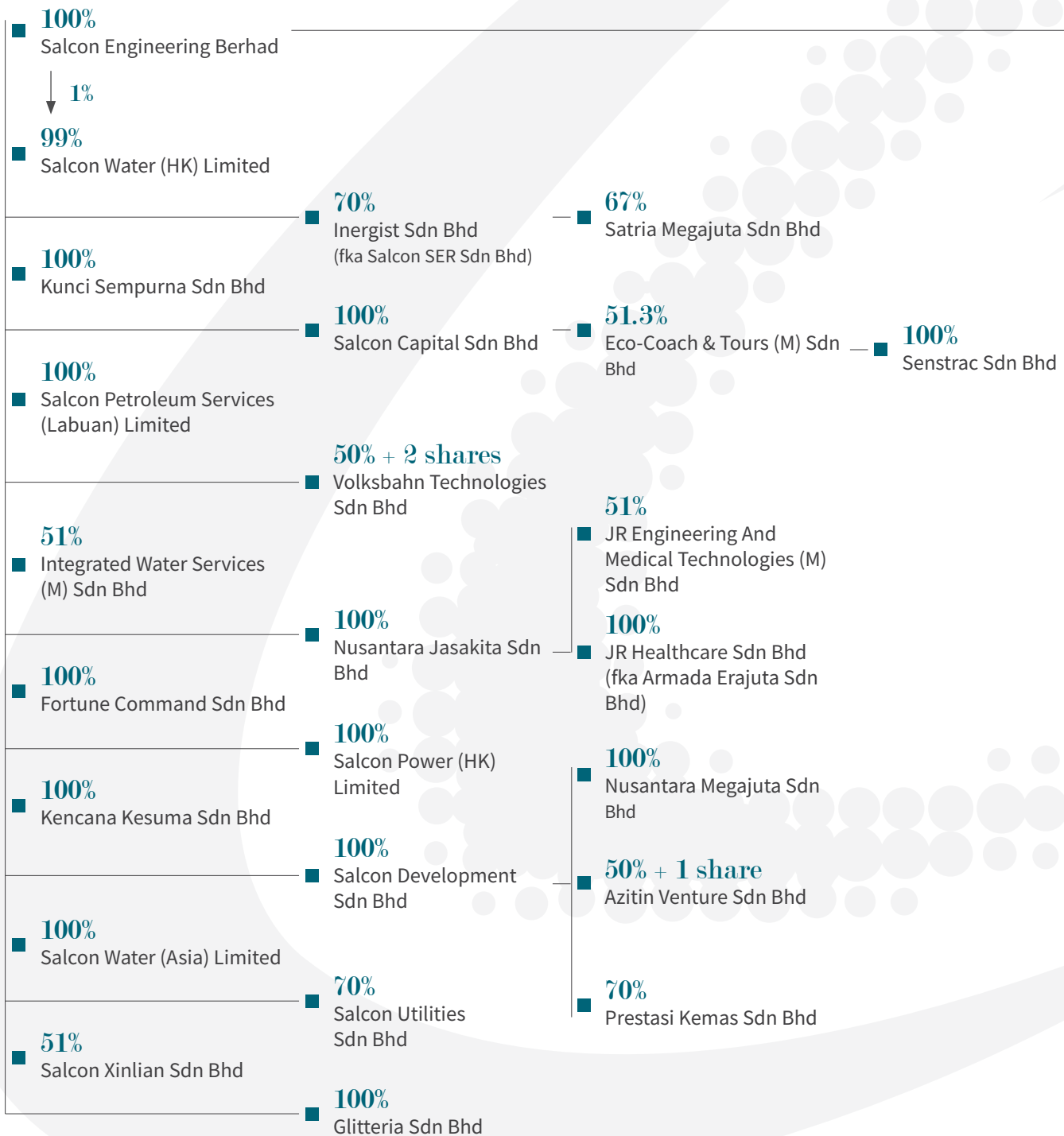
WEBSITE

www.salcon.com.my

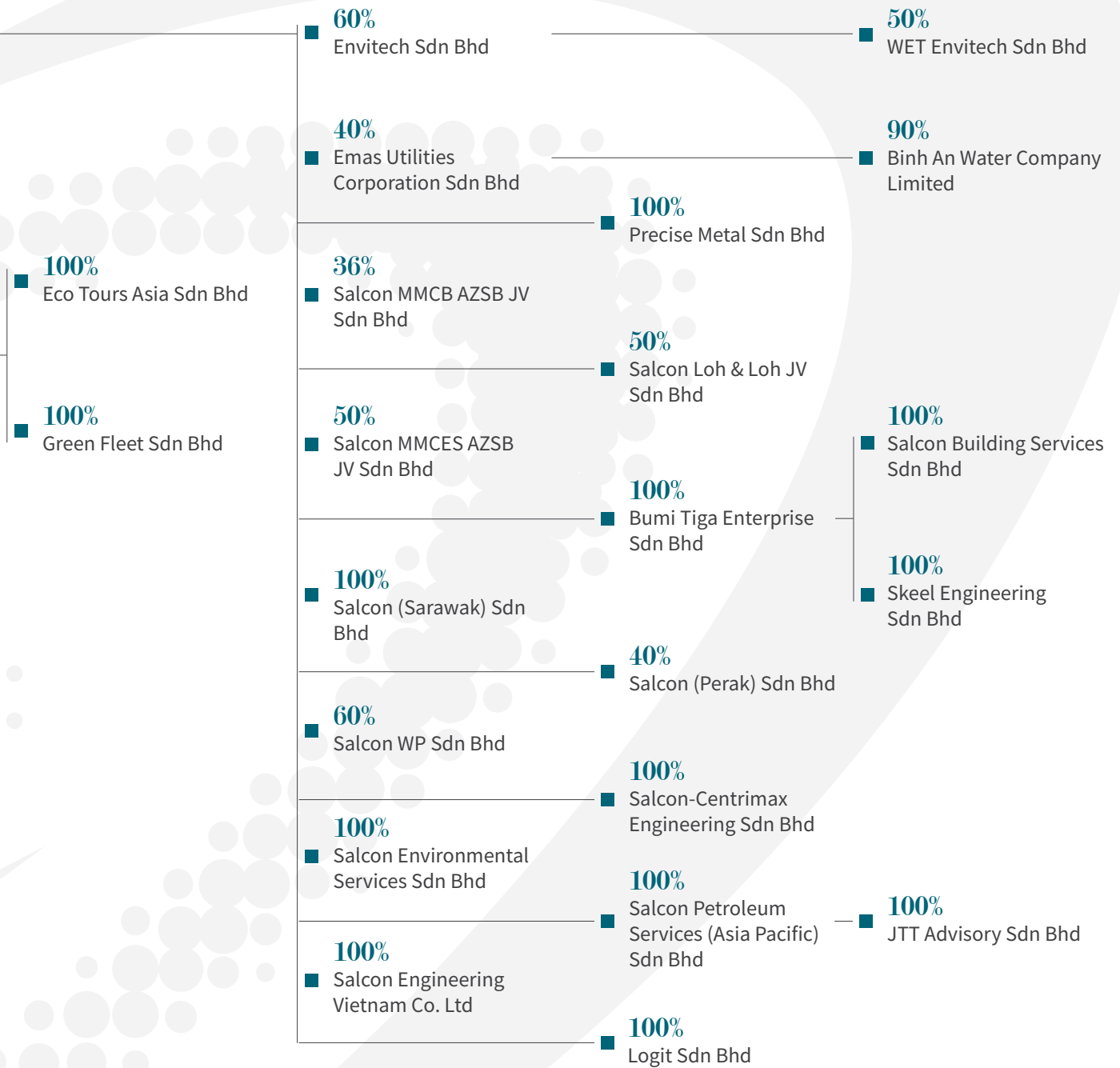
Corporate Structure (as at 31 March 2022)

SALCON BERHAD [200201026133 (593796-T)]

SALCON BERHAD



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Strategic Review

Chairman's Statement

SALCON BERHAD [200201026133 (593796-T)]

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Salcon Berhad ("Company"), I am pleased to present the 2021 Integrated Annual Report & Audited Financial Statements of the Company and its subsidiaries ("Group").

The Financial Year 2021 ("FY 2021") saw an increase in economic activities as containment measures for the COVID-19 pandemic were progressively relaxed and daily new infections trend downwards. As the national economy continues to recover, the Group strengthened its business model resilience strategies to broaden its earnings base and expand its range of products and services.

During the financial year, the Group achieved a positive turnaround in its financial performance, marking a return to profitability through improved performances of its core businesses and contributions from the newly acquired healthcare business, JR Engineering And Medical Technologies (M) Sdn Bhd ("JREMT"). The Group returned to the black with a net profit of RM16.8 million for the FY 2021, compared with a net loss of RM8.1 million in the previous year. The Group's financial results and segmental performances are further detailed in the Management Discussion & Analysis section of this Annual Report.

REWARDING OUR SHAREHOLDERS

With the improved financial performance, I am pleased to announce that the Board has recommended a final dividend via distribution of treasury shares as share dividends on a basis of one (1) treasury share for every forty (40) existing ordinary shares held in Company for the FY 2021, subject to the shareholders' approval at the forthcoming annual general meeting.

FUTURE FOCUSED

The COVID-19 pandemic has fundamentally changed the business environment in which we operate, and we have to constantly anticipate, adjust, adapt and strategise in response. In these challenging times, the Group remains very much focused in

**Tan Sri Abdul Rashid bin Abdul Manaf**

Chairman,
Independent Non-Executive Director

**STRATEGY
IN ACTION**

For information on our strategic growth drivers & priorities, see page 27.

**OPERATIONS
REVIEW**

For information on the Group's business operations, see pages 28 to 43.

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executing our business model resilience strategy which is centered on four (4) strategic drivers, namely Strategic Diversification, Driving Technology & Innovation, Cost & Operational Efficiency & Improved Organisational Effectiveness, to grow and maximise long-term value creation for our stakeholders.

These strategies have certainly begun to bear fruit with the acquisition of JREMT and is testament to the Group's resiliency in the face of external pressures. Whilst average selling price ("ASP") for gloves have declined from their peak, prospects of the Group's newly formed Healthcare division are expected to remain resilient as the sector is expected to experience a structural change. Beyond the COVID-19 pandemic, the demand for gloves will likely remain high due to increased healthcare standards in emerging economies, growing government expenditure on healthcare reform, increasing awareness of health-related issues and an ageing population in the developed and emerging economies. Further, the acquisition of JREMT comes with a profit guarantee of RM10 million per annum in JREMT for financial years ending 2021, 2022 and 2023. Moving forward, the Board is confident of delivering sustainable growth and building a stable earnings stream.

Prospects in the water and wastewater sector remains robust as the federal government continues to make huge investments to improve the water quality and services in the country. Under the Twelfth Malaysia Plan ("12MP"), a total of RM26 billion has been allocated for water infrastructure projects to improve water supply coverage and services as well as to implement non-revenue water (NRW) reduction programmes to reduce NRW levels to 25% by 2050 (2020: 36.4%). The Group is expected to potentially benefit from the 12 MP with its proven track record and experienced management.

The Group's investments in technology services, transportation and renewable energy are also contributing positively to the Group and we look forward to greater synergies and higher contributions from these divisions in the coming years.

With Malaysia on track to revive its economy in 2022 through an expansionary budget, driven by strong economic performance with estimated growth of between 5.5% and 6.5%, the Group is optimistic of its future prospects given the strong fundamentals, track record, and the demonstrated capability, dedication and team spirit of our employees, management and the Board.

SUSTAINABILITY – A VALUE CREATION JOURNEY

As a responsible corporate citizen, the Group acknowledges the need to balance our healthy economic performance with responsible environmental and social considerations which emphasises the Group's sustainable development practices. As we continue our sustainability journey, our ultimate aim is to deliver a sustainable performance whilst ensuring long-term value creation for all our stakeholders.

It is in this context that the Group committed to the adoption of Integrated Reporting ("<IR>") framework implemented by the Value Reporting Foundation ("VRF") as a crucial step towards better governance and an ideal tool to CREATE VALUE for our stakeholders. <IR> enables the Group to clearly articulate our strategy and business model, better identify risk and opportunities, improve internal processes leading to a better understanding of the business and improved decision-making. More importantly, <IR> enables us to think in an integrated and holistic manner to address sustainability issues, which encompasses environmental, social, and governance ("ESG"), which is central to the company's competitiveness and continued ability to operate. In order to increase awareness and obtain buy-in of the Group's senior management team, an <IR> briefing was conducted by the Malaysian Institute Accountants.

The Group's commitment in its sustainability efforts was recognised at the 2020 Asia Sustainability Reporting Awards (ASRA) where we won Asia's Best Sustainability Report (within Annual Report) – Bronze. Besides this, the Group has also been

included in the FTSE4Good Bursa Malaysia Index for the 7th consecutive year.

CORPORATE GOVERNANCE

The Group has consistently practiced good corporate governance, reflecting its belief that robust governance practices, processes, and culture are fundamental to inspiring investors' confidence, ensuring long-term shareholder value and protecting stakeholders' interests.

This is very much in alignment with the Malaysian Code on Corporate Governance ("MCCG") 2021 which addresses the urgent need for companies to manage ESG risks and opportunities, with the introduction of new best practices that emphasise the need for collective action by boards and senior management.

The Board will continue to focus on further improving board policies and practices, strengthening oversight of sustainability risks and opportunities, integrating sustainability goals with business strategy and operations, and promoting meaningful engagement with our stakeholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express my heartfelt gratitude to our clients, business partners, suppliers, government authorities and regulators for their steadfast cooperation and trust in the Group. My appreciation for my esteemed colleagues on the Board for their perceptive insights and wise counsel which truly helped the Group steer through the challenges while paving the way for our further growth and success. Last but not least, a big thank you to our dedicated and hardworking Management team and employees for their resilience in the face of adversity and their tireless commitment to excellence.

Tan Sri Abdul Rashid bin Abdul Manaf
Chairman,
Independent Non-Executive Director

Strategic Review

Our Business Environment
& Way Forward

SALCON BERHAD [200201026133 (593796-T)]

Business Divisions

Operating Environment

Water and
Wastewater
Engineering

- Demand of water & wastewater infrastructure works in Malaysia remain encouraging with budget allocation of RM26 billion under the 12 Malaysia Plan
- Demand for digital technology for smart water management, water reclamation plants for water reuse etc driven by focus on environmental sustainability
- Impact on business due to challenges posed by COVID-19 pandemic such as movement restriction, volatile supply chain, currency depreciation, outflow of funds and reduced FDI
- Regulatory and political uncertainties caused by changes in government
- Competitive challenges on materials pricing, quality compliance expectation vs budget constraints and unpredictable competitors

Healthcare

- Declining ASPs (Average Selling Price) of rubber gloves amid moderating demand for gloves due to increased supply and rising vaccination rates
- Shortages in raw materials or increases in raw material prices due to increase in global demand conditions and higher labor costs brought on by foreign labor restrictions
- Labour shortages due to government restriction on number of foreign workers coming to the country during COVID-19 pandemic
- Mass rollout of vaccination programmes in major glove consuming countries
- Concern of forced labour issue and living condition of workers
- Number of companies have diversified into rubber glove manufacturing, seizing the business opportunity from the pandemic

Technology
Services

- Adoption of 5G Network fuel requirement for more data bandwidth
- Under the Jalinan Digital Negara (JENDELA) nationwide fiberisation and connectivity plan, the government plans to expand the reach of the internet to every corner of Malaysia
- MCMC oversees all telecommunication activities and strict local authority guidelines
- Competition from other network facilities provider & network service providers whilst the 5G rollout will change the competitive landscape of the Malaysian mobile market

Transportation

- MNCs increasing demand for digital transportation system for their employees such as GPS system, attendance system, and digital route planning system
- Logistic services (Green Fleet) such as the transportation of CPO from mills to refineries and to ports or packaging locations not affected as palm oil is considered to be in the essential sector
- Measures to curb the risk of infection and preventing COVID-19 such as social distancing orders, and shutdowns, impacted MNCs workforce and operations
- Global demand for palm oil has been growing steadily for the past decade driven by the growing demand for vegetable oil, food-related packaging and bioenergy
- Penang Transport Master Plan's initiatives to improve road network and connectivity to mitigate worsening congestion
- Growing focus on low carbon energy sources including hydrogen
- Direct competition with other transportation and logistics services companies

Renewable
Energy

- Malaysia has an encouraging future of renewable energy adoption, complemented by a broadly attractive investment environment
- Growing focus on Environmental, Social, and Governance ("ESG") practices in the corporate world in recent years
- Rising cost of raw material of solar panels
- Renewable energy to account for 31% of Malaysia's total energy capacity by 2025 under the 12th Malaysia Plan
- The market for solar PV system is competitive and continually evolving

Property
Development

- Weak market sentiments impacting property development during the pandemic
- Bank Negara Malaysia announced multiple rounds of overnight policy rate ("OPR") reduction to a record low of 1.75% currently as an additional measure to accelerate the economic recovery
- Government policies on foreign labour
- Increasing digitalisation and technical adoption

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- Market Trend
- Regulatory Environment
- Macroeconomic
- Competitive Landscape

Strategic Implications

Way Forward

- Opportunities remain as water/wastewater infrastructure is essential to ensure sustainability and security
- Project delays and higher cost of goods incurred affecting sustainability and profit
- Higher compliance costs and impact government's decisions on fund allocations for water and wastewater infrastructure
- Requirement for accurate and reliable market intelligence to source out pricing and opportunities

- Reduced profit margins due to declining ASP
- Fluctuation in market prices of raw materials
- Lower production efficiency due to lack of labour
- Buyers are cautious on replenishing orders as there is less urgency
- Licences, permits, approvals & certificates may get revoked, suspended or not renewed from relevant government authorities for the operations in Malaysia and foreign countries
- Rising of glove players in the market and result in intensifying competition and cost battling
- Threats from new glove companies overseas i.e. China, Thailand

- Opportunities to secure contracts remain promising
- Effort by regulatory to drive down the bandwidth prices and affecting revenue
- Opportunities to support the Government's initiatives with addition of new site and increased bandwidth capacity requirements
- Fine & compound, revocation of license and permit if not in compliance with regulations
- Competitive pricing required for services provided

- Competitive advantage opportunity for ECT due to increasing demand for Senstrac Focas Passenger Transport and Tracking System
- Opportunities in expanding oil logistic service and collaborate with strategic partners to drive growth
- Higher compliance costs for COVID-19 prevention
- Opportunities in securing Palm Oil and Soy Oil contracts and collaborate with strategic partners to drive growth
- Opportunities to align strategic objectives with government's development plans
- The growing needs to diversify energy sources to low-CO₂-emissions transportation such as EVs
- Increasing needs to differentiate ECT from other competitors and compete with other modes of transportation

- Gradual growth in RE market segments and opening up more business opportunities for investment and competition in RE
- Increasing demand on clean & renewable energy from big corporations in local and global market
- Polysilicon, an essential material in solar photovoltaic (PV) manufacturing, is seeing a severe supply squeeze for manufacturer
- High growth potential for installation of SolarPV system in Malaysia
- Increasing number of competitors in Malaysia and overseas
- Resulting in price reductions in the market and lead to loss of market share & exposed to profitability pressure

- Financial impacts including less business opportunities and revenues, coupled with high holding costs
- The attractive low interest rate environment improved the affordability for home buyers to secure their ideal home with more savings in monthly instalment payment
- The freeze in the sourcing of foreign workers and border closure increased labour costs, limits the supply of labour and increased related compliance costs
- Resources required to explore new technology and innovation or to collaborate with strategic partners

- Leverage on proven track record and technical expertise to secure major infrastructure projects
- Collaborate with strategic technology partners for new digital technology innovations/technology upscaling/manpower upskilling
- Actively engage with project stakeholders ie clients, suppliers/sub-contractors, consultants to manage costs and practise prudent financial management
- Maintain strong balance sheet and conserve cash for opportunities
- Engage with government authorities and regulatory bodies to manage and align expectations and protect industry interests
- Enhance market intelligence & adopt innovative approaches such as PFI, identify niche market for expansion

- To leverage on trading services and produce other types of gloves with higher margin to expand income stream
- Expanding automation and proactively hiring Malaysians, despite higher wages
- Defer expansion plans to be in line with market trends and the demand supply situation
- Regulatory compliance a key pillar in ensuring positive reputation with stakeholders
- A long-term strategy plan to market the products and build up branding for the company through market and social engagement
- Surplus in glove supply will likely be offset in part, by the steady and consistent growth in global glove demand. Glove demand which continues to be driven by strong market fundamentals, was already growing at a rate of 10% yearly pre COVID-19 and is expected to increase further even after the pandemic recedes, on the back of heightened glove usage and hygiene awareness

- Adapting operations to cater for 5G deployment
- Maintain and enhance commercial and technical relationship with major telcos to provide fast-to-market services
- Align network expansion in conjunction with Jendela
- Abide to all regulations set by regulatory bodies involved in delivery of service
- Work together with MCMC to monitor the network performance and to facilitate any challenges on the ground faced by service providers
- Collaboration with strategic partners
- Operate in a cost-efficient manner to counter price erosion

- Prioritise marketing and promotional activities of Senstrac Focas Passenger Transport and Tracking System
- Diversify commercial relationships with other potential MNCs customers
- Increase provision of transportation services to meet rising demand, with full compliance to COVID-19 SOPs
- Maintaining and enhancing existing commercial relationship with palm oil and soy oil companies
- Identify opportunities and engage with relevant government bodies to support nation development plans
- The long-term strategy to adopt low carbon fuel as one of the competitive advantages
- Accelerate technology and innovation plans to compete with direct competitors

- Strengthen the business model in RE and expand portfolio in solar PV system through joint ventures and partnerships
- Pose short-term challenge but long-term viability remains intact due to global push for renewable energy
- Proactive engagement with government authorities i.e. SEDA for facilitation programme on SolarPV System
- Remained steadfast on advancing technical capabilities, improving operating efficiencies and ensuring high levels of customer service, work quality and project delivery
- Resources required to explore new technology and innovation or to collaborate with strategic partners

- Reviewing strategic plan to entering JV agreements with partners to provide one-stop healthcare lifestyle centre
- Align marketing and promotional activities as well as property launches with the respective incentives
- Adopt construction and automation technologies that reduce reliance on unskilled, manual labour
- Accelerate technology & innovation plan

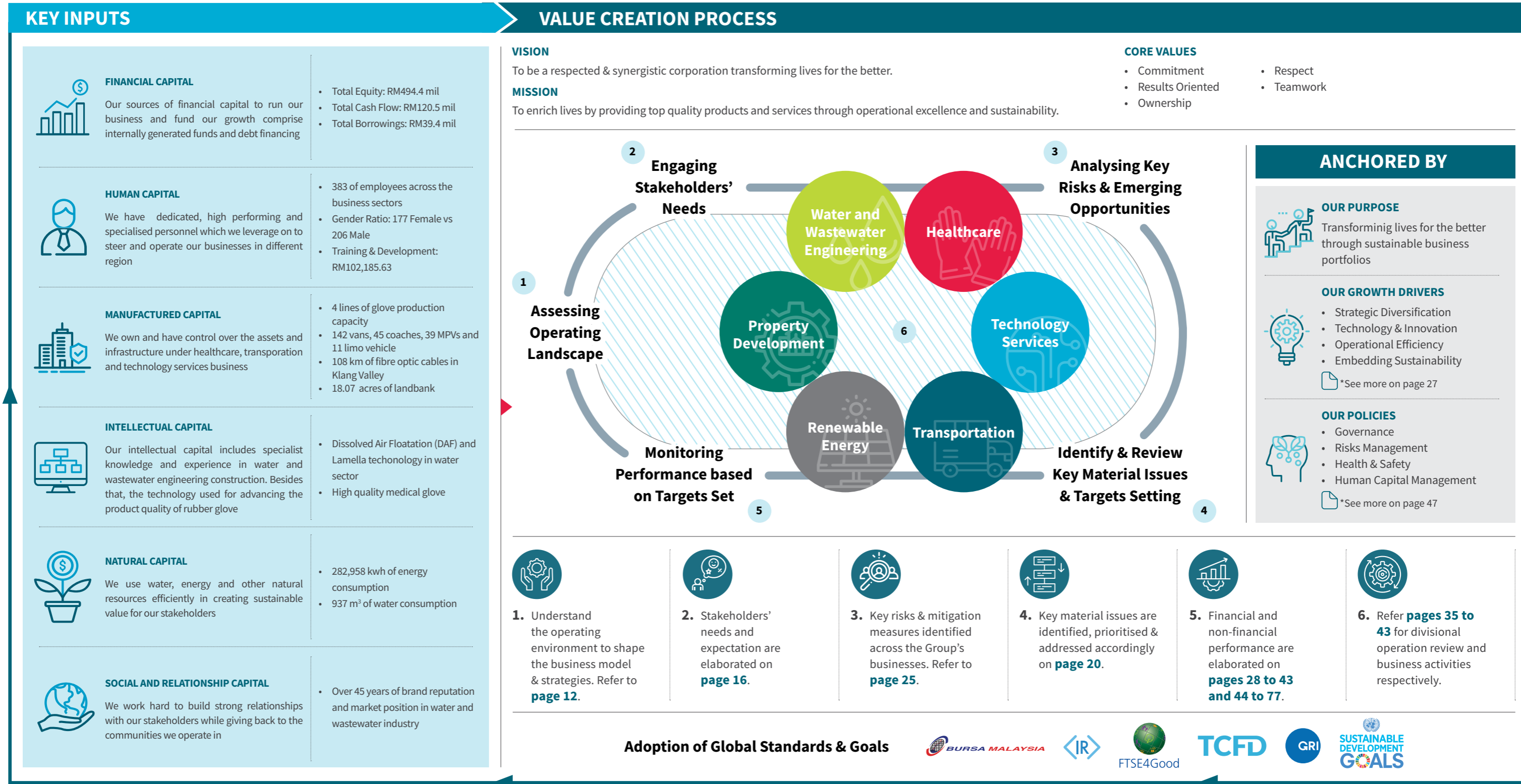
Value Creation Business Model

Our Value Creation Model is based on the Integrated Reporting <IR> framework and gives an overview of how we create value for our stakeholders based on the six input capitals i.e. Financial Capital, Human Capital, Manufactured Capital, Intellectual Capital, Natural Capital and Social and Relationship Capital.

Strategic Review

Value Creation Business Model

SALCON BERHAD [20201026133 (593796-T)]



KEY OUTPUTS

- Increased segmental profit contributed by the diversified business



- Gearing Ratio: 0.08
- Proposed a final dividend comprising a share dividend of one (1) treasury share for every forty (40) existing ordinary shares
- Profit guarantee of RM10 mil from glove manufacturing segment

*See more on page 29

- Monitored and controlled the spread of COVID-19 cases within the organisation
- Continuous engagement with employees with activities via virtual platform despite inconveniences caused by movement restriction



- Achieved 2.9mil manhours without LTI
- 100% of employee submit COVID-19 self-test once every month (office) and weekly (project sites)
- 49 employees joined beach cleanup at Pantai Remis
- Average training hours per employee: 1.79 hrs

*See more on pages 55-57, 74

- Ensured continuous service/product delivered



- 420 million pcs of production capacity from 4 production lines
- Delivered 18 cells sites along the LRT corridor

*See more on page 38, 42

- Increased efficiencies by deploying innovative operations and technologies



- Successfully completed Pilot Test for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (AiS)
- Converted 14 SCANIA 360/410 busses from Euro 2 to Euro 5 diesel

*See more on page 25, 36

- Strengthened commitment on environmental impact and carbon footprint through board oversight and green initiatives



- Reduction of 37.89% in carbon emissions intensity
- Increased rating in FTSE4Good index from 3.5 to 3.7

*See more on page 46, 70

- Continued commitment in philanthropic activities



- Donated RM200,000 to ease the burden of flood victims
- Collected a total amount of RM9,953.02 in the Walk For Water Campaign to install water filter system for Orang Asli village
- Donated more than RM12,000 to various charity homes

*See more on pages 76 to 77


Strategic Review

Engaging Our Stakeholders







SALCON BERHAD [200201026133 (593796-T)]

Salcon regularly engages with its stakeholders in soliciting a wide range of inputs, perspectives and other types of feedback towards guiding its sustainability journey. Key stakeholders were identified by mapping their level of influence on and level of interest in the Company to ensure that the Group is inclusive in its approach and remains on track towards ensuring value creation for both the Group and its stakeholders.

The table below illustrates our method of engagement with each stakeholder groups, frequency of engagement, their expectations and the manner in which we address their expectations.

Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference
Employees 	<ul style="list-style-type: none"> Salaries & benefits/well-being Career enhancement Occupational health & safety Employee activities/events Group's latest strategic initiatives and business development 	MI6	<ul style="list-style-type: none"> On-job training & workshops opportunities 	As needed	<ul style="list-style-type: none"> Leadership trainings and personal development workshops for improved work efficiency 	55
			<ul style="list-style-type: none"> Employee performance review & rewards Employee entitlements & benefits Employee Satisfaction Survey 	Annually As needed Bi-annually	<ul style="list-style-type: none"> Recognizing and rewarding our employees' contributions 	55
		MI9	<ul style="list-style-type: none"> SHE Committee Meeting Toolbox Training Safety & Health Campaign 	Quarterly Weekly Annually	<ul style="list-style-type: none"> Regular meetings, trainings and campaigns to raise awareness on potential safety and health risks for all employees 	57
			MI10	<ul style="list-style-type: none"> Festive celebrations 	As appropriate	<ul style="list-style-type: none"> Fostering positive relationships amongst colleagues
		<ul style="list-style-type: none"> Company Social Media platform i.e. Facebook, LinkedIn, Instagram 		As needed	<ul style="list-style-type: none"> Providing up-to-date information on the company's direction/ news/ activities 	-
		<ul style="list-style-type: none"> Internal newsletter 		As needed		-
		<ul style="list-style-type: none"> Work-life balance activities 		As needed	<ul style="list-style-type: none"> Organising fun activities in the office to foster good work-life balance 	59









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Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference
Shareholders/ Investors 	<ul style="list-style-type: none"> Economic and financial performance Dividend and growth prospect Sustainability performance 		<ul style="list-style-type: none"> Analysts/ bankers/ fund managers meeting 	As needed	<ul style="list-style-type: none"> Building strong network connection with analysts/ bankers/fund managers and keeping them up-to-date with the Group's performance 	-
			<ul style="list-style-type: none"> Annual General Meeting 	Annually	<ul style="list-style-type: none"> Sharing the company's economic performance, business direction and strategies with our shareholders Rewarding our shareholders through dividend payment 	10
			<ul style="list-style-type: none"> Salcon Investor Relations Webpage 	As needed	<ul style="list-style-type: none"> Providing latest financial information and corporate initiatives 	-
Clients/ Customers 	<ul style="list-style-type: none"> Timely delivery Quality works/ services Innovative solutions Pricing of product/ services 		<ul style="list-style-type: none"> Client satisfaction survey Regular project meetings 	Annually	<ul style="list-style-type: none"> Review the feedback from clients through satisfaction survey and project meetings 	49
			<ul style="list-style-type: none"> Customers services (at billing services center in Sandakan office) 	Daily (working day)	<ul style="list-style-type: none"> Improve facilities to enhance customer's comfort and convenience at billing services center 	50
Regulators/ Government Authorities 	<ul style="list-style-type: none"> Regulatory framework governing business operations Legal compliance, statutory duties and responsibilities 		<ul style="list-style-type: none"> Full compliance with Bursa Securities, Securities Commissions and Quality Management (ISO 9001) policies and guidelines 	As needed	<ul style="list-style-type: none"> Keeping abreast with the current market regulations through active engagement with the authorities 	50
			<ul style="list-style-type: none"> Environmental compliance at project sites 	As needed	<ul style="list-style-type: none"> Include biodiversity risk assessment as one of the element in the risk register Effectively managing our resources through data monitoring Conduct awareness programme on environmental issues and compliance knowledge for the employees and site workers 	62





Strategic Review

Engaging Our Stakeholders

SALCON BERHAD [200201026133 (593796-T)]

Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference
Business Partners/ Associate Partners 	<ul style="list-style-type: none"> Strategic business planning Long-term business relationships 		<ul style="list-style-type: none"> Strategic business planning meetings 	As needed	<ul style="list-style-type: none"> Strategic business plan and budget planning session held with all heads of subsidiaries Monitoring financial performance through monthly/quarterly operation meetings 	-
Local Communities 	<ul style="list-style-type: none"> Socioeconomic development Safety & Health Impact of operation on community and environment Employment opportunities 		<ul style="list-style-type: none"> Charitable giving 	As needed	<ul style="list-style-type: none"> Building positive relationships with the community and attend to their needs 	76
			<ul style="list-style-type: none"> Internship opportunities 	As needed	<ul style="list-style-type: none"> Hired a total of 2 interns from universities in department related to their study field 	77
			<ul style="list-style-type: none"> Salcon Water Genius Challenge 	As needed	<ul style="list-style-type: none"> Raising awareness of water issues and reduce water consumption 	75
			<ul style="list-style-type: none"> Local employment 	As needed	<ul style="list-style-type: none"> Supporting local communities at project sites as stated in the policy 	77
Suppliers/ Sub-contractors 	<ul style="list-style-type: none"> Pricing and good payment practices Long-term working relationship 		<ul style="list-style-type: none"> Suppliers & sub-contractors evaluation 	Annually	<ul style="list-style-type: none"> Monitor performance and improve efficiency through yearly assessment of the suppliers/sub-contractors' performance 	50
			<ul style="list-style-type: none"> Tender & bidding/ quotation requests Procurement policies & system 	As needed	<ul style="list-style-type: none"> All suppliers and sub-contractors are required to acknowledge the company's statement of policies and business ethics before signing the contract 	50
Media 	<ul style="list-style-type: none"> Business growth ESG practices & performance 		<ul style="list-style-type: none"> Media releases One on One interviews 	As needed As needed	<ul style="list-style-type: none"> Promoting company branding and reputation through public relation strategies in place 	-

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Stakeholder Group	Key Needs & Expectations Raised	Material Issues	Our Engagement Approach	Frequency	How We Respond	Page Reference
Non-Governmental Organisations (NGOs) 	<ul style="list-style-type: none"> ESG practices & performance Impact to the environment and communities 		<ul style="list-style-type: none"> Partnership and support in community, and environmental sustainability Support related NGOs 	As needed	<ul style="list-style-type: none"> Collaborate with NGOs in relation to the Group's social and environmental approach 	74
Industry Associations 	<ul style="list-style-type: none"> Building good relationship with industry peers 		<ul style="list-style-type: none"> Industry exhibitions and conferences Membership with Malaysia Water Association (MWA), Global Water Intelligence (GWI) and International Water Association (IWA) 	As needed As needed	<ul style="list-style-type: none"> Keeping track with industry updates Fostering good relationships with industry peers 	-

Strategic Review

Establishing Materiality

SALCON BERHAD [200201026133 (593796-T)]

The materiality assessment helps the Group in identifying, refining and focusing on the areas of importance to our business and stakeholders and subsequently help to create values over the short, medium and long term for the Group. This year, the Group reviewed its material matters, taking into consideration the following factors which were raised in view of the current operating environment:

	FACTORS	IMPACT ON BUSINESS/STAKEHOLDER'S EXPECTATION
	Newly ventured business in glove manufacturing	<ul style="list-style-type: none"> • Profitability/Revenue contribution • Production volume, efficiency and safety performance
	Social licence to operate/Increased ESG awareness	<ul style="list-style-type: none"> • Labour issue • Compliance to environmental related regulations & laws • Governance
	Operational efficiency	<ul style="list-style-type: none"> • Talent management • New production technologies
	Safety & Health during COVID-19 pandemic	<ul style="list-style-type: none"> • COVID-19 SOPs protocol at project sites and offices • Disruption of work progress
	Bursa Securities & MCGG new requirement on climate change disclosure	<ul style="list-style-type: none"> • Board's oversight on climate-related risks & opportunities, updates to FTSE4Good and TCFD requirements

METHODOLOGY

Our materiality assessment is guided by the Bursa Malaysia's Sustainability Reporting Guide (2nd Edition), GRI Framework, <IR> Framework and SASB materiality map. We assess materiality based on two dimensions:

- The impact to Salcon and
- The importance to key stakeholders.

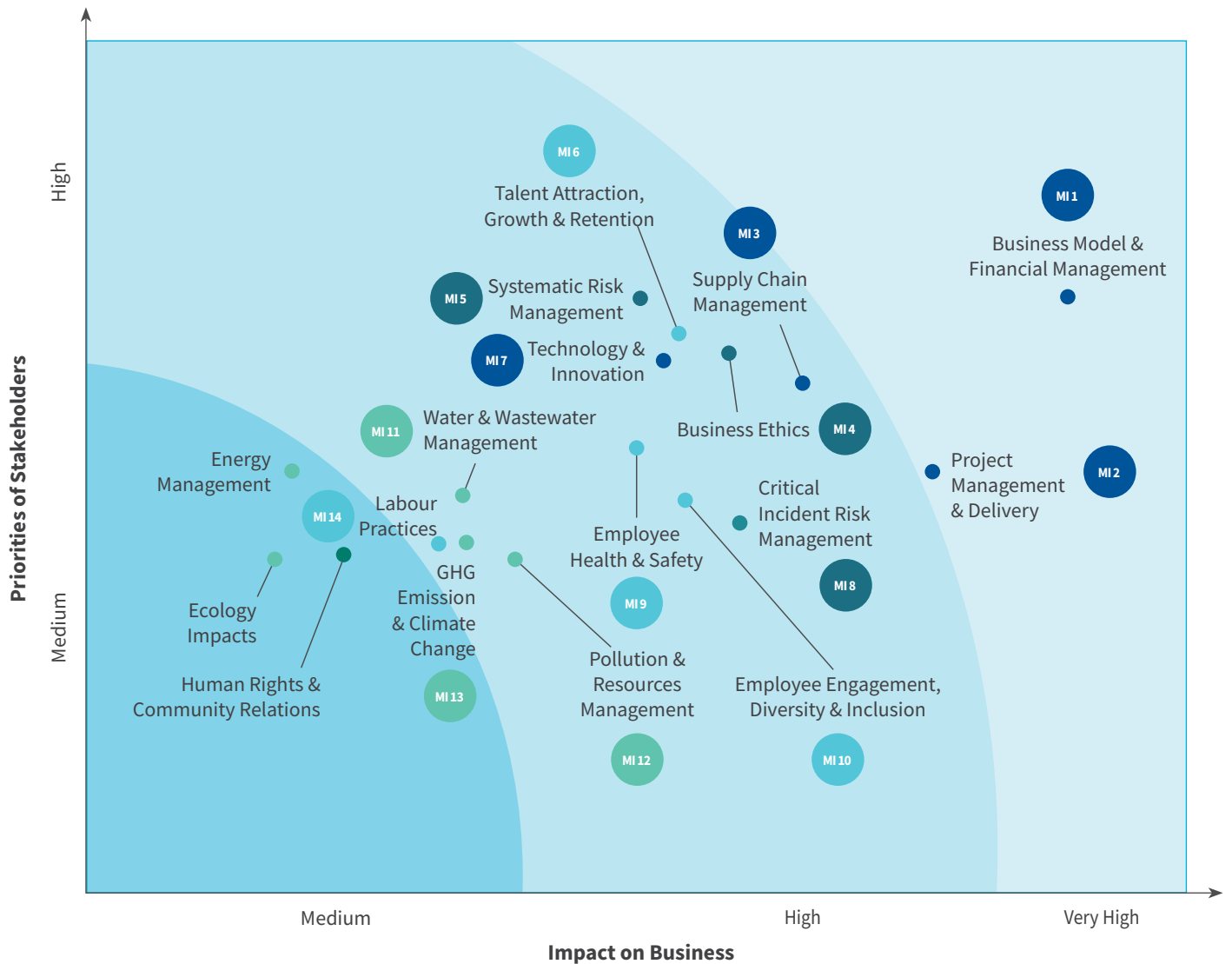


The materiality assessment process is detailed in the Group's official website at www.salcon.com.my/sustainability






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MATERIALITY MATRIX

In FY 2021, we re-ranked the Group’s 14 key material issues and elevated Labour Practices and GHG Emission & Climate Change as the Group’s key material issues based on the influence on our business and stakeholder expectations as well as the significance of economic, environmental and social impacts (between medium to very high). Based on this, the key material issues were mapped onto a matrix to help visualise their relative importance to the Group and our stakeholders as below:



Focus Areas

- 
 ● Business Growth
- 
 ● Leadership & Governance
- 
 ● Human Capital
- 
 ● Environment
- 
 ● Social Capital

Strategic Review






Establishing Materiality

SALCON BERHAD [200201026133 (593796-T)]

MATERIALITY ANALYSIS

The table below describes the Group's key material issues and how we address the fourteen (14) key material issues across our business and their relationships within the five focus areas of the Group i.e. *Business Growth, Leadership & Governance, Human Capital, Environment & Social Capital*, which forms a foundation of our values creation framework for our stakeholders.

We also align the key material issues with the Sustainable Development Goals ("SDG") and the United Nations Global Compact ("UNGC") principles to play a part to positively impact the world through our sustainability initiatives. After a strategic review on the SDGs and underlying targets, we outlined the 10 SDG that we found most aligned with our key material issues.

Ranking	Material Issues	Description	How we address the issues
BUSINESS GROWTH			
			
MI1	Business Model & Financial Management	Economic value generated and distributed by the Group in our value-creation process.	<p>Our business model is driven by key strategic growth drivers.</p> <p> See Strategic Review under MD&A on page 27.</p>
MI2	Project Management & Delivery	Process of leading the work of our project teams to achieve goals and meet success criteria within a specified time and budget.	<p>Clients Satisfaction Surveys are conducted to gauge the satisfaction level on our product/services.</p> <p> Details of client satisfaction survey is reported on page 49.</p>
MI3	Supply Chain Management	Management of ESG risks within our Group's supply chain and addresses the issues associated with sub-contractors' & suppliers' operation activities.	<p>We are committed to working with our suppliers, sub-contractors and other supply chain partner who share our values and work innovatively.</p> <p> See Supply Chain Management on page 50 for more details.</p>
MI7	Technology & Innovation	The Group's strategy of developing new services and products to fulfil the needs and trends in the marketplace.	<p> See Technology & Innovation section on page 51.</p>

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Ranking	Material Issues	Description	How we address the issues
LEADERSHIP & GOVERNANCE			
MI4	Business Ethics	The management of ethical conduct within the Group's operation while providing services that satisfy the highest professional and ethical standard of the industry.	<p>The Group has a clear and robust framework to guide ethical decision-making.</p> <p> Read more about our Corporate Governance Overview Statement on pages 88 to 92 to understand how this is addressed.</p>
MI5	Systematic Risk Management	The management of the business risks and the mechanism addressed in the system to mitigate the risk impact.	<p> See Key Risks & Mitigations on pages 25 to 26 for more details.</p>
MI8	Critical Incident Risk Management	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.	<p>Crisis Management Plan in place and regularly reassessed to ensure process and procedures are up to date.</p> <p> See Leadership & Governance on page 52 .</p>
HUMAN CAPITAL			
MI6	Talent Attraction, Growth & Retention	The Group's workforce strategy to prepare appropriate human resource to correspond to the company's business growth strategy.	<p>Personal development and technical trainings are conducted to gear towards retaining the right mix of intellectual capital and cultural fit to propel the organisation forward.</p> <p> See page 55 for more information on Employee Training and Development.</p>
MI9	Employee Health & Safety	The Group's ability to ensure a safe and healthy working environment for our employees.	<p>Proactive measures to prevent incidents and minimise risks has been implemented Group-wide.</p> <p> See pages 56 to 58 for the Group's report on Safety & Health.</p>
MI10	Employee Engagement, Diversity & Inclusion	The Group's ability to ensure its practices in human capital management embrace the building of a diverse and inclusive workforce.	<p>Through equal opportunity and non-discriminatory hiring policies, the Group aims to provide equal employment, regardless of gender, race, disability, nationality, religion or age.</p> <p> See page 58 to read more about the Employee Engagement, Diversity & Inclusion.</p>
MI14	Labour Practices	Ensuring a work environment free from any form of unlawful discrimination in line with the International Labour Organisation (ILO) Core Conventions.	<p> See page 61 to read more about the Labour Practices.</p>



Strategic Review

Establishing Materiality

SALCON BERHAD [200201026133 (593796-T)]

Ranking	Material Issues	Description	How we address the issues
ENVIRONMENT			
MI11	Water & Wastewater Management	The efforts in ensuring effective water usage and proper treatment of effluent from our operations.	Water consumption monitoring and water-saving initiatives are being implemented across all operations.  See Water & Wastewater Management on pages 63 to 64 for more information.
MI12	Pollution & Resources Management	The management of our resources and pollution generated from our business activities which cover the treatment, storage, disposal and regulatory compliances.	We are focused on improving our monitoring and management mechanisms for hazardous and non-hazardous wastes and effluents, while complying with regulatory requirements in the locations we operate.  See Pollution & Resources Management on pages 64 to 65 for more information.
MI13	GHG Emission & Climate Change	The efforts and initiatives in minimising the environmental impact from its businesses with effective energy and carbon management.	Board's oversight on climate-risks with the appointment of Independent Non-Executive Director, Dato Rosli Bin Mohamed Nor as Advisor – Climate Change.  See GHG Emission & Climate Change on page 67 for more information.

Strategic Review

Key Risks & Mitigations





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Salcon leverages on its risk management framework to identify, measure and monitor strategic and operational risks, giving management a clear risk oversight to enable informed decision-making.

Salcon's Integrated Risk Management Policy is broadly based on ISO 31000 International Risk Management Standard which sets the foundation on how risks are being managed, and the responsibilities of management team to assess significant threats and opportunities related to the company's goals.

Key risks identified by owners and senior leaders are aggregated to produce Salcon's top risks profile and reported by the Internal Audit & Risk Management Department ("IARM") to the Risk Management Committee ("RMC") at least once a year to discuss the potential risks issues in the Group and to review its effectiveness according to the currently business operating environment and report them to the Board for governance oversight. Further details of our Risk Management Framework are available in the Statement on Risk Management and Internal Control, pages 95 to 98 of this report.










The key risks that are common across all business segments together with mitigation measures are tabled below.

Risk	Description	Mitigation Measures	Related Material Matters
Financial Risk	<ul style="list-style-type: none"> Credit risk exposure to external counter-parties, cash flow liquidity, fluctuations in foreign exchange rates, interest rates and etc. 	<ul style="list-style-type: none"> 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 financial statements on page 95 to 98. 	
Competition Risk	<ul style="list-style-type: none"> Intense competition from local players/ global players. 	<ul style="list-style-type: none"> Keep informed through market intelligence/surveillance, news media and trade journals. Initiatives to increase service capabilities and reliability in line with economic conditions and market demand. Yearly customer satisfactions survey and feedback. 	
Geopolitical Risk	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Build good rapport with local authorities and regular visit to ensure smooth operations. Closely monitor the political environment through news media and regular discussion with Management on local geopolitical climate. 	
Regulatory and Litigation Risk	<ul style="list-style-type: none"> Amendments, revisions or introduction of new regulations may disrupt business processes, delay approvals or necessitate changes to operations. Failure to meet contractual obligations with clients, vendors and other parties. 	<ul style="list-style-type: none"> 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. Continuous review and management of contractual terms and conditions by the business units to ensure compliance at all times. 	

Strategic Review

Key Risks & Mitigations

SALCON BERHAD [200201026133 (593796-T)]

Risk	Description	Mitigation Measures	Related Material Matters
Project Management and Construction Risks	<ul style="list-style-type: none"> Project delays, projects are not within the expected quality, cost overruns, inaccurate method of technology deployment and contractual disputes. 	<ul style="list-style-type: none"> Proper selection of sub-contractors, suppliers, consultants etc. Form Project Management Team to oversee and closely monitor on the project progress. Conducting periodic operation reviews to ensure the compliance of procedures on process control, inspection and testing, project implementation and etc. Strengthened in-house training measures to improve Project Management Team capabilities. Innovate & develop strategies that enhance operational efficiency and cost optimisation. 	 
Supply Chain Risk	<ul style="list-style-type: none"> Risk of unethical business practices/compliances through the supply chain management and processes. Risk of supply chain disruption arising from material shortages/global shipment congestion. 	<ul style="list-style-type: none"> Active sourcing for alternative materials or suppliers to ensure smooth supply of materials and reduce dependencies. New supplier to undergo a pre-qualification process prior to being included in the panel of approved suppliers. 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. 	  
Workplace Health and Safety Risk	<ul style="list-style-type: none"> Safety hazards that lead to worker accidents and injuries. Risk of non-compliance with the government's COVID-19 Standard Operating Procedures ("SOPs"). Risk of infection of COVID-19 to the Group's employees or contractors disrupt business operations. 	<ul style="list-style-type: none"> Well-defined health and safety policies and procedures are in place. Constantly raise awareness of health and safety via training. Audits and inspections are conducted periodically to ensure effective implementation and compliance. Pro-actively monitor and update relevant SOPs to be in line with the government's policies, frequent communication to employees on the development and precautions needed and improved work environment conditions. Distribution of Personal Protective Equipment including face masks, hand sanitisers and self-test kit to all employees. Implement work-from home or split team arrangement for non-essential employees where applicable to limit overall movement. 	 
People Risk	<ul style="list-style-type: none"> Inability to effectively manage succession planning, attract new talents, retain top talents in competitive market and adequately promote diversity and inclusion. 	<ul style="list-style-type: none"> Competitive salary packages, attractive performance-based rewards and positive working environment. Proactive succession and workforce planning to identify skill gaps and talent development needs. 	 

Strategic Review

Strategic Growth Drivers & Priorities

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During the year under review, the Group has remained very much focussed on building on its business model resilience strategy which has enabled it to weather the challenges brought about by the emergence of COVID-19. These four (4) strategic growth drivers have enabled the Group to diversify its offerings and protect its growth plans to increase resilience and maintain sustainable growth.

Growth Driver

FY 2021 Developments

FY 2022 Key Priorities

Strategic Diversification

- Successfully completed the acquisition of JR Engineering And Medical Technologies Sdn Bhd (“JREMT”) in March 2021.
 - Post-acquisition integration to maximise synergies and value creation to extract full potential of new Healthcare Division.
 - Align cultures & combine capabilities to advance competitive position to propel the company forward.
- Continue to pursue diversification to mitigate risks and enhance profitability.
 - Identify new opportunities to utilise surplus cash.

Driving Technology & Innovation

- Successfully completed Pilot Test for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (“AiS”) with the installation of 313 nos. of ultrasonic wireless smart meters of various sizes and performance monitoring.
 - Converted 14 SCANIA 360/410 busses from Euro 2 to Euro 5 diesel to extend engine life and improve fuel efficiency.
- Strategic alliances with specialist technical partners to accelerate technological edge and reduce R&D costs.
 - Enhancement of process control in business operations.

Cost & Operational Efficiency

- Integrate innovative digital solutions in facilitating a smooth working environment especially during the movement control order (“MCO”) with remote desktop gateway system in place and provision of technical assistance through messaging app for all employees.
- Optimise working capital.
 - Strengthen supply chain management to drive sustainable savings, including strategic sourcing and negotiations for secured projects/products.

Improve Organisational Effectiveness

- <IR> training conducted by Malaysian Institute of Accountants (“MIA”) for Board of Directors, heads of business units and head of departments to embed integrated thinking within the Group.
 - Agile Leadership training for heads of department.
 - Employee satisfaction survey conducted to better understand employees’ concern.
- Improve internal processes and operational efficiencies.
 - Embedding a culture of sustainability into our business planning and operation.
 - Enhance people management & working culture.
 - Improve talent attraction, talent retention and career development by developing a performance-driven culture.

Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Dear valued stakeholders,

Despite the ongoing pandemic that continues to impact our country and globally, we have successfully delivered a Revenue of RM286.9 million and Profit Before Tax of RM27.5 million for the year 2021.

In line with the Group's strategy to build a resilient business growth model, our Group has thrived because of our diversified portfolio. We are able to cushion the financial impact of some of our lesser performing subsidiaries with the outstanding performances of our Engineering & Construction division and our newly acquired Healthcare division.

Financial stability has always been a very important element of our strategy in charting our business position. As we continue to face a challenging external environment and the world strives to enter the endemic phase in the battle against COVID-19, we will continue to emphasise on our prudent cashflow and capital management to ensure our businesses are able to carry out their deliveries seamlessly in a timely manner. The group will also remain vigilant in looking for new business opportunities to expand our existing businesses as that will bring long term benefits to the Group.

I present before you the financials for FY 2021.

DIVISIONAL FINANCIAL REVIEW**Group Financial Performance**

RM'000	2021	2020	Var
Revenue	286,893	194,148	48%
Profit/(Loss) Before Tax	27,478	(8,750)	414%
Net Profit/(Loss)	16,776	(8,057)	308%

The Group achieved a total revenue of RM286.9 million in FY 2021, compared to RM194.1 million in the preceding financial year, representing an increase of 48% mainly attributed to the new addition of Healthcare Division.

The Group recorded a higher pre-tax profit of RM27.5 million compared to pre-tax loss of RM8.8 million in the previous year due to contribution from the newly added Healthcare Division and strong contributions from the Construction Division.

The Group has reported a net profit of RM16.8 million in the current financial year, compared to the net loss of RM8.1 million reported in the previous year mainly due to the new acquisition of Healthcare Division which recorded net profit of RM13.2 million in FY 2021 and contribution of RM7.6 million from the Construction Division.

Consolidated Cash Flow Analysis for FY 2021

RM'000	2021	2020
Net cash generated from/(used in) operating activities	39,079	(5,852)
Net cash used in investing activities	(45,568)	(9,044)
Net cash (used in)/generated from financing activities	(13,058)	31,675
Effects of exchange rate changes	(2,034)	5,413
Net (decrease)/increase in cash at year end	(19,547)	16,779
Cash & bank balances	120,536	142,836

The net cash generated from operating activities for FY 2021 amounts to RM39.1 million as compared to the net cash used in operating activities for FY 2020 amounts to RM5.9 million. This is mainly due to the contributions from the newly added Healthcare Division and contributions from the Construction division. The net cash used in investing activities amounts to RM45.6 million for FY 2021 compared to RM9.0 million in FY 2020, mainly due to the acquisition of the Healthcare Division. Net cash used in financing activities amounts to RM13.1 million in FY 2021 compared to net cash generated from financing activities amounts to RM31.7 million in FY 2020. This is mainly contributed from repayment of borrowings and repurchasing of treasury shares. The cash & bank balance as at FY 2021 is 15.6% lower at RM120.5 million compared to FY 2020 at RM142.8 million.

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Total Borrowings

RM'000	Borrowing due for repayment in		Total
	<1 year	>1 year	
Total borrowings	30,022	9,410	39,432

The Group has recorded borrowings of RM39.4 million as compared to RM32.1 million for corresponding period in the immediate preceding year. The movement in the borrowings was substantially attributed to drawdown of borrowings amounting to RM12.5 million, acquisition of borrowings through business combination amounting to RM8.1 million, and repayment of borrowings amounting to RM14.3 million.

There were no bank borrowings denominated in foreign currencies as at the reporting date.

Capital Management

RM'000	2021	2020
Total borrowings	39,432	32,065
Lease liabilities	2,644	2,818
Less: Total cash & bank balances	(120,536)	(142,836)
Net borrowings/(Net Cash)	(78,460)	(107,953)
Owners' equity and non-controlling interests	494,429	467,763
Net gearing ratio (times)	0.08	0.07

In line with the Group's emphasis in prudent cashflow management, our Group is committed to maintain a healthy balance sheet with low gearing. Being in a net cash position, we are able to repay any short term and long term borrowings. Owner's Equity and Non-Controlling Interest increased 5.7% from RM467.8 million in FY 2020 to RM494.4 million in FY 2021.

Consolidated Financial Position Analysis for FY 2021

RM'000	2021	2020	Var
Non-current assets	303,508	134,253	126.1%
Current assets	357,752	461,242	-22.4%
Total assets	661,260	595,495	11.0%
Non-current liabilities	33,596	22,134	59.0%

RM'000	2021	2020	Var
Current liabilities	133,235	105,598	26.2%
Total liability	166,831	127,732	30.6%
Owners' equity	454,834	445,514	2.1%
Current ratio (times)	2.69	4.37	-38.4%
Net assets per share attributable to equity holders (RM)	0.45	0.44	2.3%

Total assets

The Group's total assets recorded RM661.3 million, increased by 11.0% compared to RM595.5 million in FY 2020 mainly due to the new acquisition of Healthcare Division.

Total liabilities

Total liabilities of the Group recorded RM166.8 million, increased by 30.6% compared to RM127.7 million mainly attributed to the increase in trade payables.

Owner's equity

Owner's equity increased by 2.1% to RM454.8 million as a result of share capital mainly due to the retained earnings recognised from the new acquisition of Healthcare Division.

Current ratio

The Group's current ratio, a balance sheet performance measure of the Group's financial liquidity, records 2.69 times, decreased by 38.4% compared to 4.37 times in FY 2020. The current ratio indicates that the Group has more than adequate liquidity to cover short-term obligations.

Dividend Payout**FY 2021**

The Company paid the first and final dividend comprising a share dividend of one (1) treasury share for every forty-five (45) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2020.

FY 2020

The Company paid the first and final dividend comprising a share dividend of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2019.

Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Financial Performance

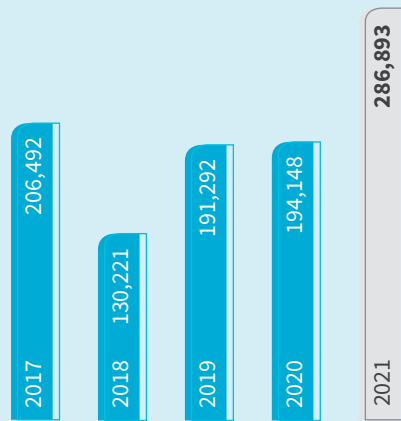
RM'000	Financial Year Ended December				
	2021	2020	2019	2018	2017
FINANCIAL RESULTS					
Revenue	286,893	194,148	191,292	130,221	206,492
Loss Before Tax	27,478	(8,750)	(7,331)	(1,562)	(34,785)
Net (Loss)/Profit	16,776	(8,057)	(8,967)	(4,393)	(30,043)
KEY INFORMATION OF FINANCIAL POSITION					
Total Cash and Cash Equivalents	120,536	142,836	121,344	115,147	133,811
Total Assets	661,260	594,247	574,291	609,410	628,905
Total Liabilities	166,831	127,732	125,066	136,399	143,777
Total Borrowings	39,432	32,065	24,102	48,381	66,628
Share Capital (No. of shares)	1,012,413	1,012,413	847,113	847,113	677,694
Owners' Equity	454,834	445,514	428,236	451,161	458,157
Total Equity	494,429	467,763	449,225	473,011	485,128
FINANCIAL RATIOS					
Basic Earnings Per Share (sen)	1.19	(0.70)	(1.03)	0.25	(3.52)
Share Price at Year End (RM)	0.250	0.260	0.245	0.235	0.352
Price Earnings Ratio (times)	0.21	(0.37)	(0.24)	0.94	(0.10)
Return on Owners' Equity (%)	2.63%	-1.36%	-2.02%	0.47%	-5.20%
Return on Total Assets (%)	1.81%	-1.02%	-1.51%	0.35%	-3.79%
Dividend Payout to Earning Ratio (%)	31.26%	-106.08%	-88.06%	31.44%	-108.79%
Net Gearing Ratio (times)	0.08	0.07	0.06	0.11	0.15

ANNUAL REPORT 2021

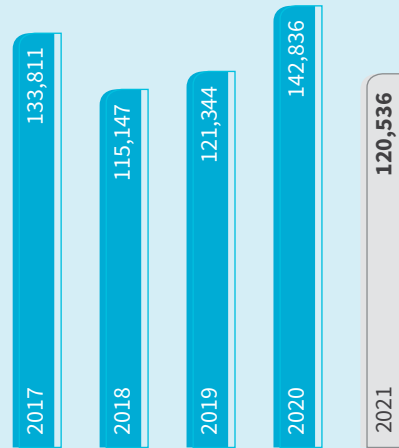
Group Financial Highlights

Revenue
(RM'000)

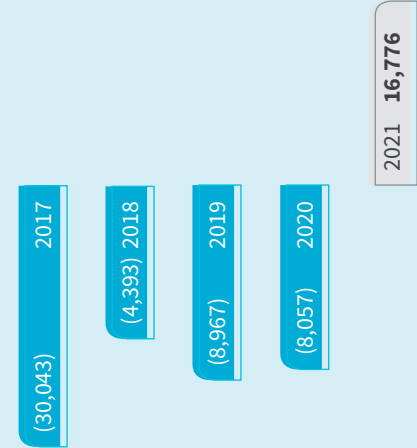
286,893

Total Cash & Cash Equivalents
(RM'000)

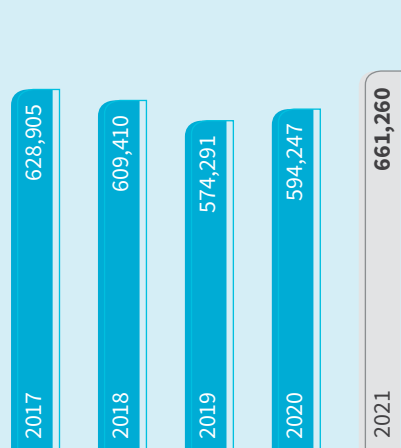
120,536

Net (Loss)/Profit
(RM'000)

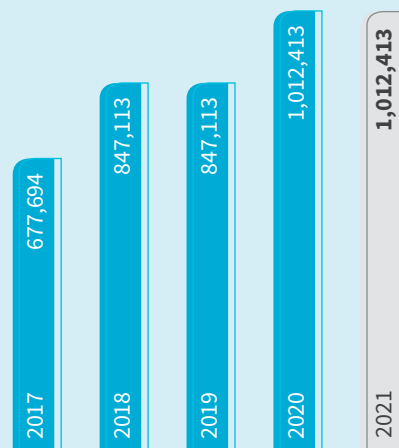
16,776

Total Assets
(RM'000)

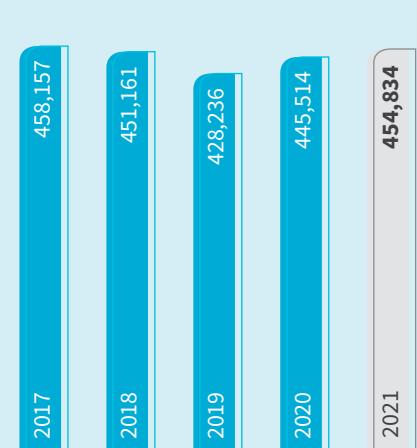
661,260

Share Capital (No. of shares)
('000)

1,012,413

Owners' Equity
(RM'000)

454,834



Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Group Segmental Performance

RM'000	Financial Year Ended December				
	2021	2020	2019	2018	2017
GROUP REVENUE					
Engineering and Construction	136,298	153,593	163,455	103,125	83,860
Property Development	2,177	23,763	7,773	5,607	100,700
Trading & Services	15,574	16,792	19,181	20,008	20,361
Healthcare	132,844	-	-	-	-
Concessions	-	-	883	1,481	1,571
Revenue	286,893	194,148	191,292	130,221	206,492
GROUP PROFIT BEFORE TAX					
Engineering and Construction	10,056	(3,778)	1,648	141	(11,366)
Property Development	(2,438)	(4,861)	(3,598)	(8,963)	(9,009)
Trading & Services	963	(478)	(7,719)	1,480	(20,680)
Healthcare	18,680	-	-	-	-
Concessions	217	367	2,338	5,780	6,270
Profit Before Tax	27,478	(8,750)	(7,331)	(1,562)	(34,785)
GROUP NET PROFIT					
Engineering and Construction	7,620	(4,741)	(3)	(1,119)	(11,306)
Property Development	(2,606)	(4,486)	(3,857)	(8,970)	(5,746)
Trading & Services	426	(885)	(8,230)	523	(21,300)
Healthcare	13,244	-	-	-	-
Concessions	217	367	2,341	5,780	6,275
Discontinued Operations	(2,125)	1,688	782	(607)	2,034
Net Profit	16,776	(8,057)	(8,967)	(4,393)	(30,043)

Segmental Analysis

Engineering & Construction Division

During the financial year, the engineering and construction division revenue was 11% lower due to a halt in the construction activities during the MCO imposed by the Malaysian Government. The Division profit before tax was RM10.1 million as compared to loss before tax of RM3.78 million in the preceding year due to higher contributions from its on-going projects and share of profit from joint ventures in the current financial year.

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Healthcare Division

The new division revenue and profit before tax recorded in the current year were RM132.8 million and RM18.7 million respectively. As it is a new division during the current financial year there is no comparative figure available.

Property Development Division

The division recorded a loss before tax of RM2.4 million in the current year as compared to loss before tax of RM4.9 million in the preceding year due to sale completion of remaining inventory in FY 2021.

Trading and Services Division

Under the trading and services division, revenue recorded RM15.6 million as compared to RM16.8 million in the preceding year. The division recorded a profit before tax of RM963,000 as compared to a loss before tax of RM478,000 in the preceding year due to higher contributions from share of profit from joint ventures in the current financial year .

Financial Calendar

(for the Financial Year Ended 31 December 2021)



Dividend

First and Final Dividend via share distribution 1:45 for the financial year ended 31 December 2020

Entitlement date : **30 Jun 2021**

Payment date : **12 July 2021**

Announcement of Quarterly Results:

Q1

27 May 2021

Q2

19 Aug 2021

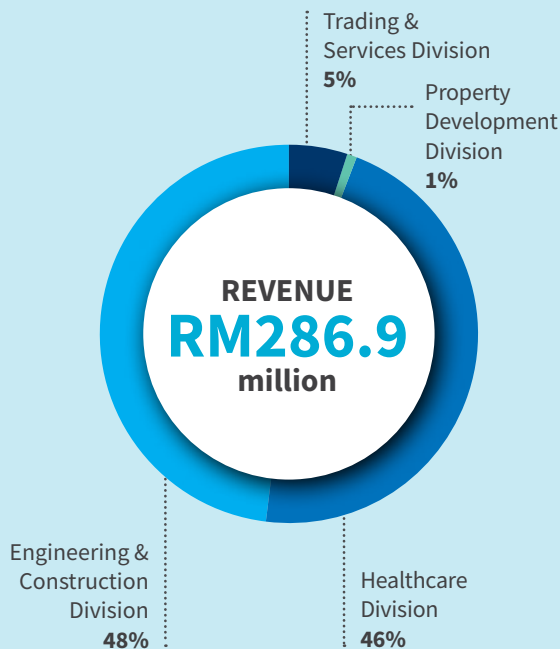
Q3

16 Nov 2021

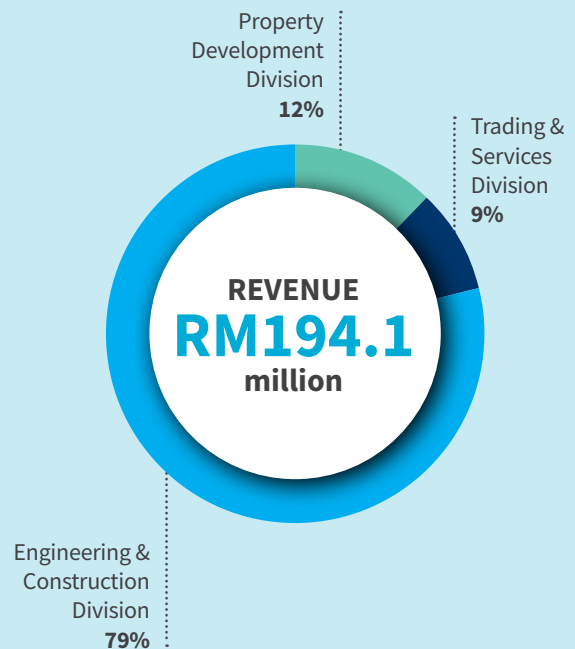
Q4

28 Feb 2022

FY 2021



FY 2020



Performance Review

Group CFO's Statement

SALCON BERHAD [200201026133 (593796-T)]

Statement of Value Added and Distribution

The statement of value added shows the total wealth created by the Group and its distribution to stakeholders, with the balance retained in the Group for reinvestment and future growth.

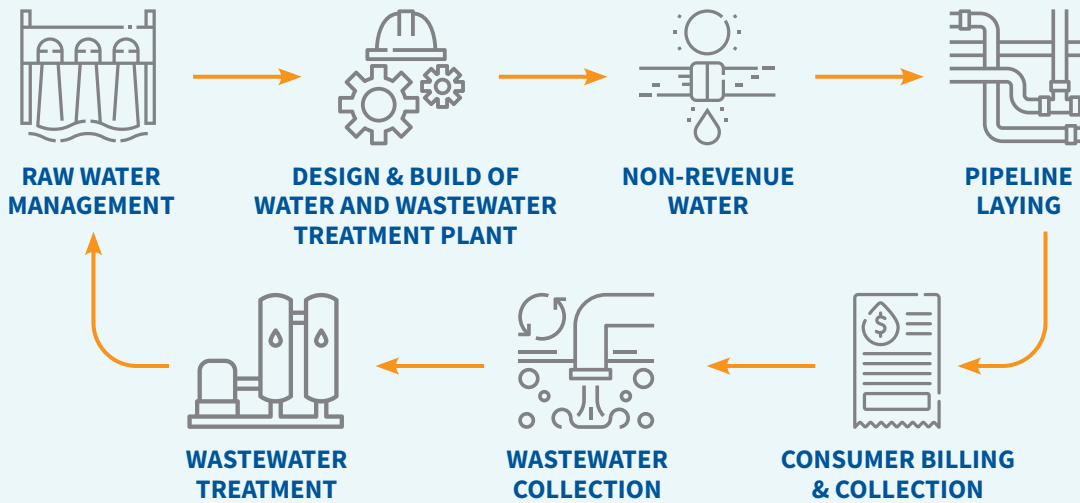
RM'000	2021	2020
VALUE ADDED:		
Revenue	286,893	194,148
Purchases of goods & services	(230,644)	(167,823)
Value added by the Group	56,249	26,325
Share of (loss)/profit of associated companies and joint ventures	12,311	(1,439)
Total value added for distribution	68,560	24,886
DISTRIBUTION:		
To employees		
- Salaries & other staff costs	28,309	22,487
To Governments		
- Taxation	8,577	995
To Rakyat		
- Community Investment	235	143
To providers of capital		
- Dividends	3,742	6,436
- Finance cost	3,864	2,464
- Non-controlling interest	4,807	(1,990)
Retained for future reinvestment & growth		
- Depreciation and amortization	10,799	6,854
- Retained loss	8,227	(12,503)
Total Distributed	68,560	24,886
RECONCILIATION :		
Net Loss for the year attributable equity holders	11,969	(6,067)
Add: Depreciation and amortization	10,799	6,854
Finance cost	3,864	2,464
Staff costs	28,309	22,487
Community Investment	235	143
Taxation	8,577	995
Non-controlling interest	4,807	(1,990)
Total Value Added	68,560	24,886

Divisional Operations Review

ANNUAL REPORT 2021

ENGINEERING & CONSTRUCTION DIVISION Stakeholders Involved 

Value Chain



Values Created by Engineering & Construction Division

Providing one-stop water solution for communities to access clean, safe and reliable water for healthy and sustainable living.

Key Highlights



Secured over
RM50 mil
worth of contracts in
FY 2021



Completion the design and construction of the
1,728 MLD
Ambathale Stormwater Pumping Station in Colombo Metropolitan area, Sri Lanka



Installation of
313 units
of ultrasonic wireless smart meters of various sizes for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (AiS)

Operation Review

The Engineering & Construction Division provides integrated, end-to-end water and wastewater solutions, encompassing the design, finance, construction, operation & maintenance of water and wastewater treatment plants, non-revenue water reduction, customer service, billings and collection in Malaysia and overseas. It is driven by the Group’s subsidiaries, namely Salcon Engineering Berhad (“SEB”) and Envitech Sdn Bhd (“Envitech”).

Divisional Operations Review

SALCON BERHAD [200201026133 (593796-T)]



Aerial view of Bukit Berapit Water Treatment Plant of KTU Water Supply Scheme

During the year under review, SEB successfully completed the design and construction of the 1,728 MLD Ambathale Stormwater Pumping Station in Colombo Metropolitan area, Sri Lanka. Funded by the World Bank, the system is designed to pump out water from Madiwela basin (inland) into Kelani River when high flood water levels occur simultaneously at Madiwela catchment area and Kelani River, reducing the risk of flood within the area, while minimising the environmental impact from the proposed improvements and maintaining a sustainable environment.

Besides this, SEB has also successfully completed the Bulk Meter Replacement project for Syarikat Air Negeri Sembilan (“SAINS”) under PFI in Negeri Sembilan and the installation of 313 units of ultrasonic wireless smart meters of various sizes under Pilot Test for Integrated Wireless Metering Solution Project for Pengurusan Air Selangor (“AIS”) which are presently under performance monitoring.

On-going projects under this division are presented as below:

1. Testing and commissioning (“T&C”) of solid steam for Langat Centralised Sewage Treatment Plant (“CSTP”) was completed in Apr 2021. The project is expected to be handed over to the authority upon completion of the operation and maintenance (“O&M”) period in Nov 2022.
2. Construction work for Kuala Terengganu Utara (“KTU”) Water Supply Scheme has come to near full completion and presently under testing. The project is expected to be fully commissioned and handed over by mid-2022.
3. Network Pumping Stations for Langat Centralised Sewage Treatment Plant and Sewage Network has achieved 99% of completion in overall.
4. Capacity expansion of Telibong II Water Treatment Plant from 80MLD to 160MLD

in Tamparuli, Sabah, has achieved 46.5% of physical completion in overall.

5. Langat 2 Package 15 (4) pipeworks which achieved 42.8% completion.
6. 3-month Extension of Time was approved by JANS and MOF for the O&M contract for the Customer Call Center, Monitoring & Maintaining District Meter Zones, Meter Reading and billing for Sandakan Water Department, Sabah. Upon receiving the approval, the contract will end in Oct 2024 instead of Jul 2024.

On the wastewater side, Envitech managed to secure more than RM50 million worth of new contracts locally, some of the major projects are:

1. Construction and ancillary sewerage reticulation works of External Common Gravity Sewer Mains at Jalan Segambut, Mukim Batu, Kuala Lumpur with contract value of RM19.7 million

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2. A RM20.85 million worth sewerage system contract was awarded to Envitech in Oct 2021 by Gamuda Land (Botanic) Sdn Bhd for the rehabilitation work of vacuum sewerage system at Bandar Botanik and Ambang Botanik in Klang. The project has commenced in October 2021 and expected to be completed in October 2022
3. 50,000 PE Sewage Treatment Plant at Mukim Kapar, Selangor for Bandar Setia Alam Sdn Bhd with contract value of RM7.9 million
4. RM1.96 million contract from Harbour Home Sdn. Bhd. for construction, testing & commissioning works of 18,400 PE Sewage Pumping Station (PS 1) On Lot PT 47766, Mukim Tanjung Duabelas, Daerah Kuala Langat, Selangor
5. RM1.8 million contract bagged from Harbour Home Sdn. Bhd. for construction and ancillary works of Sewerage Reticulation And Other Related Ancillaries For Banting Industrial Park (Phase 1) On Lot Pt

74463, Mukim Tanjung Duabelas, Daerah Kuala Langat, Selangor

Outlook

Under the 12 Malaysia Plan (“12MP”), the government has approved RM26 billion worth of water infrastructure project to improve water supply coverage and services as well as provide sustainable infrastructure. In addition, the Government has targeted to reduce non-revenue water (“NRW”) rate to 25% by 2050. Six less developed states, namely Kedah, Kelantan, Perlis, Sabah, Sarawak and Terengganu have been identified under the 12 MP to be given priority in development budget allocation. In Selangor, the state government via Pengurusan Air Selangor Sdn Bhd (Air Selangor) is targeting a reduction in non-revenue water (NRW) to 25 per cent by 2025. For 2022, a total of RM174 million has been allocated to that purpose, as part of the state’s pipe replacement programme, which aims to improve the quality of water supply services in the state. Given the

Group’s extensive experience, proven track record and capabilities, we are confident of capitalising on all these opportunities to address water needs in the country.

With the easing of border controls and travel restrictions, the Group also looks to re-engage with clients in its overseas markets such as Sri Lanka, Vietnam and Thailand to maintain connections and follow-up on tenders and projects in these countries.

Moving forward, the Group is optimistic of the water and wastewater market outlook in the coming year and will continue with its strategy to increase resilience and maintain sustainable growth through service quality improvement, cost optimisation and process efficiency enhancements. The outlook for the Division is supported by an outstanding order book of RM1.4 billion as at 31 December 2021, comprising water and wastewater projects both locally and overseas with RM187 million balance works to be carried out.



Front view of Ambathale Stormwater Pumping Station in Sri Lanka

Divisional Operations Review

SALCON BERHAD [200201026133 (593796-T)]

HEALTHCARE DIVISION Stakeholders Involved

Value Chain



Key Highlights



Achieved and contributed more than **RM10 mil** profit to the Group in FY 2021



Annual production capacity of over **420 million pcs** of gloves per year from 4 production lines



A member of **SEDEX** (Supplier Ethical Data Exchange)

Operation Review

The newly formed Healthcare Division is led by JR Engineering And Medical Technologies Sdn Bhd (“JREMT”) with business activities in manufacturing and trading of medical and industrial grade disposable latex, nitrile and polychloroprene gloves, covering various market segments such as dental, food, healthcare, industrial and laboratory. JREMT has a current annual production capacity of over 420 million gloves from 4 single former production lines.

In addition, JREMT also provides ad hoc turnkey advisory and consultancy services for rubber gloves players in various countries including, Malaysia, India, Uganda and Uzbekistan. The services available includes setup of plant, sourcing for machinery through to testing and commissioning of the production lines.

During the year under review, the Division produced total of 176,969,367 gloves in the wake of the unprecedented COVID-19 outbreak.

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Glove manufacturing division operated by JREMT contributed more than RM10 million profit guarantee to the Group

JREMT's products have obtained both FDA Certification and CE Marking Certification and have been sold to more than 163 customers from 16 countries. Reflecting its commitment to social compliance, the Division's audit process was conducted based on SEDEX Members Ethical Trade Audits (SMETA) during the year under review. The SMETA audits were conducted based on 4 key areas namely, health and safety standard, labour standard, the environment and business ethics. JREMT became a member of Supplier Ethical Data Exchange (SEDEX) in February 2022 upon fulfilling all audit requirements. With this, the Division is able to strengthen its ethical business practices and management across its operation.

Outlook

Prospects on glove manufacturing remain strong for the year ahead and beyond with the ongoing COVID-19 crisis and appearing of new COVID variants spurring the demand for gloves. The Malaysian Rubber Gloves Manufacturers Association (MARGMA) expects demand for gloves in 2022 and 2023 to be 10% to 15% higher than the pre-COVID 19 level.

The average selling prices of gloves are slowly reverting to pre-pandemic levels amid the successful roll-out of vaccines and competition from new glove players from China, Thailand and Vietnam, thus normalising profit margins. In view of this, JREMT has taken proactive measures by keeping abreast with the latest market conditions and developments, maintaining effective cost-control measures and ensuring operational efficiency in its

production processes through investment in automation to improve overall productivity. Besides this, JREMT also invests in R&D to develop new glove products, enhance quality and function with a view of higher margins to expand the division's income stream.

Despite the intensifying competition in the market, we are confident that we will be able to stay the course by leveraging on our strong business network and long-term strategic plan to market the product, and building up branding for the company through market and social engagement. The Group will continually monitor and assess the global demand trend for gloves and will formulate its business strategy accordingly to ensure sustainable growth of the Healthcare Division.

Divisional Operations Review

SALCON BERHAD [200201026133 (593796-T)]

TRANSPORTATION DIVISION

Stakeholders Involved



Value Chain



Values Created by Transportation Division

- Ensuring a safe and trustworthy travel experience while upholding our commitment to environmental preservation.
- Safe and timely delivery of good and services, while minimising our carbon footprint.

Key Highlights



Operates a total of

**142 vans, 45 coaches,
39 MPVs and 11 limo vehicle**

for multinational clients



Operates

6 units
of stainless steel
and mild steel
bulk tankers

Installed Senstrac Focas
Passenger Transport and
Tracking System on

141 vehicles

Operation Review

The Group's Transportation Division is led by Eco-Coach & Tours (M) Sdn. Bhd ("ECT"), which provides transportation services as well as passenger transport & tracking and digital route planning system for employees of multinational companies in the northern region of Malaysia. The division also provides logistics services for palm oil and soy oil products, via its subsidiary, Green Fleet Sdn Bhd ("GF").

ECT operates a total of 142 vans, 45 coaches, 39 MPVs and 11 limo vehicles for its multinational clients including Intel, Paramit & Analogue Device ADI whilst GF operates



Interior view of the 40-Seater SCANIA Bus under its fleet

ANNUAL REPORT 2021

6 units of stainless steel and mild steel bulk tankers to provide transportation services for clients such as Soon Soon Oilmills Sdn. Bhd. and PGEO Edible Oils Sdn Bhd (Lumut) in the palm oil and soy oil industry. Although transportation services declined during the first half of FY 2021, largely due to the high number of COVID-19 cases and multiple lockdowns across the country, the situation normalised by the second half of the year as economic activities resumed, driven by the high vaccination rates in the country.

To date, the Senstrac Focas Passenger Transport and Tracking System has been installed in 141 vehicles to enable real time tracking of employees, enhance safety and increase costs efficiency. The division looks to diversify its commercial relationships and prioritise on marketing and promotional activities of the Senstrac system to new potential clients in other industries.

Outlook

Moving forward, the division will look to increase the provision of transportation services to meet the rising demand, and maintaining and enhancing existing commercial relationship with its existing clients.

PROPERTY DEVELOPMENT DIVISION

Stakeholders Involved 

Value Chain



Values Created by Property Development Division

Ensuring high quality and sustainability homes and top class experience for our customers.

Operation Review

The Group’s Property Development Division is spearheaded by Salcon Development Sdn Bhd which specialises in niche property development tailored to address the needs of market/community.

The Group is currently evaluating various development proposals for its projects located in Kuala Lumpur and Johor Bahru. In Johor, the market for commercial and retail properties in JB is expected to rebound with the reopening of Malaysia – Singapore land

border in April 2022. Additionally, the Rapid Transit System (RTS) Link project, which is slated to be completed in 2027, is set to revive cross-border property interest in the southern state. The land in Belfield, located in close proximity to the KL 118 tower has high growth potential.

In both these two locations, the Group intends to capitalise on the positive sentiments surrounding the area and in weighing a suitable development concept which best fit the needs of the market.

Looking Forward

With the expected an overall improvement in the property market in 2022, supported by the prevailing low interest rates, exemption of Real Property Gains Tax (“RPGT”) and the initiatives provided under Budget 2022, the Group continues to look for opportunities and will cautiously evaluate proposals to move the division forward.

Divisional Operations Review

SALCON BERHAD [200201026133 (593796-T)]

TECHNOLOGY SERVICES DIVISION

Stakeholders Involved



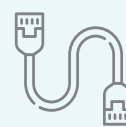
Value Chain



LAYING FIBRE OPTIC
CABLES



CARRIER BUSINESS
AT STATIONS



METRO ETHERNET
SERVICES



FULL SMART SERVICES
ECOSYSTEM SUPPORTED
BY FIBER NETWORK

Values Created by Technology Services Division

- Pioneering smart city solutions dedicated to providing long term value for the people, municipal authorities and delivery partners.
- Facilitate telecommunication network with high efficiency.

Key Highlights



Provide

**Site Leasing
Service**

for Digital Nasional Berhad



Completion of

5G core

Network expansion



Delivered

**18 cells
sites**

along the LRT corridor for major telcos in Malaysia

**Operation Review**

During the period under review, the Technology Services Division led by Volksbahn Technologies Sdn Bhd (“VBT”) successfully delivered 18 cells sites along the LRT corridor for Celcom Axiata Berhad, Digi Telecommunications Sdn Bhd and DNB Berhad, resulting in an increase of site rental income and bandwidth charges.

Besides this, VBT also signed a Master Agreement with Digital Nasional Berhad (“DNB”) for Site Leasing Service on 30th November 2021. DNB is a Malaysian special-purpose vehicle company owned by the Ministry of Finance Malaysia to drive the development of the 5G (fifth-generation)

infrastructure in Malaysia. By leveraging on VBT’s existing fiber network along the LRT corridor, DNB will be able to expedite the deployment of 5G mobile network in the Klang Valley.

In order to support the deployment of 5G, the division has also expanded its fiber/network coverage to both DNB POIs (5G core Network) at Cyberjaya TM KVDC and TM Brickfields DC. The network expansion was completed in December 2021.

As part of its strategy to generate additional income stream, VBT also provided backhaul services to Prasarana DC/DR and OCBC DC/DR as well as metro ethernet offerings by entering

into strategic partnerships with enterprises along the LRT corridor.

Looking Forward

VBT is well poised to capitalise on the various Government initiatives to boost the digital economy of the country. With the roll out of the Jalanan Digital Negara (Jendela) initiative as well as the Malaysia Digital Economy Blueprint to expedite 5G deployment in Malaysia, via DNB, the Malaysian telecommunications industry will continue to grow as connectivity gradually becomes everyone’s basic necessity. VBT will further strengthen and leverage on its fiber network in Klang valley to support the rollout of these initiatives and tap on new opportunities to unlock value.

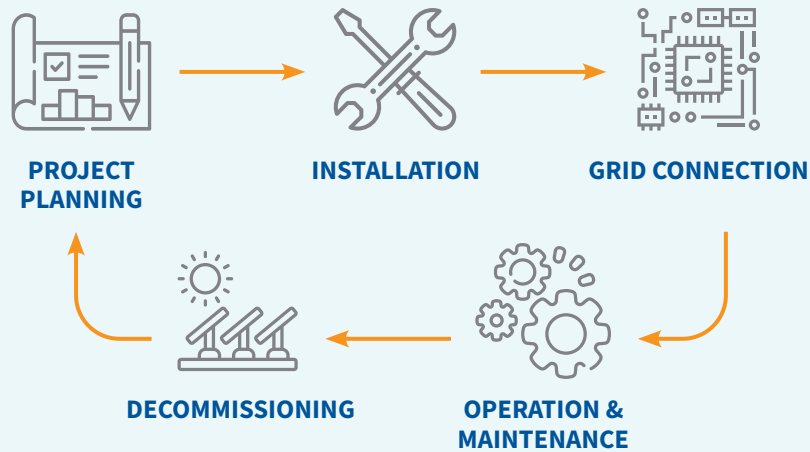
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RENEWABLE ENERGY DIVISION

Stakeholders Involved



Value Chain



Values Created by Renewable Energy Division

- Providing highest quality solar energy solutions.
- Generating superior financial return via energy saving.

Key Highlights



Completion of rooftop

Solar PV system
installation with capacity of
1.48 MWp



Offset average of

1,210 tonnes
of CO₂ emission through
reduction of electricity cost



Operation Review

The Group renewable energy division, led by Inergist Sdn Bhd successfully completed the installation of rooftop solar photovoltaic (“Solar PV”) systems for HeveaPac Sdn Bhd (“HeveaPac”), with a capacity of 1.48 MWp. The system commenced operations in May 2021 and is expected to generate

1.8million kWh of solar energy per year. Besides reducing electricity costs for our client in their daily operations, the division also offsets CO₂ emissions by an average of 1,210 tonnes per annum or 30,248 tonnes throughout the 25 year tenure of the Solar Power Purchase Agreement.

Looking Forward

The Group looks to increase its recurring income stream based on a similar model with other joint venture partners and companies which are looking to reduce emissions and generate energy in a sustainable manner. Besides this, the Group will also keep a lookout to tender for Large Scale Solar projects in Malaysia and the region.

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

REPORT OVERVIEW

This Sustainability Statement is Salcon Berhad's (Salcon or the Company) 15th annual reporting of our Environmental, Social and Governance ("ESG") performances, prepared in accordance to global reporting standards as well as local guidelines and frameworks.

Through various engagement sessions with heads of subsidiaries across the Group, we have identified the external environment, its impacts and way forward for each subsidiary, risks, opportunities & mitigation measures undertaken as well as set targets and performance objectives to measure

the performance and progress of the Group's key material issues. We continue to strengthen our disclosures as recommended by the Taskforce for Climate-related Financial Disclosure ("TCFD") and commit to the Sustainable Development Goals ("SDGs") which are relevant to our business and on which we make a significant impact.

In this report, readers will be able to gain a clear understanding of the Group's sustainability commitments, performance and initiatives on material issues management, and value creation strategies for our stakeholders in the short, medium, and long term.

REPORTING PERIOD

1 January 2021 – 31 December 2021

REPORTING SCOPE

This Sustainability Report covers the non-financial performance of the Group's operating units during the period 1 January 2021 to 31 December 2021. This year, our reporting scope has expanded to include our newly acquired subsidiary under the Healthcare Division, JR Medical Engineering Sdn Bhd as well as Inergist Sdn Bhd under the Renewable Energy Division.

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. Salcon Development (Property Development)
6. JR Medical Engineering Sdn Bhd (Glove Manufacturing)
7. Inergist Sdn Bhd (Renewable Energy)

REPORTING FRAMEWORK

The disclosure of our sustainability performance is guided by the following Malaysian and global reporting frameworks and benchmarks:

PRINCIPAL GUIDELINES

- ▶ Bursa Malaysia Sustainability Reporting Guidelines 2nd Edition
- ▶ <IR> Framework by Value Reporting Foundation ("VRF") (formerly known as International Integrated Reporting Council ("IIRC"))
- ▶ Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations

SUPPLEMENTARY GUIDELINES

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

COMMITMENT

- ▶ Sustainability Development Goals ("SDGs")
- ▶ United Nations Global Compact ("UNGC") Principles

ACCESSIBILITY & FEEDBACK



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

We welcome any feedback or suggestion about our sustainability performance.

Please address any comments you may have to the Sustainability Committee at corporate@salcon.com.my.

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Business Growth



Leadership & Governance



Human Capital



Environment



Social Capital

SUSTAINABILITY AT SALCON

In line with the Group’s Vision and Mission, Salcon aims to transform lives for the better through shared, inclusive and sustainable value for all our stakeholders. We are committed to generate profitable & sustainable returns for our shareholders whilst integrating sustainable best practices throughout our business operations, promote sound environmental and social practices, encourage transparency and accountability and contribute to positive development impacts.

Salcon’s Sustainability Framework outlines our approach and is built upon five pillars: Business Growth, Leadership & Governance, Human Capital Management, Environment Protection and Community outreach.

We embrace both the Sustainable Development Goals (“SDGs”) agenda and the ten Principles of the UN Global Compact (“UNGC”) and recognise that contributing to these global principles are a way to create shared value and as a driver for growth, innovation and investment decisions.

SUSTAINABILITY FRAMEWORK



Our Commitment

Transforming lives for the better through sustainable business portfolios

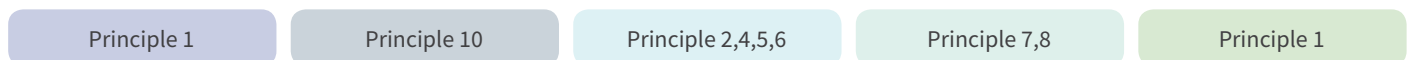
Values We Created



Impact on SDGs



Alignment with UNGC



Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

AWARDS & RECOGNITIONS



Asia Sustainability Reporting Award –
Asia's Best Sustainability Report Award (SME) 2020 Bronze



FTSE4Good
Inclusion in FTSE4Good Bursa Malaysia Index for the 7th consecutive year

SUSTAINABILITY GOVERNANCE STRUCTURE

Decision Making and Reporting

Sustainability strategies and performance are governed by the Group's Board of Directors ("BOD") and supported by the Sustainability Committee ("SC") to ensure we achieve profitability and sustainable returns whilst ensuring the Group's ESG targets are reached in the long term.

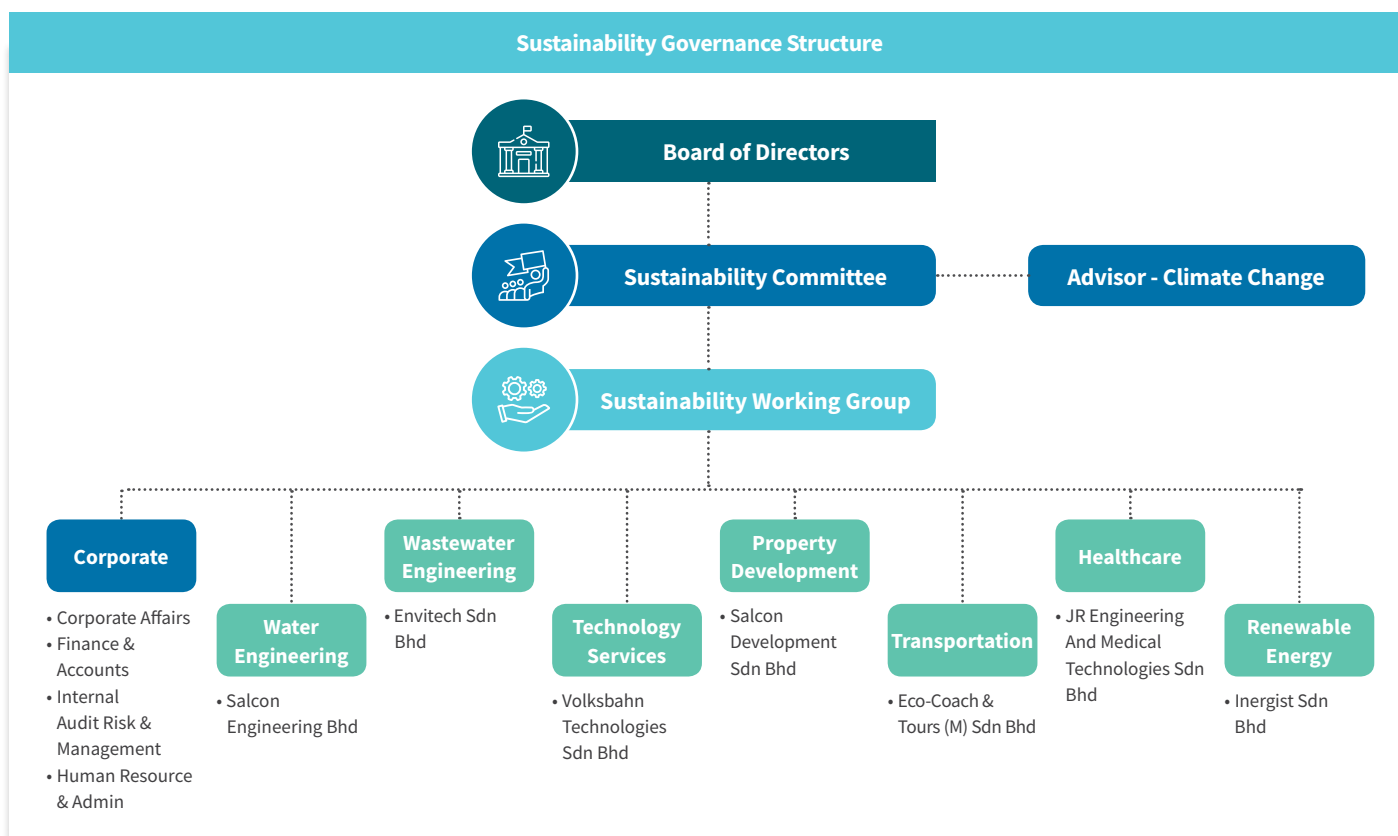
The SC meets annually and is made up of two (2) board members with a Non-Executive Director as the Chairman as well as the Chief Operating Officer, the Chief Financial Officer and General Manager of Corporate Affairs.

The Sustainability Working Group ("SWG") is responsible for the implementation of sustainability risks management & practices, and upholding the Group's economic, environment, social and technology capital in the short, medium and long term.



In FY 2021, the Group has further streamlined the governance structure by including the healthcare and renewable energy division into the SWG. This allows better engagement with leaderships across the Group and regions, whilst enhancing sustainability governance and achieving integrated thinking to further progress the Group's sustainability management.

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Enabling Policies

In support of good governance practices, we are committed to ensuring that adequate policies are in place to provide guidance and process control as a transparent and responsible entity. These policies are benchmarked against industry best practices and govern the business and operations of the Group. Approved policies and procedures are disseminated to affected stakeholders and reviews and updates are performed regularly on approved policies, procedures and guidelines.

Key Policies	Purpose of Policy	Accessibility
Code of Ethics and Conduct (COEC)	Sets out guidelines on the Group’s business ethics and the governance of the employees in the workplace on a day-to-day basis in a way that helps maintain an outstanding reputation.	<ul style="list-style-type: none"> • Website: https://www.salcon.com.my/About-Us/corporate-governance • Salcon Intranet
Statement of Policies and Business Ethics (SPBE)	Defines the basic requirements placed on Salcon suppliers and contractors concerning their responsibilities towards their stakeholders and the environment.	<ul style="list-style-type: none"> • Attach together with the contract with suppliers and sub-contractors
Anti-Bribery & Anti-Corruption Policy (ABAC)	Sets out the Group’s position on bribery and provides principles, guidelines and requirements on how to deal with corrupt and bribery practices that may arise in the course of daily business and operation activities.	<ul style="list-style-type: none"> • Website: https://www.salcon.com.my/About-Us/corporate-governance • Salcon Intranet

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Key Policies	Purpose of Policy	Accessibility
Whistle-blowing Policy (WBP)	Provides Directors, officers, employees and stakeholders of the Group with an avenue to report suspected improprieties such as illegal or unlawful conduct, contravention of the Group's policies and procedures, acts endangering the health or safety of any individual, public or employee, and any act of concealment or improprieties.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/About-Us/corporate-governance • Salcon Intranet
Integrated Risk Management Policy (IRMP)	Identify, analyse, evaluate, treat, monitor and report upon all significant risks faced by the Group inclusive of all stakeholders.	<ul style="list-style-type: none"> • Salcon intranet *  <i>More information on IRMP is detailed on pages 95 to 98 under Statement of Risk Management & Internal Control</i>
Equal Opportunity Employment Policy (EOEP)	Providing equal opportunities in employment for all employees in line with the International Labor Organisation Core Conventions.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/human-capital-development
Board Diversity Policy (BDP)	Sets out approach to achieve diversity on the composition of the Board of Directors of Salcon Berhad.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/About-Us/corporate-governance
Human Resource Policies and Procedures Manual (HRPP)	Demonstrates the management's commitment towards employee welfare and care, and yet ensure cost effectiveness and competitiveness with market practices.	<ul style="list-style-type: none"> • Salcon intranet
Quality, Safety, Health and Environment (QHSE) Policy	Promote excellence in Quality, Occupational Safety & Health and Environment standards by eliminating hazards, reducing risks and protecting the environment and its workers.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment
Salcon Green Policy	Establish our commitments in different areas in reducing carbon footprint and pollutions, which include: <ol style="list-style-type: none"> 1. Energy 2. Water Consumption 3. Prevention of pollution 4. Procurement 5. Biodiversity 6. Education 	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/Climate-Change
Water Management Plan (WMP)	Focusing and emphasizing on our commitment to reduce water consumption via water conservation.	<ul style="list-style-type: none"> •  Website: https://www.salcon.com.my/sustainability/Climate-Change



BUSINESS GROWTH

Innovative Products & Services Through Operational Excellence

Total Value Added for Distribution

RM68.8 million

in FY 2021

Achieved a total revenue of

RM286.9 million

in FY 2021, compared to RM194.1 million

in FY 2020:

↑ 48%

Net profit

RM16.8 million

compared to FY 2020:

↑ 310%



MI1

Business Model & Financial Management

The Group is committed to deliver a sustainable and profitable financial performance to ensure attractive returns on investment to shareholders in the form of dividend payments and share capital appreciation. This is achieved through driving improvement in the efficiency and growth in the existing business units and markets. Details of business growth strategy and priorities of each business unit are elaborated in the Divisional Operations Review on pages 35 to 43.

In addition, a comprehensive narrative of our financial and operational performance is provided in the Management Discussion and Analysis (“MD&A”) section of this report, on pages 28 to 34.

Specific details on direct economic value created such as revenue, profit performance, market growth, shareholder dividend payments and other indicators are provided in the financial and value creation sections of this Annual Report.

MI2

Project Management & Delivery

As a company with diversified businesses, our reputation is built on an impeccable track record of successful project delivery and management to meet our clients’ requirement in the different business sectors we are in. A key indicator of successful project delivery is having a robust quality management system in place to track and monitor its implementation as well as achieving high customer satisfaction levels.

Client’s Satisfaction

Customer satisfaction is paramount to the continuity of our business. A material topic to all our divisions, customer satisfaction determines our ability to secure new and repeated business as well as fortify our ongoing relationships to achieve economic success.

We strive to fulfil our clients needs and exceed their expectations by conducting Client/ Customer Satisfaction Survey to gauge their overall satisfaction with our products or services. Each Division adopts different targets and measures of client/customer satisfaction due to the diversity of its business.

Business Divisions	Indicators of Project Management & Delivery	Frequency of conducting the survey
Water Engineering	Client’s Satisfaction Level achieved average 62.8% (target: 75%)	Twice a year
Wastewater Engineering	Client’s Satisfaction Level achieved average 79.8% (target: 75%)	Twice a year
Glove Manufacturing	Customer’s Satisfaction Level achieved average 100% (target: 90%)	Yearly
Technology Services	Achieved 100% of projects to be ready-for-service and within budget on all work order	Yearly

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For the NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. We have 5 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 5 minutes, subject to the genre of call.

We also ensure our clients/customers' rights to privacy are protected by adhering to the Personal Data Protection Act 2010 (PDPA). We do not disclose or use the clients' information for any other purposes without clients' consent. Throughout our years of operation, we have not received any complaints concerning breaches of clients/customer's privacy.





MI3

Supply Chain Management

Our commitment to foster a culture of integrity extends throughout our supply chain.

The Company's Statement of Policies and Business Ethics ("SPBE") outlines the company's basic requirements placed on our suppliers, sub-contractors, service providers and other supply chain partners and is a prerequisite in every of the company's service/supply contract. Through the SPBE, suppliers/sub-contractors are well communicated with the Group's ISO policies on Occupational Health and Safety Management Systems (**ISO 45001:2018**), Quality Management System (**ISO 9001: 2015**) and Environmental Management System (**ISO 14001:2015**). The SPBE was revised in February 2020 and workshops were conducted at the project sites in order to raise awareness on Salcon's stand on good ethics, ensuring a healthy and safe workplace, zero tolerance on violating human and social rights, good environmental practices and ensuring strict compliance to local laws and regulations.

Existing suppliers and sub-contractors are also evaluated on a yearly basis to ensure an effective and sustainable supply chain. Suppliers and sub-contractors who are unable to meet our criteria will be removed from our suppliers and sub-contractors list to ensure quality deliverables.

Business Divisions	Suppliers/Sub-contractors' Performance	Key Areas of Evaluation	Frequency of conducting the evaluation
Water Engineering 	Achieved 89.42% of suppliers ranked at excellent performance level (Target: 90%)	<ul style="list-style-type: none"> Quality Assurance System On time delivery Workmanship Pricing 	Yearly
	Achieved 65.1% of sub-contractors performance level (Target: 90%)		
Wastewater Engineering 	Achieved 90% of suppliers/sub-contractor performance level (Target: 100%)	<ul style="list-style-type: none"> Quality Assurance System On time delivery Workmanship Pricing 	Yearly
	Achieved 90% of sub-contractors performance level (Target: 100%)		
Glove Manufacturing 	Achieved 98.5% of Vendor Performance Level (Target: 90%)	<ul style="list-style-type: none"> Quality Assurance System Cleanliness Storage On time delivery No. of materials received 	Monthly
Technology Services 	Achieved 100% of supplier/sub-contractor performance level (Target: 100%)	<ul style="list-style-type: none"> On time delivery Pricing After sale support Performance 	Yearly






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MI7

Technology & Innovation

Technological advancement and innovation play an integral role in supporting the Group’s strategies to enhance our product solutions and capabilities as well as ensuring business sustainability.

The initiatives on technology & innovation are listed as below:

Business Divisions	Initiatives on Technology & Innovation
Water Engineering 	<ul style="list-style-type: none"> • Identify new technology partners / product • Work with institutions of higher learning to identify and develop relevant technologies
Wastewater Engineering 	<ul style="list-style-type: none"> • Engaging with IWK on water reclamation projects under the Green Technology Master Plan
Healthcare 	<ul style="list-style-type: none"> • Investment in Research & Development in innovative product solutions
Technology Services 	<p>Enhancement in Technology & Innovation methodology to enhance operations:-</p> <ul style="list-style-type: none"> • Geotagging of fixed & movable assets • Improved security & access to critical equipments and network • Participation in seminars that are involved in future telecommunication road map
Transportation Services 	<ul style="list-style-type: none"> • Develop IT tracking for On-demand Shuttle services toward public • Converted 14 SCANIA 360/410 busses from Euro 2 to Euro 5 diesel to extend engine life and improve fuel efficiency



Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]



LEADERSHIP & GOVERNANCE

Becoming a Trusted & Reliable Working Partner

Zero Case

reported through
whistleblowing channel

Integrated Risk Management
Policy & Procedures guided by

ISO 31000

Zero employee disciplined or dismissed

due to non-compliance with
anti-corruption guidelines



We are committed to upholding the highest principles of transparency and accountability in all aspects of our business practices in order to be recognised as a trusted and reliable working partner by our key stakeholders such as customers, business partners and employees.

MI4 Business Ethics

Good corporate governance underpins a well-run business. This is reflected in the practices and procedures across our business operations and activities as well as dealings with stakeholders.

We abide by Malaysian Code on Corporate Governance (“MCCG”) and all the relevant laws, regulations and industry best practices in the jurisdictions we operate. Details on our corporate governance practises are elaborated in the Corporate Governance Overview Statement on pages 88 to 92.

Our commitment in upholding ethical business practices is elaborated in the Code of Ethics & Conduct (“COEC”), Whistle-blowing Policy (“WBP”) and Anti-Bribery and Anti-Corruption Policy (“ABAC”) duly approved by the Board for all employees and its supply chain. The accessibility of the policies and statement are detailed on page 47.

In FY 2021, we achieved:

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

MI5 Systematic Risk Management

Since FY 2020, the unprecedented COVID-19 pandemic has escalated our operational and business risks, calling for mitigation measures to cushion its impact. The pandemic highlighted the importance of enterprise-wide risk management, as well as the significance of sustainability in long-term value and business resiliency.

At Salcon, we navigated the year with our robust and well-established risk management framework which is overseen by the Risk Management Committee (“RMC”) and guided by Salcon Integrated Risk Management Policy in compliance with ISO 31000. 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 pages 88 to 98.

The significant business risks to the Group are identified and mapped to the Group’s material issues on pages 25 to 26.

MI8 Critical Incident Risk Management

Critical Incident Risk Management serves as part of the key risk management strategies to prevent or mitigate the occurrence of critical risks to our business activities.

The Group’s approach to prevent critical incidents is based on its Crisis Management Plan (“CMP”), which is driven by key divisions and subsidiaries and includes standard procedures to aid effective response and communication with affected stakeholders in a timely and consistent manner to ensure the safety of our people and minimal damage and disruption to the business activities.

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

Type of Management	Response Team	Roles
Crisis Management	Crisis Management Team (“CMT”)	<ul style="list-style-type: none"> Manage and make decisions on human impacts (both employees and the community), company reputation, share value and corporate assets.
Emergency Coordination	Emergency Management Team (“EMT”)	<ul style="list-style-type: none"> To gather, assess and disseminate information and to propose decisions for solution to affect recovery. To advise and coordinate all response activities beyond the scope of the on-scene response, and manage internal and external stakeholder issues. To ensure that targeted audiences receive crisis-related information through the most efficient and expedient channels.
Accident/Incident Management	Emergency Response Team (“ERT”)	<ul style="list-style-type: none"> 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. These specialised members include Fire Marshall, First Aider and Safety Officer.

The CMP undergoes constant reassessment and testing process. These continuous updates and improvements are significant to ensure that it remains relevant and allows the Group to effectively and efficiently face the challenges posed by any incidents. In FY 2021, the CMP team further refined and streamlined the roles and responsibilities of each response team as well as the procedures for the newly identified categories such as infectious disease, environmental crisis, workplace violence, building or structure collapse and bomb treat and terrorism in a systematic manner.



Anti-Bribery & Anti-Corruption training was organised to improve employees knowledge on conducting business with the highest standards of ethics, honesty and integrity

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]



HUMAN CAPITAL

Building a Thriving Workplace for Employees

Total no. of employees

383

30.4%

Female in managerial level & above

Launching of

SWIN

(Salcon Women Inspiring Network)

in FY 2021



Our people are the greatest asset of the Group and an important part of the enablers to sustain our business. We are committed to continuously engage our people in a respectful and fair manner, striving to create a thriving working environment for them.

MI6

Talent Attraction, Growth & Retention

The Group invests in human capital development with a strategic talent management and succession plan to nurture a competent and efficient workforce to drive the Group to achieve its goals. 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

Winning and keeping talent is a key driver for growth and success. Salcon continues to provide competitive benefits and welfare to its employees by benchmarking ourselves with industry peers to ensure that we remain competitive and are able to retain our talents.

As part of the company's efforts to enhance employee experience, Employee Satisfaction Surveys ("ESS") are conducted biennially in order to understand what our employees are feeling, thinking and experiencing.

During FY 2021, an ESS was conducted to gauge and measure our employees' insights in the areas of *Employee Well-being, Equal Opportunities & Diversity, Work-life Balance, Talent Attraction & Retention and Training & Development*. The survey was sent to 125 employees in Malaysia and overseas with a response rate of 61% and 13% respectively.

Salcon leverages on the survey outcome to identify the areas for improvement. In response to the findings, the company undertook the following actions/initiatives to strengthen our engagement with employees:

No	Issues	Actions Taken
1	Employee Well-being	<ul style="list-style-type: none"> IT department gathered feedback from the employees with regards to improvements required in technology, equipment or software, etc, automation to improve efficiency.
2	Equal Opportunities and Diversity	<ul style="list-style-type: none"> Conducted trainings for employees on cross generation, workplace harassment & bullying and leadership workshop & program.
3	Work-Life Balance	<ul style="list-style-type: none"> Manpower restructuring exercise took place in early 2021 and review by head of departments on staff workload. Implementation of flexible or staggered work hours during the pandemic to enhance safe working environment.

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No	Issues	Actions Taken
4	Talent Attraction & Retention	<ul style="list-style-type: none"> Revision of Salcon’s Employee Handbook (“HRPPP”). Improved staff benefits such as replacement leave claim, executive medical examination, subsistence & site allowance, site vehicles, overseas allowance, handphone subsidy, training bond, education assistance scheme. Alignment of salaries and positions in year-end review exercise completed in 2020. Succession Planning for key personnel and Heads of Department and Division is in place for review by top management every year. HODs are encouraged to adopt two-way communication during performance appraisal with staff. Implemented new KPI based performance management system for performance-based reward.
5	Training & Development	<ul style="list-style-type: none"> Areas of Development in Performance Evaluation Form was included to enable HODs to identify skills gap and training for staff career growth. Yearly exercise on Training Needs Analysis is in place to identify staff training needs.

In Salcon, the employees’ work performance is evaluated yearly and rewarded under its performance management system (“PMS”) based on the Key Performance Indicators (KPIs) and core competencies. The PMS enable Salcon to build a performance driven culture in the organisation.

Training & Development

In line with our focus area of creating a thriving workplace for employees, we ensure that our talent attraction and retention scheme is able to equip and develop our workforce with the necessary skills and competencies to achieve our business objectives.

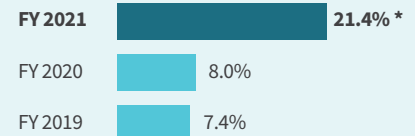
In FY 2021, we continued to provide employees with learning and development opportunities through online learning platform throughout the varying phases of the Movement Control Order (“MCO”). In FY 2021, a total of 50 trainings were conducted covering training in Soft Skills, Leadership & Management, Technical Training and Safety, Health & Environment learning.

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



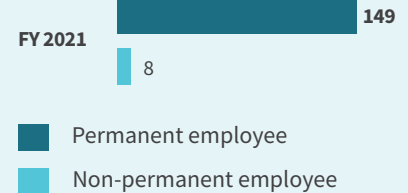
Agile Training for management team

Full Time Employee Turnover Rate

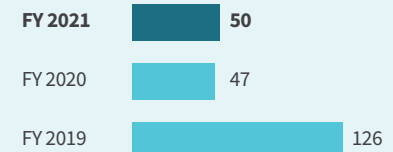


**Increase in turnover rate due to high staff turnover at JREMT manufacturing facility as local employees are not able to adapt to 3D (dirty, difficult and dangerous) jobs.*

New Recruits



Total training programme for employees



Total number of training hours: 686 hrs

Average training day per employee: 0.22 day

Average training hour per employee: 1.79 hrs

Total training investment: RM10,218.63

Effectiveness of training: 99.2%

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MI9 Employee Health & Safety

The health and safety of our employees are of paramount importance to the Group. We are committed to implement good health & safety practices and measures to prevent accidental injuries and occupational-related illnesses from occurring to our employees, clients and the community.

Our safety and health practices and initiatives are spearheaded and implemented by the Quality, Safety, Health & Environment (“QSHE”) Department whilst a Safety, Health and Environment (“SHE”) Committee which is chaired and led by the Chief Operating Officer (“COO”) with representatives from management and employees 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

The SHE Committee conducts quarterly meetings to report the findings on the internal audit and updates on the progress of safety, health & environment plans and initiatives.

We are pleased to report that all project sites which are monitored by the QSHE department are in compliance with the ISO 45001: 2018 standards and audited by Bureau Veritas, demonstrating our commitment to our employees’ health and well-being and continuous safety improvement.

Responding to COVID-19 Pandemic

In FY 2021, COVID-19 pandemic still remains a risk to people at work despite achieving more than 95% of COVID-19 vaccination rate in our company. In response to this, we have taken decisive measures and proactive steps to ensure the safety of our employees and other interested parties involved in our operations

during the various MCO phases imposed by the Government. All pandemic containment requirements were implemented in accordance with Government SOPs and guidelines spearheaded by the Group’s Crisis Management Response and Recovery Team.

Location

Headquarters & Admin Offices of subsidiaries

Measures

- Daily COVID-19 SOPs, close contact and infection guidelines was in place and communicated to all employees in Salcon’s operation office
- Distribution of self-testing kit to all employees and the employees are required to submit the test result once a month for office staff and fortnightly for site workers and frequent outstation staff
- 1 meter apart during meeting or work and wearing of mask in office at all times
- Compulsory self-test for COVID-19 for inter-state travel before returning to office
- Minimised face-to-face meetings and leveraged online tools for communication and meetings
- Practicing staggered working hours, working on rotation basis and working from home
- Frequent sanitisation was conducted at office

Project Sites

- The project sites are clearly briefed to follow the precautionary SOPs strictly such as temperature screening daily and compulsory mask wearing in office
- Frequent sanitisation was conducted at office and the project sites

Manufacturing Plant

- Compulsory COVID-test every 7 days for In-house contractors, walk-in contractor, lorry/van drivers
- Communication on COVID-19 to create awareness via banners, posters and talks
- COVID-19 Task Force team conduct audit at all areas in random to ensure employees are complying the SOPs
- Sanitising 3 times daily on all touch surface and common areas
- Installing sanitising fog machine at meeting rooms, office areas and toilets
- Staff accommodation improvement such as cleanliness inspection, daily health checking, daily hostel sanitisation etc



Distribution of COVID-19 care pack consisting of supplements, self test kit, mask and sanitiser to our employees

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

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

No.	Initiatives	Project site/ office
1	Immediate execution of COVID-19 prevention measures including: Sanitisation, temperature check for all employees and visitors, compulsory mask wearing, staggered working hours	HQ and all project sites
2	Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) to identify the potential risks and opportunities before commencement of project	Applicable water and wastewater projects
3	Basic occupational first aid, CPR & AED training	Envitech
4	Safety & Health Campaign	HQ
5	SHE induction training for new workers	Applicable water and wastewater project sites
6	Toolbox briefing	Glove manufacturing plant
7	Machinery inspection	
8	S.H.E. audit & inspection	
9	Health check	HQ
10	Blood donation	HQ
11	ERP Drill	HQ

Working towards zero LTI

During FY 2021, SEB, Envitech and JREMT achieved their respective target manhours without lost time injury (“LTI”) as tabled below. This achievement demonstrates our commitment towards ensuring a healthy and safe workplace to our employees and contractors.

Achieved manhours without LTI (hrs)	
SEB	Target Manhours: 2.5 million 2,918,886 1,932,710 1,312,820
Envitech	Target Manhours: 3.0 million 3,102,808 2,892,480 2,672,768
JREMT	Target Manhours: 1.5 million 1,119,065.5 n/a n/a
	2021 2020 2019

Safety & Health Training

Regular health & safety trainings were provided to site workers and employees especially those working at high-risk areas to minimise the risks of dangerous mistakes and incidents. Briefings on the latest health and safety policies and issues are held to ensure full awareness especially on precautions and SOPs to be adhered to during COVID-19 pandemic period.



Toolbox briefing for workers at JREMT glove manufacturing plant

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In FY 2021, 22.38% or 32 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 instil awareness of the importance of workplace safety.

In FY 2021, 111 employees who are not part of the Safety & Health Committee were also sent to attend safety-related trainings.



MI10

Employee Engagement, Diversity & Inclusion

A positively engaged workforce boosts productivity, reduces turnover and strengthens internal company culture. At Salcon, we are committed to establishing a diverse and inclusive work environment that attracts, retains and develops our employees.

Equal opportunities & diversity

Our commitment in promoting diversity and inclusion is outlined in the Equal Opportunity Employment Policy (“EOEP”) which states our firm stand on inclusive practices that benefit everyone, regardless of race, gender, age, physical disabilities or beliefs. We do not practice discrimination as set out in our “EOEP” and ensure our employees are treated equally by providing fair opportunity for all.

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

As at FY 2021, we have a workforce of 206 male employees and 177 female employees. Female employees account for 46.21% of the total employees and we look to increase the percentage of female employees to achieve a more balanced workforce. During the same year, 30.4% of the senior management consists of female employees, an increase of 4% compared with the preceding year.

As part of our commitment to promote gender equality in the organisation, the company launched a women empowerment initiative namely Salcon Women Inspiring Network (“SWIN”) in FY 2021 with the aim to enhance diversity and inclusive workforce and to spread awareness on women empowerment in 4 main focus areas i.e. women leadership, benefits, women rights and well-being amongst the employees. A committee formed by women employees from corporate and technical divisions is established to assist the Group in promoting more harmonious workforce and creating an enabling environment for women to have equal access to all opportunities.

Focus Areas in SWIN

Focus Areas in SWIN	Description	Initiatives in 2021/2022
<p>Women Leadership</p>	Support women in the workforce especially at managerial level and technical position to better equip women with leadership in the industry.	To increase the percentage of women in managerial positions as well as technical positions from 29% to 35%.
<p>Women Staff Benefits</p>	Addressing the challenges faced by women at the workplace to retain women workforce and their productivity.	Supporting breastfeeding at workplace with designated private room at Headquarters for nursing mothers returning to work.
<p>Women Rights</p>	Raising employee awareness on women's right at workplace.	To conduct sexual harassment talk for all employees in 2022.
<p>Women Health & Wellness</p>	Addressing women's health and well-being.	To conduct activities such as yoga class and health talks to promote well-being for women employees in 2022.

As for the diversity of gender at Board, the composition of the Board has 6 male and 1 female director since FY 2019 with good mix of skills, qualifications, experience and independence as well as gender.

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Workplace Wellbeing Activities 2021

Despite the constraints arising from the COVID-19 pandemic, the company continues to organise various employee physical and virtual engagement initiatives to ensure our employees’ well-being, good physical & mental health, work-life balance as well as maintaining relationship with each other.



Staff joined the effort to green the office during **Adopt a Plant** activity



Food Waste Virtual Talk conducted by Lost Food Project (“LFP”) for all staff



Teaching staff to dispose e-waste properly through **E-waste Virtual Talk** conducted by Karun Hijau



49 volunteers and family members rallied together for a **Beach Clean-up** at Pantai Remis



Virtual yoga class was organised for staff



Medical waste bins were placed at office area to separate COVID-19 waste with other domestic waste

Deepavali Goodies Giveaway to all staff during Deepavali festival



Raya Goodies Giveaway to all staff during Ramadhan month





Mobile photography contest to all staff with different themes

Walk for Water Challenge organised for staff with the aim to aid orang asli and underprivileged community





SalconCare Pack which consist of hand sanitiser, fabric mask, vitamins etc was distributed to all staff during COVID-19 pandemic



Virtual Healthy Eating to Immunity Talk in conjunction with safety & health campaign week



Free health screening to all staff and the public at the mobile van during blood donation campaign



Distribution of Salcon Fabric Mask to all staff during Safety & Health Campaign Month

Virtual Mental Health Talk during the COVID-19 pandemic



Staff participation during **12th Salcon Blood Donation Campaign**





During the flash floods in December 2021, a total of 9 Salcon employees were affected with some having to be evacuated to flood relief centres. The Company donated a total of RM15,000 to the affected staff and their families on top of the fundraising from other staff to help ease their financial burden.



Salcon representatives visited employees affected by the floods and to hand over essential to help ease their financial burden

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Employee Demography

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

Description	2019	2020	2021
Total employees	376	326	383
Total employees by gender			
- Male	216	198	206
- Female	160	128	177
Total employees by region			
- Malaysia	350	303	368
- Thailand	1	1	1
- Sri Lanka	17	15	8
- Vietnam	6	7	6
- India	2	0	0
Total employees by employment type			
- Executive	257	222	210
- Non-executive	119	104	173
Total employees by age group			
- <30 years old	92	65	99
- 30-49 years old	199	179	199
- > 50 years old	85	82	85
Salary ratio (female:male)	1:2.4	1:2.37	1:2.43
Ethnicity (Malaysia only)			
- Malay	189	163	171
- Chinese	101	92	82
- Indian	32	26	90
- Others	28	22	25
New employees hires			
- Permanent employee	25	7	149
- Non-permanent employee	53	20	8
Employee Turnover by employment			
- Permanent	28	26	82
- Non-permanent employee	37	27	25
Employee Turnover Rate	7.4%	8.0%	21.4%
Gender of employees with position manager & above			
- Male	77	64	64
- Female	28	23	28
Total Training Investment (RM)	RM236,613.2	RM94,128.3	RM102,185.63
Average Training hours per employee*	3.69 hrs	2.11 hrs	1.79 hrs

*the average training hours/employee for 2019 – 2021 is adjusted upon inclusion of non-executive staff

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Labour Practices

The Group places great emphasis on nurturing a fair and conducive ecosystem for all our employee, adhering to local and international laws and regulations and incorporating best practices across our operations. In order to commit to the best labour practices and in relation to our newly acquired glove manufacturing business in FY 2021, the Group elevated Labour Practices as one of its key material issues to address our key stakeholder’s concern on human rights and fair practices to the plant workers such as their living and working conditions, working hours, minimum wages etc.



We uphold a conducive and safe working environment for our employees

Employee Rights

We are committed to provide a work environment free from any form of child labour, forced labour, harassment, unlawful discrimination in line with the International Labour Organisation (“ILO”) Core Conventions.

The principles and actions are detailed on Salcon’s official website under the section of Human Capital Development – Embracing Diversity and Human Rights.

Grievance Mechanisms

We believe a healthy communication between employee & employer is vital for a productive and positive workplace. Salcon provides a channel for this communication where issues such as dissatisfaction about the employment conditions, misconduct, relationship with colleagues or supervisors, or discrimination can be raised through our grievance mechanism based on the Group’s Whistle Blowing policy.

There is no report on grievances or non-compliance on human rights issues in FY 2021.



Leveraging on workplace diversity and respecting the uniqueness of every employee

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]



ENVIRONMENT

Protecting the Environment

5,164.8 kg

of paper was recycled in FY 2021

Reduction of

21.27%

energy consumption intensity on a per unit basis for admin offices in FY 2021

Reduction of

37.89%

carbon intensity emission for admin offices in FY 2021



We are committed to safeguard the environment we operate in by minimising our negative environmental impacts through optimal waste management, reducing our pollution and carbon emissions, optimising water and energy use via operational efficiency initiatives, as well as protecting biodiversity. Our sustainability efforts are guided by our Salcon Green Policy, which outlines our commitments to reduce our Group’s carbon footprint and pollutions.

At a glance: Our Key Commitments

Key Focus

Our key Commitments

Conserving water



- Work to reduce water consumption and achieve water efficiency across our business operations
- Engage with the public to raise awareness on water conservation

Minimising pollution and maximizing resource efficiency



- To ensure disposal of scheduled waste generated in compliance with environmental law and regulation
- To ensure construction wastes disposed at authorised landfills that are licensed by the Local Authority
- Ensure 100% compliance within approved ranges as determined by Malaysia’s Department of Environment (DOE) at our project sites to prevent air and noise pollution

Contributing to climate action



- Minimising carbon footprint through resource efficiency
- Collaborating with external organisations on climate action
- Minimise energy consumption across business operation
- Improve energy efficiency

Preserving ecosystem



- To apply biodiversity conservation practices within our controllable area to reduce loss of biodiversity

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Water & Wastewater Management

Water is a precious resource for our business and the local communities that we operate in. Our water conservation efforts are guided by the Company's Green Policy and Water Management Plan (WMP) which aims to ensure efficient management of water resources, and setting long term targets to reduce water usage and incorporating water conservation elements in our operations.



The Green Policy and WMP are available at <https://www.salcon.com.my/sustainability/Climate-Change>



Our Target

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



Performance in FY 2021

The water consumption intensity in FY2021 reported an increase of 4% compared to the base year in 2016. This is mainly due to pipe leakages during the movement restriction period. The pipe leakages were resolved as soon as it was discovered and the water consumption is back to normal after repairing was conducted.

*excluding water consumption data from JREMT

Over the last 3 years (FY 2021, FY 2020, FY 2019), 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.

Water Consumption Data

The water consumption data below was extracted from the water bill generated by the water supply authority in the respective operating areas. We are pleased to report that as at FY 2021, there are zero incident of non-compliance with water quality/ quantity permits, standards and regulations.

	FY 2016 (base year)		FY 2019		FY 2020		FY 2021	
	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees
Administrative Offices								
Envitech	549	53	362	51	382	51	490	50
SPS	n/a	n/a	13	18	6	17	n/a	n/a
Eco-Coach	16.8	18	329	22	149	13	44.7	14
Total	565.8	71	704	91	537	81	534.7	64
Water consumption intensity per person (m³)	8.0		7.74		6.63		8.35	

Note:

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

ii) Data for JREMT is not available in FY 2019 and FY 2020 as the acquisition was only completed in March 2021. Data for SPS is not available for FY 2021 as it was disposed on 2nd half of last year

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

Key Water Consumption Reduction Initiatives	Company/ Operation Country
Non-Revenue Water ("NRW") reduction projects in Sandakan. Our NRW reduction achievement in FY 2021: a. 50% vis-à-vis 49% target reduction.	Malaysia
Partnership with Non-Government Organisation – Water Watch Penang for a holistic educational approach on water conservation.	HQ
Recycle water for site washing at project sites as well as car and depot washing.	Malaysia
Regular checking and immediate action taken for any leakage.	Group
Water Management Plan outlining approach to manage and reduce water resources.	Group

Sustainability Statement

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Manufacturing Plant & Admin Office	FY 2021	
	Water Consumption (m ³)	Total gloves produced/year
JREMT	177,624	176,969,367
Water consumption intensity per 1,000 gloves produced (m³)	1.00	

* Water consumption intensity in glove manufacturing operations is measured on a per 1000 gloves basis.

Project Sites	FY 2019 (m ³)	FY 2020 (m ³)	FY 2021 (m ³)
KTU WTP	5,484	3,720	2,605
Ambathale WTP, Sri Lanka	869	422	n/a

Note: Water data for Ambathale is not available as the project has been completed and handed over to the authorities.

In FY 2021, the sludge generated from Langat CSTP project site, which had started operations at end of 2019, was recorded at the average of 40 tonnes dried sludge per day, subject to the daily treatment capacity. The dried sludge from the plant is disposed to an approved landfill operated by licensed contractor at Tapak Pelupusan Bukit Tagar, Kuala Langat.

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Pollution & Resources Management

Failure to comply with the environmental regulations negatively impacts our business operations and affects our license to operate. Besides being certified for the Environmental Management System (ISO 14001:2015) certification, the Group ensures 100% compliance across our business operations with Malaysia's Department of Environment ("DOE") as well as the guidelines set out by local authorities in the countries which we operate in.

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

- 1) waste management including hazardous waste management,
- 2) raw material used,
- 3) air quality and noise management.



Our Target

Material Topic Target

Waste management



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

Raw material used



- Minimise negative environmental impacts at all our project sites

Air Quality & Noise Management



- Ensure 100% compliance within the approved ranges as determined by Malaysia's Department of Environment ("DOE")

Waste Management

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

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

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

At Salcon, we believe that what gets measured gets improved. Hence, we are committed to monitor our scheduled waste and recycling data regularly to manage waste efficiently and to minimise our environmental impact. The 3-year scheduled waste data for our existing projects and recycling data are as below:

Scheduled Waste Data:

Project Site	FY 2019 (metric tonnes)	FY 2020 (metric tonnes)	FY 2021 (metric tonnes)
Langat CSTP	0.2	n/a	n/a
KTU WTP	0.01	0.01	0.01
Ambathale Storm Water Pumping Station	6.00	1.3	n/a
Telibong WTP	n/a	0.007	4.58
JREMT	n/a	n/a	243

Note:

i) Data for Langat CSTP and Ambathale WTP, Sri Lanka is not available as the projects have been completed and handed over to authorities in FY 2021.

ii) Data for JREMT not available in FY 2019 and FY 2020 as the acquisition was only completed in March 2021.

Recycling Data:

Recycled Data	FY 2019 (kg)	FY 2020 (kg)	FY 2021 (kg)
a) Paper	2,479.0	3,032.3	5,164.8
b) Plastic	22.1	63.5	9.1
c) Metal	24.0	64.7	20.2
d) Glass	4.3	12.4	0
e) Reusable Items	274.9	134.1	301.1
f) Electronic Items	0.5	141.0	27.6

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Raw Material Used

We hold our suppliers accountable to responsible procurement practices to ensure effective and sustainable supply chain management for our raw materials and construction works. Our procurement practice is guided by the Salcon Green Policy, which outlines our commitment towards an Environmental Purchasing Program that covers the procurement of environmentally sound product. To ensure adequate stock level and prevent wastages, we are committed to record the usage of raw materials.



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

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

Raw Material Used	FY 2019	FY 2020	FY 2021
KTU WTP Project (tonnes)			
- Reinforcement Bar	1,179.1	669.81	-
- Concrete	26,832	10,012.8	2,593.2
Ambathale Storm Water Pumping Station (tonnes)			
- Ready mixed concrete	3,875	1,830	n/a
- Steel bar	250	106.5	
- Wooden plywood	31.5	-	
- Cement	n/a	16.6	
- Sand	n/a	207.5	
Eco-Coach & Tours (litres)			
- Diesel	1,094,773.6	929,517	692,120.2
Green Fleet (litres)			
- Diesel	269,627.7	231,960.4	147,125.9
JREMT (tonnes)			
- Nitrile & Latex	2,198.6	3,113.75	3,349.34

Air Quality & Noise Management

At our project sites, we ensure full compliance with the local laws and regulations on the approved ranges by the respective environmental authorities to prevent air and noise pollution. The following initiatives are undertaken:

Categories	Key Initiatives in Pollution & Resources Management	Company/ Operation Country
Air Quality	<ul style="list-style-type: none"> Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood. 	Project Sites
Noise	<ul style="list-style-type: none"> Noise monitoring devices are installed at prime locations and the monthly monitoring reports are highlighted during site progress meetings. 	Project Sites

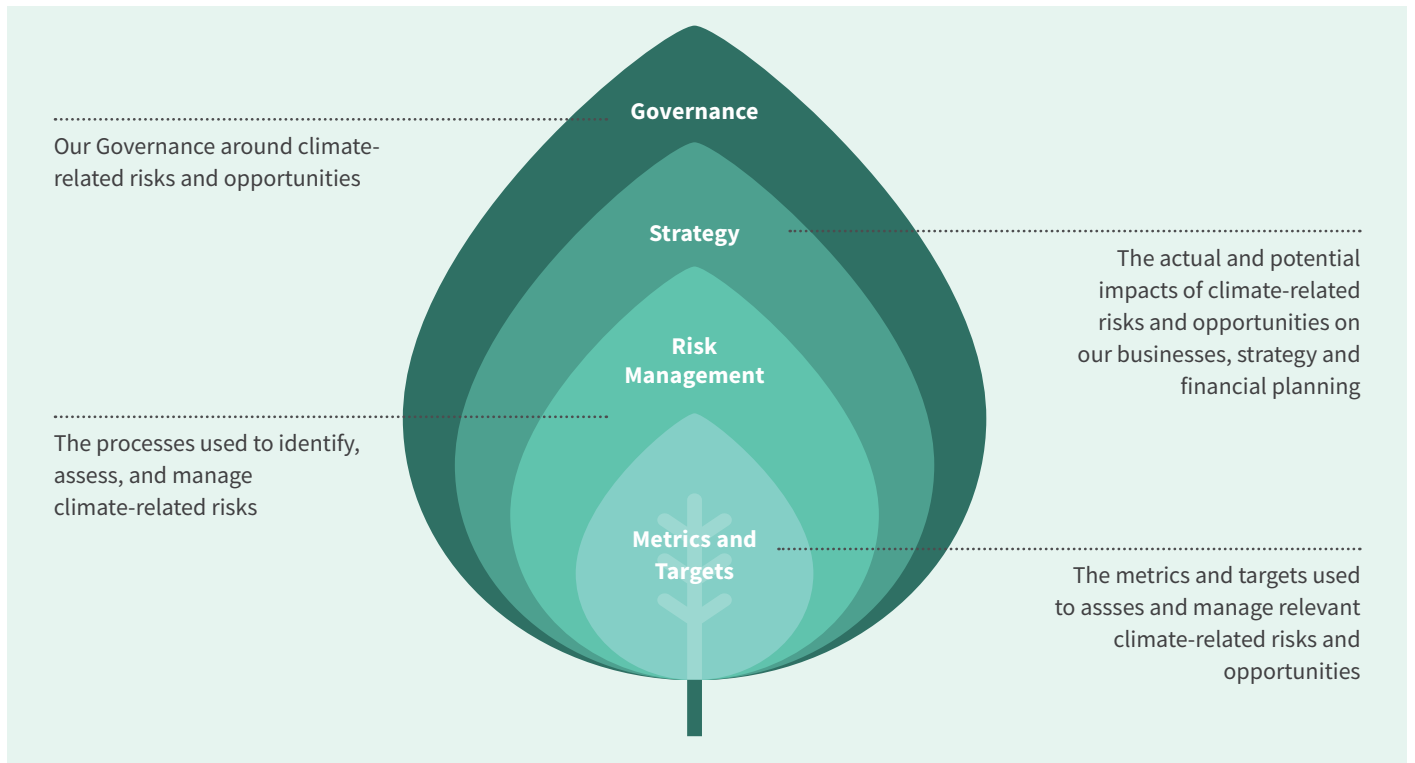
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GHG Emission & Climate Change

The Intergovernmental Panel on Climate Change (“IPCC”) 2021 assessment report has been termed as a “code red” for humanity and warns of irreversible climate impact and global warming, coupled with more severe and frequent extreme weather events. Urgent actions are needed to limit global temperature to well below 2° C.






Alignment to the Task Force On Climate-related Financial Disclosures (“TCFD”)

Whilst the Group has adopted the TCFD framework to disclose climate related risks and opportunities since 2019, we recognise that there are areas which need to be strengthened and improved to ensure better risk management and informed strategic planning. As part of our continuous commitment to improve our climate related disclosures, we became a TCFD signatory in October 2021.



Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

TCFD Key Pillars	Salcon's Key Approaches	Refer to page
 Governance	<ul style="list-style-type: none"> Dato' Rosli bin Mohamed Nor, the Chairman of SC has been appointed as the Advisor – Climate Change to oversee climate risks and mitigation plans for the Group. Supported by the SC, the Board oversees the Group's environmental and climate risks and opportunities, strategies, initiatives and performance and approves the Sustainability Statement which provides disclosure of the company's environmental and climate change agenda. Reviewed and included Healthcare division and Renewable Energy division in the Sustainability Governance structure. Green Policy outlines commitments on climate change, and provide guidance on management of climate change and environmental risks and opportunities. In FY 2021, the Group's Green Policy has been reviewed and endorsed. <p> The Green Policy is available at https://www.salcon.com.my/sites/default/files/SALCON-GREEN-POLICY.pdf</p>	46
 Strategy	<ul style="list-style-type: none"> Conducted Climate Change Scenario Planning by analyzing the impact of an increase in 2 °C on our business operations. Climate Change Adaptation strategies through strategic partnerships and collaboration, diversification, and ensuring full compliance with environmental regulations over short, medium and long term. 	68 69
 Risk Management	<ul style="list-style-type: none"> Identifying and mitigating the environmental and climate risks and opportunities, through Enterprise Risk Management (ERM) framework. Managing climate related operational issues through externally certified ISO 14001 Environmental Management System (EMS). 	96 64
 Metrics and Targets	<ul style="list-style-type: none"> Reviewed and updated targets set for carbon emissions and energy consumption for FY 2021 onwards. Track and monitor climate related metrics including 3-year energy consumption intensity, water consumption intensity & waste generation. Ensure transparent disclosure of carbon intensity including Group wide Scope 1 & 2 GHG emissions. 	70-73

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

Climate Change Scenario Analysis

Climate change imposes significant risks and opportunities on our business operations, and the Group places great emphasis on ensuring climate resilience. To better manage our key material environmental issues, we considered the effects of an increase of >2°C change on our business over the short, medium and long term. This year, we have included our new healthcare division into our climate change scenario analysis, along with our existing key markets.

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Climate-related Risks & Opportunities and Impacts

Based on the analysis, climate change is projected to bring the following impacts/risks to our business directly:

Category		Factor	Impact on our business	Scope	
Risks	Physical	Water related hazards	<ul style="list-style-type: none"> Water related hazards such as water pollution and water scarcity and drought may affect our business operations at project sites Disruption to our transportation operations, including facilities and assets 	<ul style="list-style-type: none"> SEB Envitech Group	
		Storms and flooding causing damage to buildings and infrastructure			
	Transitional	Legislative	<ul style="list-style-type: none"> Contractual or legal obligations due to uncertainty of water quality, quantity and volume National climate policy including carbon tax and Domestic Emissions Trading Scheme (“DETS”), directly impacting financial performance as inaction costs increases Changes in infrastructure and building codes under the new Climate Change Act in Malaysia 	<ul style="list-style-type: none"> Increasing need for the Group to ensure full compliance to environmental regulations and improve sustainability performance 	Group
		Market	<ul style="list-style-type: none"> Increase in cost of raw materials and construction costs leading to higher property prices Increase in cost of water/wastewater treatment process leading to profit reduction Rise in fuel and energy prices 	<ul style="list-style-type: none"> Impact on the Group’s financial performance 	Group
Reputation		Increase in stakeholder pressure – stakeholders look for companies that operate responsibly and sustainably to reduce the impact to the environment	<ul style="list-style-type: none"> Increasing need for the Group to improve sustainability performance to maintain license to operate 	Group	
Opportunities	Transitional	Market	<ul style="list-style-type: none"> Opportunity to leverage on emissions trading schemes (“ETS”) to establish competitive advantage by reducing the group’s carbon emissions 	<ul style="list-style-type: none"> Increasing need for rapid decarbonisation to create new profit opportunities 	Group
			Opportunity to collaborate with institutions or higher learning to develop innovative technology that can contribute to the mitigation and adaptation to climate change	<ul style="list-style-type: none"> Increased corporate value and revenue from expanded collaborations 	Group
		Products & Services	Rapid growth in renewable energy sector due to global clean energy transition	<ul style="list-style-type: none"> Opportunity to expand renewable energy-related business as demand for renewable energy facilities increases 	Inergist

Sustainability Statement

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Green House Gas (GHG) Emission Management

Effective climate actions require reduction of our carbon footprint. Accelerating the transition to clean and sustainable growth is an opportunity to create value for our stakeholders and help make life better for everyone.



Our Target

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



Performance in FY 2021

Achieved a reduction of 37.89% in carbon emissions intensity.

*excluding carbon emissions data from JREMT

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

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

We measure and track our carbon emissions at our offices and subsidiaries, with the base year of 2019. Due to the pandemic and the surge of demand for gloves, our newly acquired healthcare division, JREMT, contributes the most to the Group's carbon emissions. The division has started to reduce its carbon emissions by investing in more energy efficient equipment.

In FY 2021, we continue to measure and report our direct carbon emissions (Scope 1) and Energy Indirect (Scope 2) GHG emissions across our Group. Moving forward, we plan to monitor our Indirect (Scope 3) GHG emission upon business travels resumption, in order to help us deepen our understanding of our carbon footprint.

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

	CO ₂ emissions (MT equivalent) FY 2019 (base year)		CO ₂ emissions (MT equivalent) FY 2020		CO ₂ emissions (MT equivalent) FY 2021	
	Petrol	Diesel	Petrol	Diesel	Petrol	Diesel
Administrative Offices						
HQ	217,756.11	131,891.12	159,837.24	121,453.46	137,381.30	95,883.88
Envitech	103,715.92	61,947.67	85,718.62	39,655.80	76,262.38	41,589.83
SPS*	-	20,159.76	589.15	-	-	-
Eco-Coach	-	2,891,297.15	-	2,454,854.37	-	1,827,889.37
Green Fleet	-	712,086.73	-	612,607.29	-	388,559.48
Total	321,472.03	3,817,382.43	246,145.01	3,228,570.92	216,646.68	2,353,922.56
Total CO₂ emission (MT)	4,138,854.46		3,474,715.93		2,570,569.24	

Note:

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

ii) Data for SPS not available for FY 2021 as it was disposed in 2nd half of last year.

Manufacturing Plant & Office

	CO ₂ emissions (MT equivalent) FY 2021	
	Petrol	Diesel
JREMT	24,199.75	95,054.66
Total CO₂ emission (MT)	119,254.41	

* As the measurement of the reduction intensity in the operations of glove manufacturing is different, the CO₂ emission data of JREMT will not be included in the Group's target.

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Scope 2 - CO₂ emissions (MT equivalent) from Electricity Consumption**Administrative offices:**

Administrative Offices	CO ₂ emissions (MT equivalent)		
	FY 2019	FY 2020	FY 2021
HQ	98.10	80.24	83.49
Envitech	51.71	58.20	50.32
SPS	6.39	5.55	n/a
VBT	31.56	31.92	25.23
Eco-Coach	38.11	51.78	37.14
Green Fleet	7.43	7.57	0.20
Total CO₂ emission (MT)	233.30	235.26	196.38

Note:

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

ii) Data for SPS not available for FY 2021 as it was disposed in 2nd half of last year.

Manufacturing Plant & Office	CO ₂ emissions (MT equivalent) FY 2021
	Total Electricity Consumption
JREMT	3,005,052.00
Total CO₂ emission (MT) (Scope 2)	2,085.51

* As the measurement of the reduction intensity in the operations of glove manufacturing is different, the CO₂ emission data of JREMT will not be included in the Group's target.

Projects Sites	CO ₂ emissions (MT equivalent)		
	FY 2019	FY 2020	FY 2021
KTU WTP	72.74	32.46	43.47
Langat 2 WTP	259.39	149.65	n/a
Langat Package 15 (4)	9.01	3.11	7.04
Telibong WTP	10.33	13.26	26.23
Langat CSTP	225.45	100.15	n/a
Ambathale Storm Water Pumping Station	7.68	13.81	0.25
Total CO₂ emission (MT)	584.60	312.44	76.99

Note:

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

ii) Data for Langat 2 WTP and Langat CSTP are not available as the project has been completed and handed over to authorities in FY 2021.

Total Carbon Intensity in FY 2021 (Scope 1 and 2) for admin offices: 2,570,765.62 MT

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Energy Management

Energy management & consumption is one of the largest sources of GHG emissions and as such, it is vital that we work to maximise energy efficiency to reduce our operational expenses and reduce our carbon footprint.



Our Target

To reduce energy consumption intensity by 50% on a per unit basis by 2026 from 2016 (base year) for administrative offices.



Performance in FY 2021

Achieved a reduction of 21.27% in energy consumption intensity.

**excluding energy consumption data from JREMT*

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

Key Initiatives in Pollution & Resources Management	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 at Administrative Offices:

Office	FY 2016 (base year)		FY 2019		FY 2020		FY 2021	
	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees	Electricity consumption (kWh)	No. of employees
HQ	147,368	124	141,359	238	115,623	220	120,298	194
Envitech	79,240	53	74,513	51	83,860	51	72,504	50
VBT	47,096	16	45,472	17	45,993	16	36,352	16
SPS	n/a	n/a	9,203	18	7,992	17	n/a	n/a
Eco-Coach	2,239	18	54,915	22	74,613	13	53,511	14
Green Fleet	n/a	n/a	10,713	2	10,905	3	293	1
Total	275,943	211	336,175	348	338,986	320	282,958	275
Energy consumption intensity per person (kWh)	1,307		966.02		1,059.33		1,028.94	

Note: * Data for SPS not available for FY 2021 as it was disposed in 2nd half of last year.

Energy Consumption at Project Sites:

Projects Sites	FY 2019 (kWh)	FY 2020 (kWh)	FY 2021 (kWh)
KTU WTP	61,592	47,317	62,630
Langat 2 WTP	373,756	215,631	n/a
Langat Package 15 (4)	12,980	4,478	10,151
Telibong WTP	14,884	58,818	37,800
Langat CSTP	324,861	144,314	n/a
Ambathale Storm Water Pumping Station	11,072	19,903	355

Note: * Data for Ambathale WTP was reported based on the energy consumption before it was disposed in 2nd half of last year.

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Energy Consumption at Manufacturing Plant & Admin Office:

	FY 2021 (kWh)	No. of glove produced/year
JREMT	3,005,052	176,969,367
Energy consumption intensity per 1,000 gloves produced (kWh)	16.98	

* Electricity consumption intensity in glove manufacturing operations is measured on a per 1,000 gloves basis.



Feature: Saving Energy via Steam Energy



Generation of steam energy by using wood biomass through combustion at JREMT

As part of JREMT’s initiative in reducing energy consumption, the glove production machines are partially powered by steam energy which is generated by wood biomass through combustion. The investment of steam energy system cost around RM500,000 which include the heat exchanger, flash jet pump and steam trap and is estimated to save the heating energy consumption.

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Biological Impact

We recognise the importance of maintaining the ecosystem and biodiversity across our project sites by reducing actions which adversely impact the environmental health.

Our biodiversity conservation practices are guided by the Group’s Green Policy, which promotes application of biodiversity conservation practices within our project area to reduce the loss of biodiversity in order to achieve a net positive biodiversity impact.

The initiatives in biodiversity 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

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Creating Sustainable Value through Partnerships

Sustainability is about creating sustainable value through collaborations, and we strive to establish partnerships with external organisations which are in alignment with our sustainability agenda to drive our sustainability initiatives and to reach out to our stakeholders.

Water Advocacy Amongst School Students


Partner: 

The Water Genius Challenge (“WGC”) is a continuation of our water conservation and advocacy efforts involving schools in the Klang Valley. The program is a 1.5 years long water-audit based competition, which aims to provide environmental education, empowering students to take action creatively, and to promote participation from everyone in schools.

Please refer to page 75 for more details on our WGC.



Beach Clean-up Initiative

Partner: 

Our beach clean-up initiative was organised in conjunction with our annual environment campaign, themed #wastereductionweek and in collaboration with Us For Ocean (“UFO”) and Majlis Perbandaran Kuala Selangor (“MPKS”). A total of 49 Salcon Berhad’s volunteers and family members participated in the beach clean-up initiative.

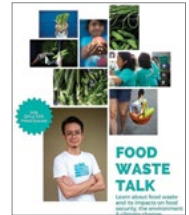
During the clean-up effort, over 310 kg of trash was collected at Pantai Remis in Jeram. The waste collected included plastic bottles and caps, plastic bags, cigarette butts, fragmented plastic pieces and food wrappers.



Raising awareness and actions on domestic waste

Partner: 

As part of our annual Safety and Health Campaign with the theme #wastereductionweek, a food waste and an e-waste talk was organised in collaboration with the Lost Food Project, a not-for-profit organisation dedicated to a sustainable future by rescuing ‘lost’ food and Karun Hijau, Malaysia’s Leading Digital Recycling Platform. The aim of the talks was to create awareness on the consequences of food waste, and the actions they can take in their daily lives as well as the current state of e-waste problem, and the importance of managing e-waste properly.



Promoting recycling movement in collaboration with Trash4Cash and Kloth Cares

Partner: 

As part of our effort to ensure efficient use of resources, we strive to promote a recycling culture in our office. In FY 2021, we have continued to encourage our employees to recycle and engaged Trash4Cash Sdn Bhd to collect our recyclables. We have in total recycled 946.9kg of paper, plastic, glass, reusable items, metal and electronic items.

We have also continued our effort on educating our people on fabric recycling initiative in collaboration with Kloth Malaysia, by setting up our Salcon Fabric Recycling Bin in the office since 2020, to encourage our people to recycle unwanted fabric. In FY 2021, we are proud to say that we have managed to collect 281.1 kg of fabric including pre-loved clothing, handbags, belts, linen and soft toys.



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SOCIAL CAPITAL

Enriching the Community

47

Salcon Cares Volunteers
Contributed 274 hours in Year 2021

RM255,905

spent for community development

Collected

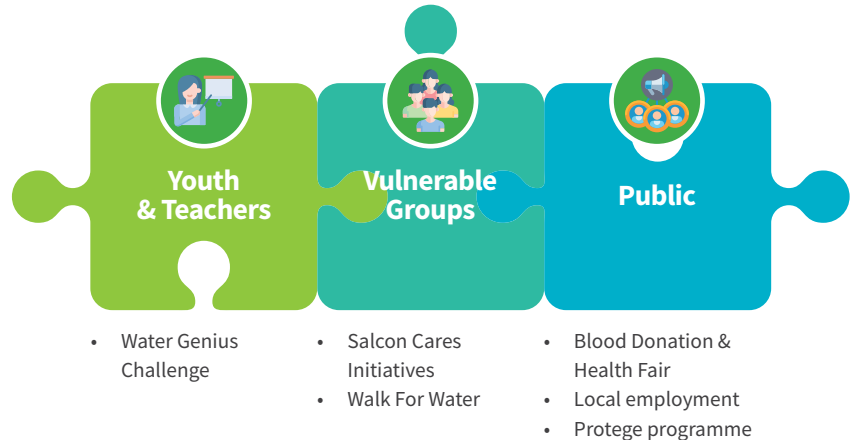
52

pints of blood through Annual Salcon Blood Donation Drive



At Salcon, community benefit and engagement play an integral part in our strategic plans as we believe that sustainable business growth occur when our communities grow alongside us.

Our community engagement is based on four (4) main approaches; Empowering Education, Community Outreach, Philanthropic Giving and Local Employment and is designed to benefit different level of community groups.



Empowering Education

Virtual learning - Water Genius Challenge

The Salcon Water Genius Challenge is organised in collaboration with **Water Watch Penang (“WWP”)** and supported by **Cap-Net**, a UNDP’s global network for capacity building development in sustainable water management. The programme kicked off in July 2020 with the participation of more than 120 students and teachers from 10 schools in the Klang Valley.

The 1.5 years long programme is aimed to produce long term outcomes in water stewardship practices by empowering school communities to take a proactive role to promote innovative and creative ways to reduce water consumption in their respective schools.

Through this programme, participating schools are required to fulfil a 7-Step process comprising conducting water audit,

establishing and executing action plan, integrating water related topics into various subjects in school, and progress and results carried out creatively in social media.

The finale of Water Genius Challenge was held on December 4th 2021 with SMK Damansara Damai 1 walking off with the grand prize through their commitment and efforts in spreading the water awareness through various initiative implemented for their school and communities.



Participants of SMK Damansara Damai 1 receiving the grand prize as the champion of Water Genius Challenge 2020/21

Sustainability Statement

SALCON BERHAD [200201026133 (593796-T)]

Community Outreach

12th Annual Blood Donation Drive

Despite the on-going COVID-19 pandemic and lockdowns, our 12th annual blood donation drive was successfully organised towards the end of the year with the support from National Blood Centre in Summit USJ.

Through this campaign, we registered 66 donors and successfully collected 52 pints of blood which translates to potentially saving 156 lives.

The event was also in collaboration with Subang Jaya Medical Centre which provided free health screening to all visitors at the mobile van outside the Summit USJ complex.



Salcon 12th annual blood donation drive was successfully organised despite the on-going COVID-19 pandemic and lockdowns

Walk for water- Kg Paya Lebar Orang Asli Community

This programme is part of our continuous effort in reaching out to a wider cross section of the community through our series of CSR initiatives organised throughout the year. It is a community engagement programme for the indigenous communities in Hulu Langat.

The Walk for Water Competition that participated by 39 volunteers walk with an objective to aid orang asli and underprivileged community to have continuous access to sustainable, clean water supply which is powered by solar panels.

The Walk for Water competition which launched in conjunction with World Water Day in March 22nd for the million steps challenge held virtually and successfully collected a total amount of 9,953,020 steps equivalence to RM 9,953.02.

8 volunteers together with Saora Industries visited the Orang Asli village and help to install water filter and conduct an awareness workshop on oral hygiene and clean water for the villagers.



Children of Kg Orang Asli Paya Lebar taking turns to take filtered water from solar-powered water purification system installed by Salcon Berhad

Book Donation

This year, we collaborated with the Budimas Charitable Foundation, a Non-Governmental and Non-Profit Organisation with the mission of providing guidance and funding in support of the welfare and the well-being of orphans and underprivileged children in Malaysia to collect preloved books from our employees. All donated books were channelled to the Budimas Children's Library, a community centre and an education space for Orang Asli community across region.

Philanthropic Giving

Salcon Cares Initiative

Under the "Salcon Cares" Community Outreach programme, the company launched its initiative to provide relief to the communities facing adverse impacts due to the COVID-19 pandemic. Close to RM23,000 was fund raised, with the Company matching every donation from generous Salcon's employees, which amounted to approximately RM11,500.

The funds were channelled to aid and benefit communities where Salcon is operating in.

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Salcon Cares Initiative in Sandakan



Collaborated with MAPIM (Mimbar Permuafakatan Ibu Bapa Malaysia)
Distributed **100 food packages**

Salcon Cares initiative in Langat



Collaborated with Badan Kebajikan Penduduk Taman Seri Keramat
Distributed **50 food packages**

Salcon Cares initiative with Pertubuhan Kebajikan Warga Emas Kenang Budi



Donated **Groceries & Medical worth RM5,000**

Back To School Programme



Giving out school supplies to students from Sekolah Kebangsaan Sri Subang Jaya

The Group contributed school supplies and uniforms to 42 students from B40 household at SK Sri Subang Jaya. The Back to School programme is aim to help ease the burden of the parents and to ensure that these students have a positive and meaningful back-to-school experience by equipping them with essential supplies.

Contribution to needy groups

In FY 2021, the Group donated more than RM12,000 to various charity homes namely Pertubuhan Orang Buta Malaysia, Skwad 69 PDRM Sabah, Pertubuhan Penderma Darah Malaysia, and Malaysia Innovation, Invention & Creativity Association.

As part of its ongoing commitment to support Malaysians hit by one of its worst floods in decades, the Group donated RM200,000 to the Selangor State Government to aid disaster relief and recovery efforts in December 2021.

Local Employment

Our commitment to supporting and developing local communities is not only limited to the various corporate social responsibility (CSR) initiatives in our area of operations but also creating sustainable employment opportunities to local communities.

In line with our commitment to SDG 8: Decent work and economic growth, we provide employment opportunities to the local community where we operate in to drive the local economy.

Internship opportunities

The Group continues our long-standing commitment towards growing our graduate talent pool by offering a protégé programme for fresh graduates.

The programme focuses on elevating participants’ skills, knowledge and real-life working experience, with the ultimate goal for these graduates to build a strong foundation for a successful future. To date, Salcon has successfully trained 9 protégé and look forward to benefit more graduates in the near future.

MOVING FORWARD

Guided by our Sustainability Framework, we will continue to focus on managing our 5 pillars i.e. business growth, leadership & governance, human capital management, environment protection and community outreach, to maximise positive outcomes that are strategic to our sustainable growth.

Board of Directors

SALCON BERHAD [200201026133 (593796-T)]



From dedicated and strong board members to experienced senior management team, strength in diverse experiences and a wide breadth of knowledge in the industries we are invested in. The team is accountable to our shareholders for the responsible conduct of our business and to sustain the long-term growth of the Company by delivering profitability and a healthy economic performances.



85.7% Male | 14.3% Female



57.1% in 5-11 years | 42.9% in < 5 years



TAN SRI ABDUL RASHID BIN ABDUL MANAF

Chairman, Independent
Non-Executive Director

Male | 75 | Malaysian

Appointed to the Board:

2 January 2019

Number of Board Meeting Attended during FY 2021:

5/5

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Male | 64 | Malaysian

Appointed to the Board:
1 January 2010

**Number of Board Meeting
Attended during FY 2021:**

5/5



Male | 68 | Malaysian

Appointed to the Board:
1 January 2010

**Number of Board Meeting
Attended during FY 2021:**

5/5



Female | 61 | Malaysian

Appointed to the Board:
30 December 2019

**Number of Board Meeting
Attended during FY 2021:**

5/5

Board of Directors

SALCON BERHAD [200201026133 (593796-T)]



Male | 63 | Malaysian

Appointed to the Board:
2 July 2018

**Number of Board Meeting
Attended during FY 2021:**

5/5



Male | 66 | Malaysian

Appointed to the Board:
3 January 2011

**Number of Board Meeting
Attended during FY 2021:**

5/5



Male | 58 | Malaysian

Appointed to the Board:
17 December 2014

**Number of Board Meeting
Attended during FY 2021:**

5/5

Board of Directors' Profile

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TAN SRI ABDUL RASHID BIN ABDUL MANAF

*Chairman, Independent
Non-Executive Director*

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 75, male, was appointed to the Board of Salcon Berhad ("Salcon") as Chairman on 2 January 2019.

Tan Sri Abdul Rashid read law at Middle Temple, London, England and returned to Malaysia in 1970 as a Barrister-at-law.

Tan Sri Abdul Rashid is now a full-time businessman. Before venturing into business, he was a senior partner in a legal firm in Kuala Lumpur until his retirement on 24 August 2006. He joined the Malaysian Judicial and Legal Service in 1970 and was appointed as a Magistrate at Kuala Lumpur until 1973. He was later made the President of the Sessions Court in Klang. In 1975, he became the Senior Federal Counsel for the Income Tax Department. His services with the Government came to an end in 1977 when he left to join private practice and venture into business.

Tan Sri Abdul Rashid was the Chairman of the Board of S P Setia Berhad from 1996 until 2012. He was also the Group Chairman of Cahya Mata Sarawak Berhad from October 2018 to September 2021.

Tan Sri Abdul Rashid is currently the Founder and Non-Independent Non-Executive Director of Eco World Development Group Berhad and Chairman, Independent Non-Executive Director of Perak Corporation Berhad.

TAN SRI DATO' TEE TIAM LEE

Executive Deputy Chairman

Tan Sri Dato' Tee Tiam Lee, aged 64, male, was appointed to the Board of Salcon on 1 January 2010.

Tan Sri Dato' Tee has an extensive career and has vast experience in various industries including insurance, water engineering/treatment, hotel management, property investment, timber industries and oil palm plantation business.

He began his career in insurance in 1976 after finishing his secondary education and has more than 30 years experience in this industry to-date.

Tan Sri Dato' Tee is a director of Salcon Engineering Berhad and also a Director of several private limited companies including Tabir Arena Group of Companies, Jouta Plantation Sdn Bhd and Evergreen Comfort Sdn Bhd, which deal in oil palm plantation business in the east coast of West Malaysia.

He is the Chairman of The Mines Residents Association ("MRA") and is also the Adviser/Director of the Chinese Chamber of Commerce in Terengganu since 1995.

Currently, Tan Sri Dato' Tee is also a Committee Member of Malaysia-China Chamber of Commerce ("MCCC"), the Founder-Member of The Federation of Malaysia Chinese Guilds Association and The Federation of Hokkien Association of Malaysia. Tan Sri Dato' Tee is also the Eminent Member of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCIM").

DATO' LEONG KOK WAH

Executive Director

Dato' Leong Kok Wah, aged 68, male, was appointed to the Board of Salcon on 1 January 2010.

He holds a Master's degree in Business Administration ("MBA") from University of Hull, United Kingdom ("UK") and is a member of Institute of Bankers ("UK"), Institute of Credit Management ("UK"), Institute of Marketing ("UK") and Asian Institute of Chartered Bankers ("AICB") (formerly known as Institute of Bankers Malaysia).

Dato' Leong has an extensive career and held senior positions in the banking industry. He has vast experience in stock broking, asset management and futures and options trading. He sits on the Board of various companies in Malaysia. He was formerly a Director of S P Setia Berhad.

Dato' Leong is a Non-Independent Non-Executive Deputy Chairman and shareholder of Eco-World Development Group Berhad.

Dato' Leong is a member of Risk Management Committee and Sustainability Committee of the Company.

Board of Directors' Profile

SALCON BERHAD [200201026133 (593796-T)]

**DATIN GOH
PHAIK LYNN**

**DATO' ROSLI BIN
MOHAMED NOR**

*Non-Independent
Non-Executive Director*

*Independent
Non-Executive Director*

Datin Goh Phaik Lynn, aged 61, female, was appointed to the Board of Salcon on 30 December 2019.

Datin Goh holds a Master of Science and Bachelor of Science Econ from London School of Economics UK.

Datin Goh has extensive experience and an illustrious career in the Corporate Banking sector. She was the General Manager, Head of Corporate Banking and Investment Division of Ban Hin Lee Bank and a member of the Board of BHLB Pacific Trust Management Bhd (Unit Trust company) and BHLB Asset Management Bhd during her tenor with the bank from 1983 to 2000.

Datin Goh is also involved in various charity projects. She is a member of the Owen-Baden Powell Society and a member of the Board of Governors of Convent Bukit Nanas Kuala Lumpur.

Datin Goh is a member of the Audit Committee of the Company.

Dato' Rosli Bin Mohamed Nor, aged 63, male, was appointed to the Board of Salcon on 2 July 2018.

Dato' Rosli graduated with a Bachelor of Science in Civil Engineering from Brighton Polytechnic (now known as Brighton University), United Kingdom.

Dato' Rosli has built a long and steady career in construction, trading and property development. He was a design engineer at Engineering and Environmental Consultants Sdn Bhd and a project manager at United Engineers (M) Bhd before starting his own construction business. His companies have undertaken construction of various projects including highways, LRT tunnels, water reservoirs and rail lines. He then moved on to other new businesses in property development and mining.

Dato' Rosli was formerly an Independent Non-Executive Director of Export-Import Bank of Malaysia Berhad. He had served a period of nine (9) years from 2009 to 2018, longest on record for a developmental financial institution.

Dato' Rosli is currently an Independent Non-Executive Director, Chairman of Audit & Risk Management Committee and Remuneration Committee of Econpile Holdings Berhad. He also sits on the board of ADS Sentral Sdn Bhd, a subsidiary of TRC Synergy Berhad and KMK Plus Sdn Bhd, the later being his privately owned construction firm. He is also the Corporate Advisor to Hassan (Cambodia) Co. Ltd. a prominent shopping mall developer in Cambodia.

Dato' Rosli is the Chairman of the Sustainability Committee, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He also appointed as the Advisor-Climate Change to oversee climate risks and mitigation plans for the Group.

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DATO' CHOONG MOH KHENG

*Independent
Non-Executive Director*

Dato' Choong Moh Kheng, aged 66, male, was appointed to the Board of Salcon on 3 January 2011.

He holds a Bachelor of Science (Honors) Civil Engineering from Manchester University, United Kingdom and obtained his post-graduated degree in Master of Business Administration from Golden Gate University, San Francisco, United States of America.

Dato' Choong has an extensive working experience in both Civil and Building works include Astrid Meadows luxurious Condominium Project, Singapore (\$55.1 million), Gleneagles Hospital Extension, Singapore (\$150 million) and North-South Interurban Toll Expressway, Sungkai to Slim River, Perak (RM332 million).

Dato' Choong is currently the Managing Director of Pembinaan Punca Cergas Sdn Bhd ("PPC"). He is also the founder director and Joint Managing Director of PPC group of companies. His active involvement in the industry includes being the Honorary Treasurer of the Road Engineering Association of Malaysia (REAM).

Dato' Choong is a member of Nomination Committee and Remuneration Committee of the Company.

CHAN SENG FATT

*Senior Independent
Non-Executive Director*

Chan Seng Fatt, aged 58, male, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

Mr Chan has an extensive career exposure spanning more than 30 years covering various aspects of experience namely external and management auditing, financial management, corporate finance, stockbroking and senior level operation and general management.

Mr Chan has held several senior positions in various private and public companies. He joined Multi-Purpose Holdings Berhad in 1998 as the Internal Auditors for 3 years before serving Asian Pac Holdings Berhad from 1991 to 1993 as the Group Accountant. From 1993 to 1997 he was the Financial Controller for Pengkalen Securities Sdn Bhd and later appointed as the General Manager of Halim Securities Sdn Bhd in 1997 before joining K&N Kenanga Berhad in 1999 as a Remisier. Mr Chan Seng Fatt was the Chief Financial Officer for Johore Tenggara Oil Palm Berhad from 2001 to 2002. He then joined Tradewinds Group in 2003 as the Senior General Manager, Finance of Tradewinds (M) Berhad and was promoted to Chief Financial Officer in 2004. He was then posted to Tradewinds Plantation Berhad as the Acting Chief Executive Officer cum Chief Financial Officer in 2006. Thereafter, he was promoted to Chief Executive Officer of Tradewinds Plantation Bhd in Oct 2007 and held the position till Dec 2012. Mr Chan was an Independent Non-Executive Director of Comfort Gloves Berhad from 16 March 2020 till 31 March 2021.

Mr Chan is currently an Independent Non-Executive Director and the Chairman of Audit Committee of Fitters Diversified Berhad and Star Media Group Berhad.

Mr Chan is the Chairman of Audit Committee, Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. He is also the Senior Independent Director of the Company.

Notes:-

1. All Directors are Malaysian.
2. There is no family relationship between the Directors and/or major shareholders of the Company except for Datin Goh Phaik Lynn, who is a director and major shareholder of the Company is the spouse of Dato' Leong Kok Wah.
3. None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
4. None of the Directors has been convicted for offences (other than traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

Key Senior Management's Profile

SALCON BERHAD [200201026133 (593796-T)]

LEONG YI SHEN

Chief Financial Officer | Male | 31 | Malaysian

Date of first appointment to key senior management position:

20 August 2021

Name of Company:

Salcon Berhad

Qualification (s):

- Bachelor of Commerce (Accounting and Finance) from The University of Melbourne.
- Victorian Certificate of Education from Scotch College, Melbourne.

Professional Qualification

- Chartered Accountants (Malaysia)
- CPA Australia

Working Experience (s):

Leong Yi Shen started his career as an Associate in CIMB Investment Bank under "The Complete Bankers" Program in 2012 and then continued his career in CIMB Commercial Banking until 2017.

Leong Yi Shen then joined Salcon Berhad under its travel-related subsidiary, Salcon Xinlian Sdn Bhd and has since become more active in the Group level as Vice President, Group Strategy & Strategic Investments, Finance. He oversees a portfolio of investments on behalf of the Group and was involved in carrying out financial due diligence on acquisitions for the Group. He also heads the Renewable Energy division within the Group.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

Leong Yi Shen is the son of Dato' Leong Kok Wah and Datin Goh Phaik Lynn who are the directors and major shareholders of the Company.

Save as disclosed above, Mr Leong Yi Shen does not have any family relationship with any Director and/or major shareholder of the Company.

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

JAMILUDDIN AMINI BIN SULAIMAN

Chief Operating Officer | Male | 54 | Malaysian

Date of first appointment to key senior management position:

29 June 2010

Name of Company:

Salcon Engineering Berhad

Qualification (s):

- Bachelor of Science (Chemical Engineering), Brown University, Rhode Island, USA.

Working Experience (s):

Jamiluddin Amini Bin Sulaiman has been involved in the engineering and construction of various water treatment plants and water supply projects in the past 31 years, which include project management, design, procurement, construction, commissioning, operation and maintenance.

After graduation, he started his career as Environmental Analytical Chemist, followed by Project Engineer with environmental engineering companies in the United States. He was primarily involved in developing technology for hazardous wastewater control under USEPA SBIR program and operating an inorganic testing laboratory in conducting various tests on water, wastewater, soil and sludge. Upon returning to Malaysia, he joined a local engineering consulting firm and was tasked to carry out detailed engineering studies, preparation of design, tender documents/drawings and supervision of contracts in connection with the rehabilitation of 14 water treatment plants in Johor.

He later joined Salcon in 1996 as Senior Project Engineer, assigned to lead a construction team in Sg. Selangor Water Supply Scheme Phase 2. In 1999, he became Head of Engineering and subsequently moved up to become General Manager, Director of Project, Director of Engineering & Proposal and assumed the present position in January 2021. He currently oversees the overall operation of various divisions and departments of the company in water and wastewater sectors.

Directorship in public companies and listed companies

Salcon Engineering Berhad

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

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LEE THIM LOY

Managing Director | Male | 73 | Malaysian

Date of first appointment to key senior management position:

30 August 1984

Name of Company:

Envitech Sdn Bhd

Qualification (s):

- Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971.
- Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973.
- A Registered Professional Engineer with Practising Certificate from the Board of Engineers, Malaysia.
- Member of the Institution of Engineers, Malaysia.

Working Experience (s):

Mr. Lee Thim Loy has more than 48 years of experience in the wastewater industry. His experience ranges from design and construction of network pumping stations, oxidation ponds, aerated lagoon system, rotating biological contactors, oxidation ditches, extended aeration activated sludge system, and intermittently decanted extended aeration (IDEA) activated sludge treatment system for sewage treatment.

Mr. Lee's portfolio includes involvement in several Sewerage Master Plans and Feasibility Studies for the Townships in Shah Alam, Seremban and Bintulu in Malaysia. His capabilities extend into the treatment of palm oil wastes besides related environmental consultancy for industrial effluent surveys, wastewater flow analyses and wastewater feasibility studies.

Mr. Lee's noteworthy experience includes as a Principal Investigator in the Palm Oil Waste Treatment Project in Malaysia and in Thailand, a project sponsored by the International Development Research Centre, Canada, and undertaken by the Asian Institute of Technology, Bangkok, in association with the Department of Environment, Ministry of Science, Technology and Environment, Malaysia from 1979 to 1981.

Mr. Lee's latest experience serves as one of the Project Directors in the design, supply, installation, testing and commissioning of the mechanical and electrical equipment for the Langat Centralised Sewage Treatment Plant catering for a population equivalent of 920,000 persons or sewage flow rate of 207,000 m³/ day.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

LOW BENG PEOW

Executive Director | Male | 75 | Malaysian

Date of first appointment to key senior management position:

30 August 1984

Name of Company:

Envitech Sdn Bhd

Qualification (s):

- Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971.
- Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973.
- A Registered Professional Engineer with practising certificate in the branch of Environmental Engineering with the Board of Engineers, Malaysia.
- Fellow of the Institution of Engineers Malaysia.
- A Qualified Person under Suruhanjaya Perkhidmatan Air Negara (SPAN).

Working Experience (s):

Mr. Low Beng Peow, has been in the environmental engineering industry for more than 41 years. His experience covered the study, design, construction, implementation and management of sewerage system including sewage treatment plants, pumping stations and sewer networks.

Mr. Low's noteworthy experience includes involvement in the multi-million ringgit Greater Kuala Lumpur Sewerage Project financed by the International Bank for Reconstruction and Development in year 70's, and successful completion of not less than 400 projects since the incorporation of Envitech Sdn Bhd in year 1984.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

Key Senior Management's Profile

SALCON BERHAD [200201026133 (593796-T)]

DATO' MOHAMMAD HAKIM LOW BIN ABDULLAH

Chief Executive Officer | Male | 58 | Malaysian

Date of first appointment to key senior management position:
May 2014

Name of Company:

Volksbahn Technologies Sdn Bhd

Qualification (s):

- Bachelor of Business Administration and International Marketing from Eastern Michigan University US.

Working Experience (s):

Dato' Mohammad Hakim Low Bin Abdullah has more than 21 years of Telco Industry experience in senior positions with Malaysian and International Companies such as Wembley Industries, Lucent Technologies, Sapura Digital, Commverge Solutions and KargoCard. In his various commercial roles, he spearheaded the introduction and boost of sales for new products and services for the telecommunication and consumer industry.

Besides being the Managing Director and Co-Founder of Volksbahn Technologies Sdn Bhd, he sits on the Board of Directors of various companies as a strategic and commercial advisor.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

VERGIS MATHEWS A/L V V MATHEW

Chief Executive Officer | Male | 61 | Malaysian

Date of first appointment to key senior management position:
1997 - Managing Director

Name of Company:

Eco-Coach & Tours (M) Sdn Bhd

Qualification (s):

- ACCA (UK Variance)

Working Experience (s):

Vergis Mathews has extensive career experience in various industries including transportation or logistic business for more than 21 years, film production, advertising and marketing, and audit and corporate tax.

Vergis Mathews was an Associate partner in Paul Charles & Associates from 1 February 1980 to 30 June 1986 before leaving for Coopers & Lybrand, London, United Kingdom as Audit Senior from 1 July 1986 to end 1991. He then joined the film production industry from 1 March 1992 to 30 March 2000 as Finance and Business Development Director.

In year 1997, he was appointed as Managing Director of Eco-Coach & Tours (M) Sdn Bhd to the Fleet Operation and seconded by Petronas NGV to assist the Chairman of Commonwealth Games 1998 Rt. Gen. Tan Sri Hashim Ali on the logistic coordination and needs for 2000 unit/fleet vehicles XVI Kuala Lumpur, 1998 Commonwealth Games.

Directorship in public companies and listed companies

The Asia Nature Conservation Berhad

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

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GANESAN A/L SUBRAMANIAM

Managing Director | Male | 59 | Malaysian

Date of first appointment to key senior management position:

June 2001

Name of Company:

JR Engineering And Medical Technologies (M) Sdn Bhd

Qualification (s):

- Diploma in Mechanical Engineering from Bradford Technical College Kuala Lumpur in 1986.

Working Experience (s):

Ganesan ventured into the glove manufacturing business in 1991 when he joined Brightway Holdings Sdn Bhd and was the General Manager when he left in 2001. He has more than 30 years of experience in the glove manufacturing industry as well as expertise in the design, engineering, construction of gloves dipping lines, quality control system and management in the wastewater treatment plant and boilers.

Ganesan founded JR Engineering And Medical Technologies (M) Sdn Bhd in 2001 and has been the Managing Director after the incorporation.

Ganesan has vast experience and knowledge in setting up of glove dipping plants and know-how technical application and inputs for plants set-up. He has advised several glove companies both locally and abroad on the setting up of gloves dipping plants.

Directorship in public companies and listed companies

NIL

Any family relationship with any director and/or major shareholder of Salcon Berhad

NIL

Any conflict of interests with Salcon Berhad

NIL

Other than traffic offences, the list of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.

NIL

Corporate Governance Overview Statement

SALCON BERHAD [200201026133 (593796-T)]

The Board of Directors (“the Board”) of Salcon Berhad (“Salcon” or “the Company”) presents this statement, to provide all stakeholders, with an overview of the Corporate Governance (“CG”) practices (“Practices”) of the Company for the financial year ended 31 December 2021 (“FY 2021”). This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance revised on 28 April 2021 (“MCCG”).

COMMITMENT FROM THE BOARD

The Board recognises the importance of maintaining a high standard of CG practices within Salcon and its subsidiaries (“Group”). Good CG practice is essential to sustain the Group in the long-run, and the Board sees that as an integral part of the Group’s business strategy. By setting up a correct governance framework and parameters, the Board believes that a culture of integrity, transparency and accountability will automatically flow-throughout the Group. Besides, sound CG practices are primary to the smooth, effective and transparent operations of the Company; enabling the Company to attract investments, protect and enhance shareholders’ value.

The Board will continuously review and evaluate the Group’s CG practices and procedures, with a view to adopt and implement the best practices.

COMPLIANCE WITH MCCG

The Company has complied with the practices while applying the main principles of the MCCG for the FY 2021 except for the following:

- Practice 5.3 (To provide justification and seek annual shareholders’ approval through a two-tier voting process for the purpose of retaining the independent non-executive who serves for a cumulative term of more than nine (9) years which is applied to general meeting held after 1 January 2022)
- Practice 5.9 (The Board comprises at least 30% women directors)
- Practice 5.10 (The Board disclosure in its annual report the company’s policy on gender diversity for the board and senior management)
- Practice 8.2 (The Board discloses on a named basis the top five (5) senior management’s remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM 50,000)
- Practice 9.2 (The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee)

The Corporate Governance Report provides detailed disclosures on whether and how the Company has applied the Practices, as set out in the MCCG, for the FY 2021.



The report is available at https://salcon.listedcompany.com/misc/aggm/CG_Report_2020.pdf

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

BOARD RESPONSIBILITIES

The primary role of the Board is to protect and enhance shareholders’ value. It sets the overall strategy for the Group and supervises the execution by the Management.

In order to create and promote clear understanding of the functions of the Board and Management; a Board Charter, which clearly sets out these functions, has been developed.

To facilitate effective management, certain functions of the Board have been delegated to various Board Committees, which reviews and make recommendations to the Board on specific areas. There are currently five (5) Board Committees appointed by the Board, namely:



The roles and responsibilities of the Board and Management are adequately established and communicated to ensure accountability. Management is responsible for the day-to-day operations of the Group’s activities and for achieving corporate objectives and goals, set by the Board.

Although specific powers had been delegated to the Board Committees, the Board keeps itself abreast with relevant key issues and decisions via presentations of Board Committee’s reports and minutes of meetings.

Additionally, the responsibilities of the Executive Directors (“EDs”) are also set out in the Board Charter. The Board will periodically review the Board Charter and Terms of References (“TORs”) for the respective Board Committees and make necessary amendments to

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ensure consistency with the Board objectives, and relevant rules and regulations of the various authorities.

The latest review of the Board Charter was conducted in November 2021 and the updated Board Charter and TORs for the respective Board Committees are available on the Company's website at www.salcon.com.my.

There is a clear division of responsibilities to ensure balance of authority and power, as the roles of the Chairman and the EDs are distinct and separate. The Chairman of the Board, Tan Sri Abdul Rashid bin Abdul Manaf, is an Independent Non-Executive Director ("INED") who leads the Board with dedication and focuses on the compliance and good corporate governance practices. The duties and responsibilities of the Board, Chairman and EDs are clearly established and set out in the Board Charter.

The Chairman of the Board is not a member of the AC, NC, RC, SC and RMC. Thus, there is a clear and distinct division of responsibilities between the Chairman of the Board and the Committees to ensure there is an appropriate balance of power, division of roles, responsibility and accountability as well as objective review by the Board while deliberating on the observations and recommendations tabled by the Board Committees. Additionally, the Chairman of the Board also ensures that the Board Committees' meetings are conducted separately from the main Board's meetings to enable objective and independent discussion during the meetings.

The Board is supported by two (2) suitably qualified and competent Company Secretaries. All members of the Board have access to the advice and services of the Company Secretaries on all secretarial matters relating to the Group, to assist them in exercising their duties. The Board is satisfied with the performances and supports rendered by the Company Secretaries, in assisting the Board, in the discharge of their duties. The Board is regularly updated and kept informed of the requirements issued by regulatory authorities, including the latest developments in the legislations and regulatory framework affecting the Group.

The Board has adopted and implemented a Code of Ethics and Conduct ("COEC") throughout the Group since 2010. The COEC applies to all employees including Directors, and adheres to a high ethical standard of integrity, objectivity, confidentiality and competency; while complying with all applicable laws and regulations that govern the Group's businesses and activities. The COEC emphasises ethical conduct in all aspects of the Groups' activities including conflicts of interests, privacy and confidentiality of information. The COEC also sets out prohibited activities or misconducts; such as acceptance of gifts, corruptions, dishonest behaviour, sexual harassment, etc.



The COEC is available on the Company's website, [https://salcon.listedcompany.com/misc/COEC\(revised_Dec_2019\).pdf](https://salcon.listedcompany.com/misc/COEC(revised_Dec_2019).pdf)

In order to support the principle of zero tolerance on any form of bribery or corruption, whether direct or indirect, by or of its stakeholders and to comply with Section 17A of Malaysian Anti-Corruption Commission Act 2009, an Anti-Bribery and Anti-Corruption Policy ("ABAC") has been adopted and implemented by the Group in 2020. This is to ensure the Group has in place adequate procedure to prevent and detect bribery and corruption.

The ABAC applies to all employees of the Group including directors and officers, any third party who performs services for or on behalf of the Group and joint-venture entities of Salcon.



The ABAC is available on the Company's website, <https://www.salcon.com.my/investor-relations/corporate-governance.html>

A whistle-blowing reporting procedure, which encourages transparency and accountability within the Group, is also in place.

The Whistle-blowing Policy ("WBP") established in 2012, provides an avenue for all employees, vendors, contractors, suppliers, consultants, customers and stakeholders to raise their concerns about any improper conduct within the Group, without fear of retaliation and to offer protection for the individual who report such allegations. Any employee or stakeholder, who is aware that any improper conduct has been, is being, or is likely to be committed; is encouraged to report directly to the AC Chairman, via email to chansf8@yahoo.com.



The WBP is available on the Company's website, https://salcon.listedcompany.com/misc/Whistle_Blowing_Policy.pdf

For FY 2021, the Company did not receive any report or complaint of misconduct and corruption from employees, management, public or stakeholders.

The Company is committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment by integrating economic, environmental and social considerations into corporate value creation strategies and performance.

Corporate Governance Overview Statement

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The Board recognised the importance of managing and nurturing a sustainable and profitable business will contribute positively to the communities and sustains the environment. The Board, assisted by the SC and Sustainability Working Group (“SWG”); drive the integration of sustainability strategy into Salcon’s business plans, monitor, review and evaluate sustainability performance, oversee the sustainability risks and opportunities from business activities and ensure implementation of appropriate policies, procedures and controls, in order to create sustainable value over the long-term to the shareholders.

Details of the sustainability management framework, material sustainability issues and activities carried out, are set out in the Sustainability Statement on pages 44 to 77 of this Annual Report.

BOARD COMPOSITION

During the financial year under review, the Board comprises four (4) Independent Directors and three (3) Non-Independent Directors. Thus, the Board’s composition has complied with the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) for Independent Non-Executive Directors to make up at least one third (1/3) of the Board membership. With this existing composition, the Board has further fulfilled MCGG Practice 5.2; whereby at least half of the Board’s composition comprises Independent Directors.

The Company’s Constitution provides that one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire from office at the conclusion of the Annual General Meeting (“AGM”) in every year provided always that all Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

For the forthcoming AGM, Tan Sri Abdul Rashid bin Abdul Manaf and Dato’ Rosli bin Mohamed Nor will retire pursuant to Clause 76(3) of the Company’s Constitution, and being eligible, offer themselves for re-election.

NOMINATION

The selection and appointment of a new member of the Board and Board Committees are made only with the recommendations from the NC.

In evaluating potential candidates for the appointment to the Board, the NC will identify the set of the criteria of the candidates, based on their characters, experiences, skills, competencies, knowledge, gender, age, potential contribution and time commitment.

During the FY 2021, the NC had assessed the performance and contribution of the directors who subject for re-election in the 18th AGM i.e. Dato’ Leong Kok Wah and Mr Chan Seng Fatt and was satisfied with their performance before making recommendation to the Board for consideration.

The Board is satisfied with the Board’s composition, as the Directors are professionals in the fields of construction and engineering, finance and accounting, banking, legal, insurance, hotel management, science economic and property investment.

The Board has through the NC assessed the training needs of each director on an annual basis and recommended the relevant trainings to each Director for their participation. The NC is satisfied that the Directors have attended trainings to enable them to discharge their duties. Details of trainings attended by the Directors for the FY 2021 are set out under “Additional Compliance Information” under page 99 of this Annual Report.

A formal evaluation, in the form of self and peer evaluation, are conducted each year by the NC, to assess the effectiveness of the Board, its committees and individual Directors. The NC had on 24 February 2022 conducted the Board and/or Board Committees performance evaluations for 2021, with the assistance from the internal secretarial team. The areas being reviewed including Board composition and skill matrix of respective Directors, Board’s responsibilities, independence of the Independent Directors, integrity in dealing with potential conflict of interest situation; and performances of the Company’s Senior Management. Subsequent to the reviews/evaluations, the outcome was summarised and recommended to the Board for review and notation.

Based on the results/outcome of assessment, the Board is satisfied with the performances of the Board, Board Committees, individual Directors and Senior Management; including the level of independence of all INEDs and their abilities to act in the best interests of the Company, during deliberations at the Board and Board Committee meetings.

REMUNERATION

The Board via the RC, establishes and implements the Remuneration Policy for Directors and Senior Management. The RC is responsible to review the policy from time to time; to ascertain that the policy remains competitive and is in alignment or parallel with market practices. Thus, the Company will be able to attract, retain and motivate the Directors and Senior Management.

Detailed information on the Directors’ remuneration packages for FY 2021 on a named basis, are disclosed under “Additional Compliance Information” under page 99 of this Annual Report.

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The Company has, for FY 2021, departed from Practice 8.2 of the MCGG which requires disclosures of the remuneration of the top five Senior Management personnel on a named basis in bands of RM50,000 as the Board is of the view that such information, if disclosed, raises personal security concerns on the part of the Senior Management personnel and could result in employee poaching by competitors. The alternative form of disclosures is set out in the CG Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**AUDIT COMMITTEE**

The AC takes on the role of assisting the Board in discharging its fiduciary duties, the responsibility of overseeing the financial reporting process and ensuring that the results are fairly presented in the financial statements.

The AC has complied with Paragraph 15.09 and Paragraph 15.10 of the Listing Requirements. Besides, the Board also adopted Practice 9.1 of the MCGG which requires that the positions of AC Chairman and the Board's Chairman to be held by two different individuals.

The Audit Committee Report details its composition, Internal Audit functions and activities carried out in FY 2021, are set out on page 93 of this Annual Report.

The effectiveness, performance and independence of the External Auditor ("EA") i.e. Messrs. KPMG PLT ("KPMG"), is reviewed annually by the AC. KPMG has provided their written assurance and confirmation of their independence to the AC that they are and have been independent throughout the conduct of the audit engagement for the FY 2021.

The AC had on 23 February 2021, reviewed the suitability and independence of KPMG, and is satisfied with the performances and independence of KPMG. Thus, the AC has recommended to the Board to table the re-appointment of KPMG, as EA for the following financial year at the 18th AGM for shareholders' approval. During the financial year, KPMG had attended two (2) out of five (5) AC meetings; to discuss their audit plan, findings and financial statements. KPMG further highlighted applicable matters that required the AC's attention, inclusive of remedial actions to be undertaken within an appropriate time frame.

During the FY 2021, the EA met the AC twice without the presence of the Executive Directors and employees, to provide objective feedback on any issues of concern and pertinent matters.

The AC has considered the provision of non-audit services by the EA and concluded that these services did not compromise with their independence and objectivity; as the amount of the non-audit fees paid as compared to the total audit fees, were insignificant. The audit and non-audit fees incurred for service rendered by the EA to the Group for the FY 2021 was RM614,000 and RM35,000 respectively.

The AC has further reviewed applicable related party transactions within the Group in order to ascertain those transactions were at arms-length, not detrimental to the interest of the minority shareholders and were in the best interests to the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible to establish a sound system of internal control and risk management framework. The Board, as assisted by the RMC and Risk Management Working Group ("RMWG"); identified and evaluated applicable potential risks, determined the Group's level of risk tolerance and applicable actions to mitigate the identified risks, in order to safeguard the Group's shareholders' investments and assets.

The established framework details processes, procedures and controls for financial, operation, compliances and risk management; in achieving the business objectives.

Details of the risk management framework, internal control system and activities carried out, are set out in the Statement of Risk Management & Internal Control ("SORMIC") on page 95 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH SHAREHOLDERS**COMMUNICATION WITH STAKEHOLDERS**

The Company values the importance of timely and accurate communication with shareholders and stakeholders. Hence, the Board reviews and approves all important announcements prior to public release inclusive of annual and quarterly reports; via Bursa Link or the Company's website, by the Company Secretaries or Corporate Affairs Department ("CAD"). The Company had set up an alternate channel via Facebook to reach out to a broader range of public, shareholders and interested parties.

CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum for dialogue with shareholders, while providing an opportunity to enquire and seek clarification on the operations and financial performance of the Group with the Board members.

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In view of the COVID-19 pandemic and with the safety of the Company's shareholders, employees and directors being of primary concern, the Company having considered all available options decided to conduct the 18th AGM and Extraordinary General Meeting ("EGM") on a fully virtual basis through live streaming and online remote voting using Remote Participation and Voting ("RPV") facilities without physical attendance by shareholders. The RPV facilities allowed shareholders to view a live webcast of the meeting, ask questions and submit votes in real time.

Detailed instructions and procedures on the RPV facilities are provided to the shareholders on the administrative guides of the 18th AGM and EGM.

The Chairman of the Board encouraged shareholders to raise questions during the 18th AGM and EGM, before putting the resolutions to vote. Additionally, the Company had also allowed the shareholders to submit their enquiries or questions to the Company prior to the 18th AGM and EGM respectively. All Directors, along with the Senior Management, Company Secretary and EA were present to respond to the shareholders' queries, where applicable and necessary.

Further, in line with good corporate governance practices, at least twenty-eight (28) days' notice has been given to the shareholders prior to the AGM and the minutes of the general meeting together with the key matters discussed are published and available on the Company's website, www.salcon.com.my.

This Corporate Governance Overview Statement was approved by the Board on 27 February 2022.

Audit Committee Report

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The Audit Committee (“AC”) presents its report that provides insights into the manner in which the AC discharges its duties for the Group in year 2021.

COMPOSITION AND ATTENDANCE

The AC comprises three (3) members, two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This composition meets the requirements as stated in Paragraph 15.09(1)(a) and (b) of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

The AC members and their attendance at meetings during the year are indicated as below: -

Name	Designation	Attendance
1 Chan Seng Fatt (Chairman)	Senior Independent Non-Executive Director	5/5
2 Dato’ Rosli bin Mohamed Nor	Independent Non- Executive Director	5/5
3 Datin Goh Phaik Lynn	Non-Independent Non- Executive Director	5/5

The AC Chairman, Mr. Chan Seng Fatt, is a Chartered Accountant of the Malaysian Institute of Accountant. Thus, the Company has complied with Paragraph 15.09(1)(c)(i) of the Listing Requirements.

The Board of Directors (“BOD”) via the Nomination Committee, reviews the composition of the AC, assesses the members’ performances and effectiveness of the AC via annual evaluation. The BOD is satisfied that the AC members had discharged their duties and responsibilities in accordance with the AC’s Terms of Reference (“TOR”) and the AC has supported the BOD in ensuring the Company upholds appropriate Corporate Governance (“CG”) standards.



The TOR of AC is available for reference at the Company’s website, https://salcon.listedcompany.com/misc/Terms_of_Reference_for_Audit_Committee.pdf

MEETINGS

The AC held five (5) meetings during the financial year ended 31 December 2021 (“FY 2021”). Senior Management, Head of Internal Audit and the External Auditors (“EA”) were invited to the meetings to facilitate their direct communications and provide clarifications on identified audit issues pertaining to the Group’s activities, as and when necessary.

The meetings were appropriately structured through agendas. The meeting’s materials were distributed in advance to members, at least five (5) business days prior to the meetings.

One of the AC’s responsibilities are to ensure the reliability of the Company’s annual/quarterly financial results and the Company’s compliances with Malaysian Financial Reporting Standards (“MFRS”). Management will conduct a briefing/presentation of the annual/quarterly financial statements to the AC for deliberation, and subsequent recommendation to the BOD, for approval.

During the AC meeting held in February 2021, the EA confirmed that they were provided unfettered access to information and enjoyed full co-operation from the Management throughout the course of their audits. The EA were also invited to raise any matters that they considered important, for the AC’s attention. The AC had met the EA twice, without the presence of the Company’s Executive Directors and employees. During these two (2) meetings, the AC enquired about the Company Management’s co-operation with the EA, their sharing of information and the proficiency and adequacy of resources in financial reporting functions.

Minutes of each AC meeting were recorded and tabled for confirmation during the next AC meeting, and subsequently the same will be presented to the BOD for notation.

SUMMARY OF ACTIVITIES OF AC

The AC’s activities during FY 2021 comprised the following:

- On 23 February 2021, the AC reviewed and recommended to the Board the payment of final dividend for the FY 2020. The AC also met up with the EA without the presence of Executive Directors and employees, reviewed their independence and discussed on the re-appointment. The AC, being satisfied with performance of the EA; recommended to the BOD, the re-appointment of Messrs KPMG PLT, as EA for FY 2021. The AC also reviewed adequacy of the scope, functions, competency and resources of the internal audit function.

On 8 April 2021, the AC reviewed the Audited Financial Statements of the Company and the Group for the FY 2020, and subsequently recommended them to the BOD for approval.

- On 16 November 2021, the AC reviewed the Annual Audit Plan for the FY 2021 in relation to audit services as well as on recurring non-audit services provided by the EA. The Annual Audit Plan includes the audit strategies, scope, etc on the financial statements. The recurring non-audit services, covers annual review of the Statement on Risk Management and Internal Control (“SORMIC”). The AC having considered the nature and scope of non-audit

Audit Committee Report

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works of the EA, were satisfied that there were no conflicts of interest or impairments to the independence and objectivity of the EA. The EA gave written assurance that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

- On Financial Reporting, the AC reviewed the quarterly financial statements during the AC meetings and subsequently recommended these statements to the BOD for approval. The review of the fourth quarter results for FY 2020 was conducted on 23 February 2021; and the reviews of the quarterly results of first, second and third quarters for FY 2021, were conducted on 27 May 2021, 19 August 2021 and 16 November 2021 respectively.
- The AC reviewed and discussed the Internal Audit (“IA”) reports during the meetings, as and when tabled by the Internal Audit & Risk Management Department (“IARMD”).
- The AC had reviewed the related party transactions/ recurrent related party transactions within the Group and provided opinion on whether they are in the best interest of the Group, fair and reasonable and not detrimental to the interest of the minority shareholders of the Company and recommended the transactions to the BOD for consideration and approval.
- The AC also reviewed AC Report, Corporate Governance Overview Statement, Corporate Governance Report and SORMIC for inclusion into the Annual Report 2021.

INTERNAL AUDIT FUNCTION

The Group’s internal audit function is performed in-house by the IARMD, which reports directly to the AC. All internal audit activities for FY 2021 were conducted by IARMD.

No areas of the internal audit function were outsourced. The total cost incurred by the Group’s internal audit function for the year under review was approximately RM614,000. The details pertaining to the person responsible and number of resources for the department is available in the CG Report, Practice 11.2.

During the financial year under review, the internal audit activities include, inter alia, the following: -

- IARMD conducted audit review activities as per the 2021 Audit Plan which was approved by the AC on 23 February 2021.

- IARMD presented applicable IA reports as per the activities conducted, during the scheduled AC meetings, using the following contents: -

- The executive summaries of the audit findings indicating the status and progress;
- Audit findings, Management responses to IARMD’s findings and corrective recommendations;
- Follow up on previous years’ issues and status of remedial actions taken;
- Reporting to the AC on any material issue/misstatement or major deficiency noted, that posed a high risk to the overall internal control system of the Group.

- The scope of audit engagements in FY 2021 covered the following: -

- Compliance to law and regulation;
- Compliance with FTSE4Good Bursa Malaysia Index requirements;
- Reliability of financial information;
- Safeguarding of assets;
- Attainment of objectives; and
- Efficiency and economy implication

Statement of Risk Management and Internal Control

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The Board of Directors of Salcon Berhad (“Salcon” or “the Company”) is committed to maintain a sound and effective internal control and risk management system. Each project and department of the Company and its subsidiaries (“the Group”) has implemented its own control processes under the leadership of the Executive Members of the Board together with the key Management, who are responsible for good business and regulatory governance. This statement outlines the nature and scope of the Group’s internal control and risk management in 2021.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility for the Group’s internal control and risk management system and reviews its effectiveness, adequacy and robustness. The internal control system covers governance, risk management, financial, strategy, organisational, operational, regulatory and compliance control matters.

The Board is aware that this system is designed to manage and mitigate, rather than eliminate, the risks of not adhering to the Group’s policies, procedures and preventing in achieving goals and objectives within the risk tolerance established by the Board and Management. Therefore, the system is to provide reasonable, but not absolute, assurance against the occurrence of any material misstatement, loss or fraud.

In 2021, the adequacy and effectiveness of internal controls were reviewed by the Audit Committee (“AC”) based on the internal audits conducted by the in-house Internal Audit and Risk Management Department (“IARMD”) during the year. Audit reports comprised of audit findings, recommendations and management replies to address the issues highlighted by IARMD, were presented to the members during the AC meetings with Minutes duly recorded.

The Risk Management Committee (“RMC”) has been established since year 2006 with the purpose of providing risk oversight and ascertaining implementation of the Group’s businesses and operations. The Group’s Risk Management Framework is outlined in its Integrated Risk Management Policy and Procedures (“IRMPP”). The IRMPP has been revised and approved for general conformity to ISO31000 standard.

Internal controls and risk-related matters which require the Board’s attention, were highlighted in the audit report and tabulated in the meetings for discussion, actions and approval.

INTERNAL AUDIT FUNCTION

The Company complies with Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”) by setting-up an in-house IARMD. IARMD functionally

reports to AC/RMC and administratively to Executive Director, providing feedback in managing the key risks and ascertaining the adequacy and integrity of the Group’s internal control and risk management system.

The Internal Audit Function reviews key activities of the Group based on an annual audit plan approved by the AC. The plan as prepared by the IARMD, is based on the Company’s Corporate Key Risk Register which is inclusive of existing projects of the operating entities, subsidiaries and departments within the Group.

The AC reviews all internal audit reports and the scope of works to be carried out to ensure that the necessary level of assurance; with respect to the adequacy of internal controls and the management of key risks as required by the Board, is achieved. Follow-up reviews on previous audit issues are also carried out to ascertain that appropriate actions are taken to address internal control weaknesses.

Subsequent to the reviews, the AC shall highlight the pertinent findings to the Board for necessary actions, on a quarterly basis or as appropriate.

CONTROL PROCESSES AND RISKS

The Group’s internal control system comprises the following key processes:

1. International Organisation for Standardisation (“ISO”) certifications:
 - Salcon Engineering Berhad (“SEB”), a wholly owned subsidiary of Salcon Berhad, is certified to ISO9001:2015 - Quality Management System (“QMS”), ISO14001:2015 - Environmental Management System (“EMS”) and ISO45001:2018 - Occupational Health and Safety Management System (“OHSMS”) at both the corporate office and at project levels.
 - As required by legislation, the Company has also established Safety and Health Committee to assist in the implementation of applicable inspections and reviews of OHSMS while emphasising the Group’s commitment to ensure and maintain a safe working environment.
 - Under ISO 9001, ISO14001 and ISO45001 requirements, internal quality audits are conducted annually by Quality, Safety, Health and Environment (“QSHE”) department to check, measure, analyze, review and improve on the performances of SEB’s certifications; on both the corporate office and applicable projects.

Statement of Risk Management and Internal Control

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2. Authority and Responsibilities

- The Board delegates certain duties and responsibilities to various Board Committees through the clearly defined Terms of Reference (“TOR”).



The TORs are reviewed as and when necessary and are available at the Company's website, <https://www.salcon.com.my/investor-relations/corporate-governance.html>

- The authority limit and signatory document is reviewed periodically to reflect the authority and authorisation limit of the Management in all aspects of the Group's major business operations and regulatory functions.

3. Monitoring and Reporting

- Board and Board Committee meetings are scheduled to update the Group's performance regularly. The Group's business plan, execution and financial performance are reviewed and discussed by the Board on quarterly basis. The Minutes of Meeting are duly recorded.

4. Policies and Procedures

- The Group has set up and documented internal policies, standards and procedures to ensure compliances of internal controls and relevant laws and regulations. Common Group policies such as ISO and Human Resource Policies Procedures (“HRPP”) are available on the Company's intranet for easy access and reference by employees.

5. Audit

- IARMD evaluates compliance of policies and procedures through internal audit reviews. IARMD discharged its responsibilities with the guidance of terms and principles as stated in the Audit Charter and reports its findings to the AC via internal audit reports. Internal audit reports will include audit findings, areas for improvement, audit recommendations, management replies and action plans.
- The surveillance and re-certification audits for ISO9001:2015, ISO14001:2015 and ISO45001:2018 are conducted by Bureau Veritas.
- External Auditors have been engaged to provide audit and non-audit services to the Group for the year 2021. Nature of non-audit services provided is available within the Corporate Governance Overview Statement in this Annual Report.

6. Risk Management

- The Group has implemented an Enterprise Risk Management (“ERM”) framework to manage all relevant risks that can affect the Company's business and operations. The ERM framework is supported by a risk governance structure; comprising of the RMC, the Risk Management Working Group (“RMWG”) and IARMD. The governance structure is tasked with the responsibilities and accountabilities for monitoring risk management.
- The RMC is established to provide oversight and assurance concerning the Group's risk profile to the Board.
- The RMWG is established to assist the Board and the RMC to facilitate/update at business units' level on the identification and communication of present or potential critical risks identified. The RMWG are represented by Heads of subsidiaries, divisions and departments.
- The IARMD reports directly to the AC/RMC while providing an independent assessment, and reasonable assurances of the effectiveness, adequacy and reliability; of the Group's risk management processes and internal control system.
- There are established processes and procedures, which are detailed within the IRMPP for risks identifications, assessments, communication and monitoring. IARMD continues to review the risks and the effectiveness of risk mitigation strategies and controls at the corporate, divisional and projects levels including material joint ventures and associates.
- The Group has been using professional specialised software since 2006, to facilitate the monitoring functions and enhance the reporting and presentation structure and processes. Additionally, risk tolerances are presented via the use of a risk impact and likelihood matrix with reference to established tolerance boundaries so that risks deemed high or low, can be distinguished. IARMD would tabulate, report and brief the RMC on the performances of the risk management system at least once a year.

7. Performance Measurement

- Annual employees' performance appraisals are conducted to review the contributions or achievement by employees. The Company would reward the employees based on the result of the appraisals.

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- QSHE department conducts customer satisfaction survey on yearly basis in order to improve for future effectiveness and efficiency.
- Procurement department conducts performance evaluation on suppliers / sub-contractors on their product delivered or services rendered. Qualified suppliers / sub-contractors will be maintained in approved vendor / suppliers list for future work award.

8. Staff Competency

- HRPP contain recruitment, retrenchment and termination guidelines. Training and development programs are encouraged by the Company to ensure staffs are kept up-to-date with the necessary competencies to carry out their duties towards achieving the Group's objectives.

9. Conduct of Staffs

- A Code of Ethics and Conducts ("COEC") is established for the Group and is applicable to all employees, senior management and directors. The COEC defines the ethical standards and work conduct required from all the applicable categories of staffs towards the Group.
- Salcon has an Insider Trading Policy ("ITP") to provide guidance and ascertain material non-public information is not misused.
- Salcon has a Whistle-blowing Policy ("WP") to provide a platform for staffs or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Groups policies, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimisation, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Company. The AC has the overall responsibility in overseeing the implementation of the WP for the Group. The WP is available at the Company's website.

During 2021, the Company did not receive any report or incidences from whistle blowers on any possible or potential misconduct from employees, management, public or stakeholders.

- Salcon has an Anti-Bribery and Corruption Policy to provide information and guidance to those working for or with Salcon on how to recognise and deal with potential bribery and corruption issues as well as understanding their roles and responsibilities.

During 2021, the Company did not receive any report or incidences from whistle blowers on any possible or potential bribery or corruption from employees, management or business associates.

- Segregation of duties is practiced to avoid conflict of interests and to reduce the scope for error and fraud.

10. Insurance

- Insurance coverage and safeguarding on assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. Annual renewal policy is undertaken by Management to review the coverage based on the current fixed asset register and the respective net book values. The Company seeks professional advice to assist by conducting a risk assessment on the adequacy of the intended coverage.
- The Company purchases Workman Compensation and Contractors All Risk insurance for each project. The sum insured is in accordance with the requirement stated in the Letter of Award of each project.

REVIEW OF THIS STATEMENT

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (previously Recommended Practice Guide ("RPG") 5 (Revised 2015)), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- is factually inaccurate.

Statement of Risk Management and Internal Control

SALCON BERHAD [200201026133 (593796-T)]

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board opines that the internal control and risk management system in place for the year under review is sound and robust to safeguard the Group's assets, shareholders' investments and stakeholders' interest. The Board has received written confirmation and assurance from the Executive Director and Chief Financial Officer that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. This Statement is subsequently recommended by AC to the Board for approval on 7 April 2022.

Additional Compliance Information

ANNUAL REPORT 2021

1. ATTENDANCE / MEETING RECORDS OF DIRECTORS FOR FINANCIAL YEAR ENDED 31 DECEMBER 2021 ("FY 2021")

No	Name	Designation	Number of Meetings Attended During FY 2021				
			BOD	AC	NC	RC	RMC
1	Tan Sri Abdul Rashid bin Abdul Manaf	Independent Non-Executive Director/Chairman	5/5	N/A	N/A	N/A	N/A
2	Tan Sri Dato' Tee Tiam Lee	Executive Deputy Chairman	5/5	N/A	N/A	N/A	N/A
3	Dato' Leong Kok Wah	Executive Director	5/5	N/A	N/A	N/A	1/1
4	Dato' Choong Moh Kheng	Independent Non-Executive Director	5/5	N/A	1/1	1/1	N/A
5	Dato' Rosli bin Mohamed Nor	Independent Non-Executive Director	5/5	5/5	1/1	1/1	N/A
6	Chan Seng Fatt	Senior Independent Non-Executive Director	5/5	5/5	1/1	1/1	1/1
7	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	5/5	5/5	N/A	N/A	N/A

Note:

BOD - Board of Directors RC - Remuneration Committee
AC - Audit Committee RMC - Risk Management Committee
NC - Nomination Committee

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FY 2021

Name	Training	Date
Tan Sri Abdul Rashid bin Abdul Manaf	Delivering Business Resilience in Transformative Times – Setting an Efficient Growth Framework	16-Mar-21
	Rethinking Corporate Risk to Manage Market Uncertainty – Ethics, Regulatory Compliance and Control Environment	17-Mar-21
	Sustainable Finance: Making Better Financial Decision	9-Apr-21
	Integrated Reporting	18-Aug-21
Tan Sri Dato' Tee Tiam Lee	Integrated Reporting	18-Aug-21
Dato' Leong Kok Wah	Integrated Reporting	18-Aug-21
	Enterprise Risk Management – Actualising its Effectiveness	7-Sep-21
Dato' Choong Moh Kheng	Integrated Reporting	18-Aug-21
Dato' Rosli Bin Mohamed Nor	Integrated Reporting	18-Aug-21
Mr Chan Seng Fatt	Asia Tech X Singapore, Redefining Tech for a Better Future	14-Mar-21 to 16-Mar-21
	Private Briefing on Digital Banking	4-Oct-21
	ICDM Board & Directors Effectiveness Evaluation	4-Oct-21
Datin Goh Phaik Lynn	Integrated Reporting	18-Aug-21

Additional Compliance Information

SALCON BERHAD [200201026133 (593796-T)]

THE DIRECTORS' REMUNERATION PACKAGES FOR THE COMPANY AND THE GROUP FOR FY 2021

	@	#	#	@	@	@	@
Directors' remuneration	Tan Sri Abdul Rashid bin Abdul Manaf	Tan Sri Dato' Tee Tiam Lee	Dato' Leong Kok Wah	Dato' Choong Moh Kheng	Dato' Rosli bin Mohamed Nor	Chan Seng Fatt	Datin Goh Phaik Lynn
	RM	RM	RM	RM	RM	RM	RM
Salary	-	953,880.00	749,484.00	-	-	-	-
Bonus	-	39,745.00	31,229.00	-	-	-	-
Fees	100,000.00	-	-	70,000.00	70,000.00	70,000.00	70,000.00
Meeting allowances	5,000.00	-	-	3,500.00	6,000.00	6,500.00	5,000.00
Benefits-In-Kind	-	31,254.32	28,084.45	-	-	-	-
Statutory Contribution	-	119,238.00	93,688.00	-	-	-	-
	105,000.00	1,144,117.32	902,485.45	73,500.00	76,000.00	76,500.00	75,000.00

@ - Received from the Company

- Received from the Group

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interests of Directors and major shareholders for FY 2021.

AUDIT AND NON-AUDIT FEES

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Company and the Group for FY 2021 are as follows:

	Company (RM)	Group (RM)
Audit Fees	193,000	614,000
Non-Audit Fees	35,000	35,000
Total Fees	228,000	649,000

ANNUAL REPORT 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for FY 2021, the Group has:

- ensured compliance with applicable accounting standards enforced in Malaysia;
- adopted and consistently applied appropriate accounting policies; and
- made judgements and estimates that are prudent and reasonable.

The Directors are responsible for ensuring that proper accounting records are maintained, which disclose with reasonable accuracy, the financial position of the Group and also to ensure that the financial statements comply with the Companies Act 2016. In addition, the Board is responsible for the proper safeguarding of the assets of the Group and to take reasonable steps for the prevention and detection of fraud and other irregularities.