

About This Report

Salcon Berhad (“Salcon” or “Company”) is pleased to present our third integrated annual report which aims to provide our stakeholders with a holistic overview of our performance and value creation, taking into consideration the effects and uses of the different forms of capital in the short, medium and the long-term.

As we embrace and consider sustainability issues such as health and environmental developments, employee relations, safety incidents, or scandals, we look to align our strategies and reporting of our performance, key developments, achievements and sustainability roadmap to our strategic goals to enable us to compete & operate effectively as well as to improve our bottom line.

This report serves as a call to action to maintain and accelerate our momentum towards creating value for our stakeholders.

SCOPE & BOUNDARY

This report covers our financial and non-financial performance during the period 1 January 2022 to 31 December 2022. 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

This report is guided by local and international standards, including:

KEY FRAMEWORKS APPLIED	CD	SD	FD
<IR> Framework by International Integrated Reporting Council (“IIRC”)	✓		
Malaysian Code on Corporate Governance 2021 (“MCCG”)	✓		
Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”)	✓		✓
Companies Act 2016 (“CA 2016”)	✓		✓
The Malaysian Financial Reporting Standards (“MFRS”)			✓
Bursa Malaysia Sustainability Reporting Guide 3 rd Edition		✓	
Bursa Malaysia Corporate Governance Guide 4 th Edition	✓	✓	
FTSE4Good Bursa Malaysia Index Rating Guide		✓	
Global Reporting Initiatives (“GRI”) Standards		✓	
Sustainability Accounting Standards Board (“SASB”) Standards		✓	
Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendation		✓	

CD Corporate Disclosure

SD Sustainability Disclosure

FD Financial Disclosure

MATERIALITY

In determining the contents of this report, we are guided by the principle of materiality, focusing on information that is relevant or of significant interest to our stakeholders, in accordance with the listing requirements of Bursa Malaysia. These material issues are reviewed together with an external agency and an internal assessment. Collectively, they illustrate the prospective effects of material topics on the company’s strategies, risk factors, capitals, and future business priorities.

REPORT REVIEW

Strict efforts have been made to ensure that the information presented in this report is accurate, consistent, and comprehensive. As part of our governance practices, the Group Internal Audit and Risk Management Department has reviewed the sustainability reporting process and have assured that adequate controls and processes are in place to guide the end-to-end Environmental, Social & Governance (“ESG”) information flow and integrity of the data produced and reported. They have read all additional information and confirmed that it is consistent with the Audited Financial Statements or their audit knowledge.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements that discuss the Group’s goals, future plans, operations, and performance. These statements are contingent and subject to change because they are based on current assumptions and circumstances. Diverse factors could cause actual results to materially differ from those expressed or implied in these forward-looking statements.

APPROVAL BY THE BOARD

The Board acknowledges its responsibility to ensure the integrity of this Integrated Report which, in its opinion, addresses the Group’s key material issues and fairly presents the Group’s performance for 2022.

OUR REPORTING SUITE



Annual Report 2022

Corporate Section

This section provides our stakeholders with a comprehensive overview and balanced assessment of the Company’s financial and non-financial performance. Stakeholders will be informed on our strategy and growth drivers, business performance, our approach to governance and risks, as well as future goals.

ESG matters are elaborated under the “Creating Sustainable Value” section which highlights the Group’s commitment to creating long-term sustainable and responsible value to our stakeholders including shareholders, customers, employees and communities where we operate.

Financial Statement

The Financial Statement comprises the Directors’ Report, Audited Financial Statements, and Independent Auditors’ Report aimed at providing detailed financial disclosures to shareholders, investors, analysts, and interested parties.

About This Report

NAVIGATION ICONS

Our Capitals

- Financial Capital
- Human Capital
- Manufactured Capital
- Intellectual Capital
- Natural Capital
- Social & Relationship Capital

Our Focus Areas

- B BUSINESS MODEL & INNOVATION**
Delivering Innovative Products & Services through Operational Excellence
- G LEADERSHIP & GOVERNANCE**
Becoming a Trusted & Reliable Working Partner
- H HUMAN CAPITAL**
Building a Thriving Workplace for Employees
- E ENVIRONMENT**
Protecting the Environment
- S SOCIAL CAPITAL**
Engaging and Uplifting the Community

Key Material Issues

- MI1 Business Management & Delivery**
- MI2 Systematic Risk Management**
- MI3 Technology & Innovation**
- MI4 Supply Chain Management**
- MI5 Ethics & Corporate Governance**
- MI6 Occupational Health & Safety**
- MI7 Talent Attraction & Engagement**
- MI8 Environmental Impact Management**
- MI9 Climate Change**
- MI10 Labour Rights & Practices**
- MI11 Community Engagement**

Our Business

- Engineering & Construction
- Healthcare
- Technology Services
- Transportation
- Renewable Energy
- Property Development

The United Nations Sustainable Development Goals



Cross Reference

Indicates where additional information can be found within the report.

Indicates where additional information can be found online at www.salcon.com.my.

Who We Are



We are an investment holding company with diverse businesses in water and wastewater engineering & construction, healthcare, technology services, transportation, renewable energy and property development. Established in 1974, Salcon Berhad (“Salcon”) has a track record of excellence and experiences in Malaysia, Vietnam, Sri Lanka, India and The United Kingdom.

The diversity in the business operations enables Salcon to provide integrated infrastructure solutions and services to various stakeholders ranging from federal and state governments to local authorities, city councils, utility companies and the private sectors. The Group are committed to deliver long-term value to our stakeholders by putting in our best efforts in everything that we do.



Who We Are



ENGINEERING & CONSTRUCTION

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 dentistry, food, healthcare, industrial and laboratory.

Creating value by:

- Providing innovative & quality gloves with superior safety assurance in both 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: 



TRANSPORTATION

We are a premier transport solutions provider for multinational companies in the northern region of Malaysia, as well as provide inbound and outbound tour services including providing palm oil and soy oil product transporting services.

Creating value by:

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

Where we operate: 



RENEWABLE ENERGY

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

Creating value by:

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

Where we operate:  



PROPERTY DEVELOPMENT

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

Creating value by:

- Delivering innovative, quality and sustainable living environment & warmth to customers.

Where we operate: 

At A Glance

BUSINESS OVERVIEW

Established in:

1974

438

no. of employees

40

subsidiary offices

Work force diversity:

278

 Male

160

 Female

SUSTAINABILITY PERFORMANCE



SAFETY

- ✓ Achieved **zero** work-related **injuries** or **fatalities** of employees in FY 2022



COMMUNITY

- ✓ Contributed **160 volunteer hours** in 19 community projects
- ✓ Invested **RM124,793** for community development



PEOPLE

- ✓ **Zero** non-compliance with Malaysia Employment Act & Labour Law

Read about our Sustainability Statement on pages 54 to 94

SEGMENTAL OVERVIEW



Water

SEB secured

RM210

 million

contract from PAAB for **Langat 2 Package 3 project**

Successfully

maintained

ISO 9001:2015 certification



Technology

Delivered

33 cell sites

 along LRT corridor


Transportation

Eco-Coach & Tours (M) Sdn. Bhd. entered into an **agreement with Appraisal Property Management Sdn. Bhd.** to provide **safe and punctual transportation services** to the employees of APM based clients



Healthcare

JREMT

passed

the audit by international independent third-party audit –

SEDEX Members Ethical Trade Audit (“SMETA”)

AWARDS & RECOGNITION



Asia Integrated Reporting Awards (AIRA):

- ✓ Asia's Best Integrated Report (First Time) 2021 – **GOLD**
- ✓ Asia's Best Integrated Report (SME) 2021 – **GOLD**



The Edge ESG Award Equity - **Utilities category** – **SILVER**



FTSE4Good

Inclusion in the **FTSE4Good Bursa Malaysia Index** from **2015 to 2022**

Corporate Information

BOARD OF DIRECTORS



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



4. Datin Goh Phaik Lynn
Non-Independent
Non-Executive Director



2. Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman



5. Chan Seng Fatt
Senior Independent
Non-Executive Director



3. Dato' Leong Kok Wah
Executive Director



6. 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)
Datin Goh Phaik Lynn
Dato' Rosli bin Mohamed Nor

REMUNERATION COMMITTEE

Chan Seng Fatt (Chairman)
Datin Goh Phaik Lynn
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
RHB Bank 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

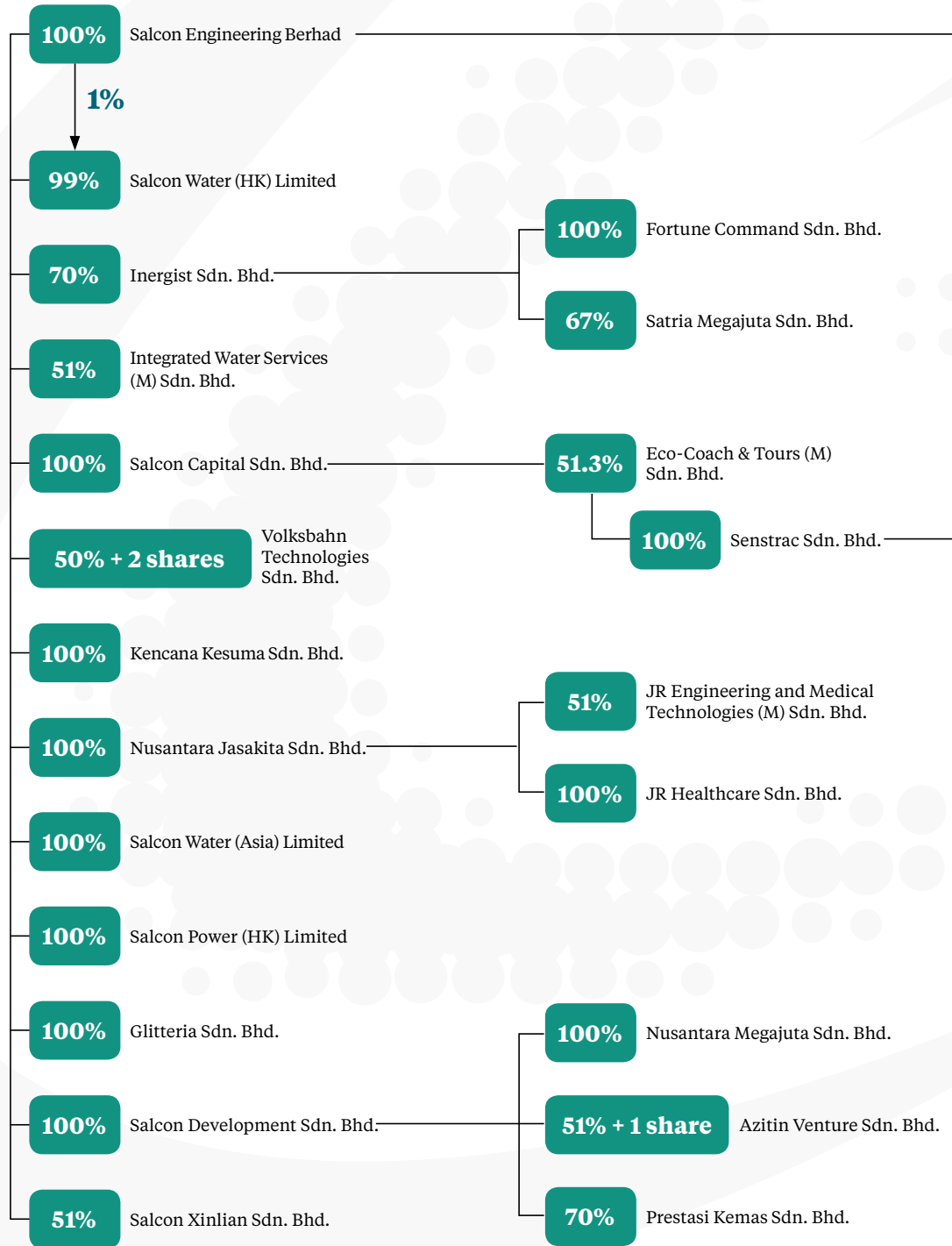
STOCK EXCHANGE LISTING

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

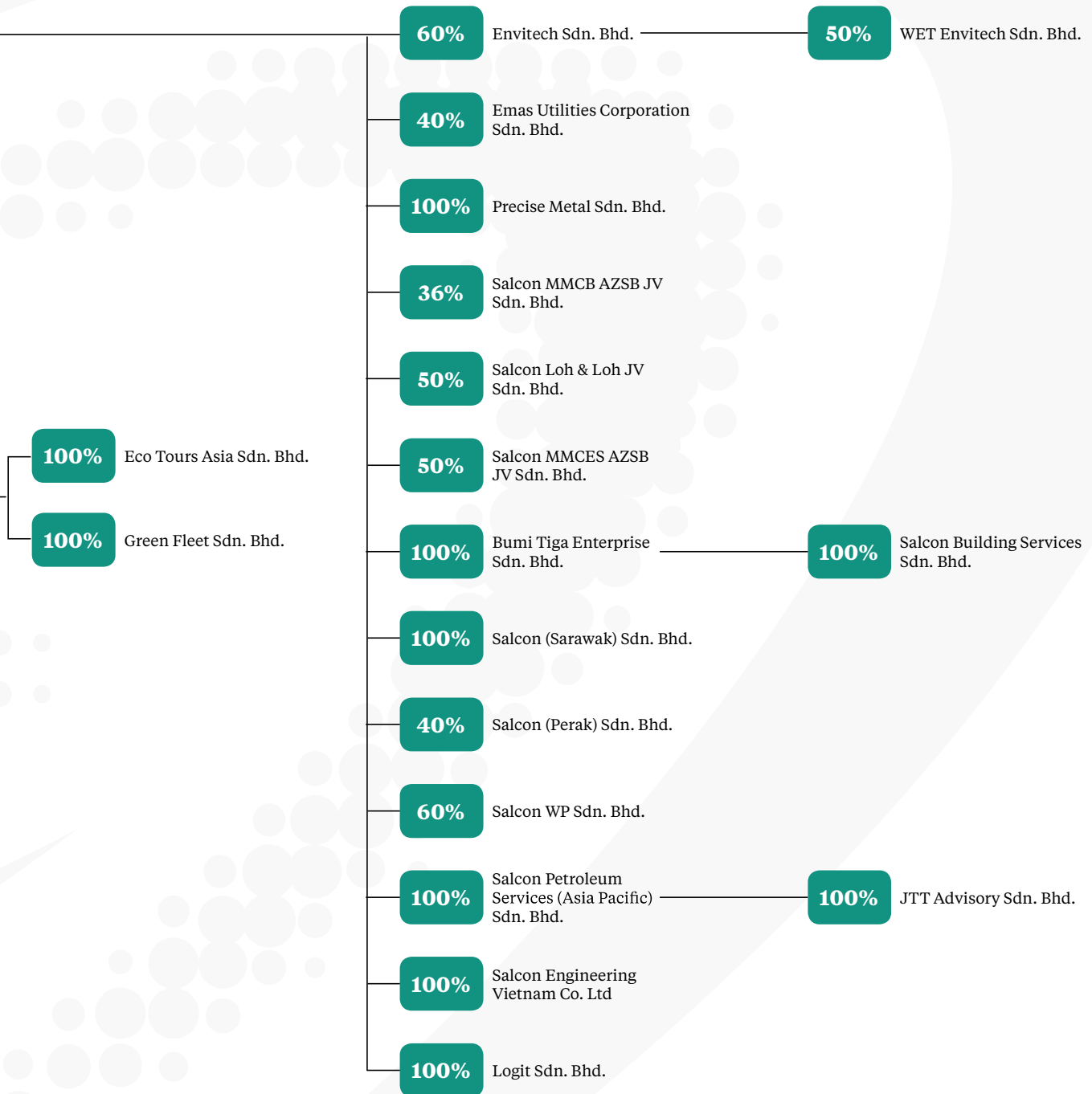
WEBSITE

www.salcon.com.my

Corporate Structure (as at 31 March 2023)



Corporate Structure (as at 31 March 2023)



Strategic Review

Chairman's Statement



DEAR SHAREHOLDERS,

On behalf of the Board of Directors' of Salcon Berhad ("Company"), I am pleased to present the 2022 Integrated Annual Report & Audited Financial Statements of the Company and its subsidiaries ("Group").




**TAN SRI
ABDUL RASHID
BIN ABDUL MANAF**

*Chairman, Independent
Non-Executive Director*

The financial year 2022 ("FY 2022") has proven to be a challenging year for us. As we transitioned toward the endemic phase and economic activities continue to normalize, the lower demand for gloves, average selling prices and stiff competition has resulted in losses by the Healthcare Division. Nevertheless, despite facing an ongoing volatile and uncertain business landscape, we managed to overcome these hurdles by tapping into our robust fundamentals and sturdy balance sheet.

The Group remains resilient in delivering value to shareholders, in spite of the challenging and competitive business environment and maintain healthy cash and cash equivalents which stood at RM140 million during the year under review.

 *Read more on our financial performance in the Group Chief Financial Officer's ("CFO") Statement on page 36*

Rewarding Shareholders

The Board has declared an interim dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in Salcon in respect of the FY 2022 instead of a final dividend as per previous year practice.


Strategic Review

Chairman's Statement

Moving Forward

The management will continue to replenish the order book, exercise financial prudence and tighten operating costs to maximize shareholder value through our four (4) strategic growth drivers i.e. strategic diversification, driving technology & innovation, cost and organizational effectiveness and looking into sustainability as a new growth area.

Moving forward, we will continue to seek opportunities to drive our business forward with our diversified range of products and services by leveraging on our strong track record and capabilities that we have built over the years to ensure the viability of the business. We will continue to pursue value creation, business sustainability, and growth strategies on all business segments of the Group.

 Read more on our Strategic Growth Drivers & Priorities on page 35

Creating Value through Sustainability


The Board believes that a strong Environmental, Social & Governance ("ESG") performance will enhance shareholder value and investor confidence. During the year under review, the Board has approved to link ESG targets to remuneration as part of Group KPI on a 80:20 basis to drive better financial performance through improved risk management, innovation and value creation.

The Group continued to win awards for its leadership in sustainability reporting and commitment to creating long-term value for stakeholders. We were recognized at The Edge ESG Awards 2022 where we won Silver under the Equity - Utilities category whilst also bagging two gold awards in Asia's Best

Integrated Report (SME) 2021 and Asia's Best Integrated Report (First Time) 2021 in Asia Integrated Reporting Awards ("AIRA"). Besides this, the Group has been a constituent of the FTSE4Good Bursa Malaysia index since 2015.

The awards are a reflection of our commitment to increase corporate value by actively engaging with our investors and stakeholders through our transparent and comprehensive integrated report while ESG remains a key driver and enabler for the business model, strategies and processes.

Apart from that, our Healthcare Division was audited by international independent third-party audit – SEDEX Members Ethical Trade Audit ("SMETA") and became a member of SEDEX since February 2022 upon fulfilling all audit requirements which consists of 4 key pillars – Labour Standards, Health & Safety, Environment and Business Ethics.


 Read more on our Sustainability Commitment and Initiatives on pages 54 to 94

Governance

The Group holds ourselves to the highest standards of corporate governance and business ethics across our businesses and subsidiaries in order to safeguard the interests of our stakeholders and to ensure long-term shareholders' value creation.

In this regard, the Group has enhanced its Board Diversity Policy and Remuneration Policy for directors and senior management to attract and retain the right talent to manage and drive the Company's long-term objectives successfully. The Board will continually articulate, implement and review the adequacy and effectiveness of the Group's risk management and internal

control system in line with Malaysian Code on Corporate Governance ("MCCG") to manage our risks and opportunities and promote meaningful engagement with our stakeholders.

 Details of how we have applied the principles that form the MCCG are provided in our Corporate Governance Report on page 104

Acknowledgement

On behalf of the Board, I wish to express my sincere appreciation to all our valued shareholders, customers, business associates, bankers, suppliers, and contractors for their continued support, mutual trust and utmost confidence in the Group.

My deepest appreciation to the management and staff at all levels for their contributions, dedications, loyalty, and hard work, in working together for the Group business sustainability as well as in building their career path with the Group. I am very confident that with their continuing commitment, perseverance, right attitude and teamwork, the Group will be able to realize its Vision, Mission, and Core Values.

The Board and I wish to express our deepest appreciation to Dato' Choong Moh Kheng who resigned from the Board after 11 years of dedicated and outstanding commitment and services. Finally, I wish to place on record my deepest gratitude to my fellow members of the Board for their immense contributions, wise counsel and confidence in the direction of the Group.

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

Strategic Review

Our Business Environment & Way Forward

Operating environment

Description



Engineering & Construction

Water resources management & sustainability



The Water Sector Transformation 2040 (“WST 2040”), a two-decade agenda outlined in the 12th Malaysia Plan, aims to enable the water sector to significantly contribute to national growth and wealth creation by becoming a regional water industry hub.

The Government to focus its efforts to increase water supply access, especially in rural areas and islands, to 98 per cent by the end of the 12th Malaysia Plan, increase coverage of sewerage services to 90 per cent and reducing non-revenue water rate to 25 per cent by 2025.

Overseas expansion Post Covid



With the opening of borders and easing of travel restrictions, SEB looks to re-engage with clients in its traditional overseas markets such as Vietnam, Sri Lanka and Indonesia.

Rising costs of construction materials



Supply chain disruptions due to the pandemic and Russia-Ukraine conflict has resulted in the rising cost of materials such as steel bars, aluminum, and cement.

Political uncertainties



Changes in the Malaysian political landscape in recent years has caused continued political uncertainties.

Competition



Quality compliance expectations vs budget constraints and unpredictable competitors.



Healthcare

Glove demand



An influx of new players and aggressive capacity expansion by incumbents has led to a demand-supply imbalance and further declines in average selling prices (“ASPs”).

The demand-supply situation is expected to approach equilibrium in 2Q2023 when there is no more new capacity coming on-stream and global demand continues to rise. Global demand for rubber gloves is expected to return to growth in 2023.

Growth drivers such as rising hygiene awareness, ageing population and recovery in non-COVID-19 related demand are expected to fuel further demand.

Several importing countries like USA and middle east countries have introduced “On-Shoring” policies when production of gloves is to be done within their countries. This too adds to the competition.

Strategic Review

Our Business Environment & Way Forward

Impact

Our response

<ul style="list-style-type: none"> • Demand for technology and innovation in the form of smart water management, water reclamation plants, water re-use with focus on environmental sustainability. • Opportunities remain as water/wastewater infrastructure is essential to ensure sustainability and security. 	<ul style="list-style-type: none"> • Provide digital solutions to develop secure, sustainable and resilient water resources in collaboration with strategic technology partners. • Workforce upskilling/reskilling. • Leverage on proven track record and technical expertise to secure major infrastructure projects. • Identify specific client needs to provide tailored solutions and intensify business development efforts in target areas.
<ul style="list-style-type: none"> • Opportunities remain as demand for water and wastewater services continue to grow in tandem with population growth, agricultural, and industrial development. 	<ul style="list-style-type: none"> • Leverage on track record and technical expertise whilst enhancing networking and strategic connections to secure new contracts. • Actively tender overseas in Vietnam, Sri Lanka and Indonesia.
<ul style="list-style-type: none"> • This has resulted in margin compression as the cost of building materials such as electrical wiring, water & sewerage pipes, fittings increase. 	<ul style="list-style-type: none"> • Adopt a more conservative approach in pricing tender bids. • Negotiate for variation of prices on major construction materials in new contracts. • Effective procurement to source for cost efficient raw materials & less dependence on sole-supplier especially critical materials.
<ul style="list-style-type: none"> • Delays in project awards and impacts the government's decision on fund allocations for water and wastewater infrastructure. 	<ul style="list-style-type: none"> • Continue engagement with government authorities and regulatory bodies to manage, align expectations and recommend potential changes to the regulatory framework/policies that can positively impact the industry.
<ul style="list-style-type: none"> • Require accurate and reliable market intelligence to source out opportunities. 	<ul style="list-style-type: none"> • Enhance business development and market intelligence & adopt innovative approaches such as PFI, identify niche market for expansion.
<ul style="list-style-type: none"> • Low plant utilisation rate averaging 50% is likely to persist over the short term amid low demand and intense competition. This has led to lower production output and higher cost per carton. • Opportunity to expand to new markets on the back of growth drivers. • Less opportunities to sustain and build new business relationship in some countries. 	<ul style="list-style-type: none"> • Defer expansion plans and immediate term capacity expenditure to align with market conditions. • Focus on higher-margin specialty gloves manufacturing such as in the surgical, electronic, pharmaceutical and car manufacturing sectors, which has higher demand post pandemic. • Intensify marketing activities and participate in medical and healthcare conferences & exhibitions to penetrate new markets. • Long term strategy to build up branding and market products to expand reach and access to customers through online and social engagement.

Strategic Review

Our Business Environment & Way Forward

Operating environment

Description



Healthcare

Volatile raw material prices



Global inflation and logistics disruption, coupled with the Russia Ukraine conflict has led to crude oil price fluctuation, resulting in volatile raw material prices.

Nitrile cost is expected to trend upwards in line with higher crude oil prices whilst natural rubber price is expected to be normalised after the wintering seasons.

The industry is advancing in the areas of the recycling economy with new raw materials, additives and substances that are environmentally friendly and biodegradable. Alternative synthetics and natural rubber gloves will also see wider consumer acceptance.

Higher production cost



Challenges arising from the sudden hike in natural gas and increase in electricity tariffs, as well as minimum wage implementation which came into effect 1 May 2022.

Workforce challenges



Although a COVID-19 freeze on recruiting foreign workers was lifted in February 2022, there has not been significant return of migrant workers due to slow government approvals and protracted negotiations with Indonesia and Bangladesh over worker protections.

Higher social compliance standards



Glove makers and other exporters are required to demonstrate higher social compliance standards such as the 11 forced labour International Labour Organisation indicators.

On 21 March 2022, Malaysia ratified the Protocol of 2014 to the Forced Labour Convention. Malaysia is the 58th country in the world, and the second ASEAN member State to ratify that Protocol. With this ratification, Malaysia has renewed its commitment to fight against forced labour in all its forms, including human trafficking.



Transportation

Northern Corridor Economic Region (“NCER”) growth area



The Northern Corridor Economic Region (“NCER”) has successfully attracted approved investments of RM17.25 billion between January and July 2022, supported by continued growth in the electrical and electronics, mechanical and electrical and medical devices sectors.

Transportation technology



Intelligent transportation systems (“ITS”) are making driving and traffic management better and safer for everyone. Cloud-Based Systems Adoption i.e. Software-as-a-service (“SaaS”) & Mobility-as-a-service (“MaaS”) systems provide real time data insights which help to improve operating and cost efficiencies.

Fluctuating fuel price



Oil price is affected by external factors such as the protracted Russia-Ukraine conflict.

Strategic Review

Our Business Environment & Way Forward

Impact

Our response

<ul style="list-style-type: none"> Profit margins are adversely affected as JREMT unable to fully pass cost through amidst lower ASPs and oversupply situation. Higher awareness on product innovation and material sustainability has further encouraged green technology advancement. 	<ul style="list-style-type: none"> Produce other types of gloves with higher margins to expand income stream. Reduce raw material consumption via R&D, which led to lighter weight glove manufacturing. Explore new green technology in manufacturing such as material recycling or upcycling to improve cost efficiency. Effective procurement to source for cost efficient raw materials & less dependence on sole-supplier especially critical materials.
<ul style="list-style-type: none"> Higher production cost put further pressure on margins. 	<ul style="list-style-type: none"> Conversion from NGV to biomass technology in our boilers to generate steam energy instead of using fossil fuel. Focus on improving production efficiency and integrated sustainable operations such as water recycling and reuse, rainwater harvesting, etc.
<ul style="list-style-type: none"> Labour disruption has revealed the gaps in skills and preparedness in workforce. 	<ul style="list-style-type: none"> Invest in digitalisation & automation ie auto palleting and auto pouching machine reduce labour dependency. Reduce headcount by an estimated 15-20 workers and speed up the packing process. Recruit 46 workers from India.
<ul style="list-style-type: none"> Increase in labour costs with investment to enhance social compliance as per international best practices. Failure to demonstrate the required labour practices could led to divestment from investors, reputation damage and import ban. 	<ul style="list-style-type: none"> Conduct due diligence on recruitment agents to ensure we only work with ethical recruitment agents. Conducted external audit based on international standard SMETA (Sedex Members Ethical Trade Audit) on labour practices, health & safety, environment and business ethics. Enhance worker engagement by having independent whistleblowing and grievance channels, frequent worker-management dialogue sessions and awareness training on workers' rights.
<ul style="list-style-type: none"> Direct advantages in terms of job creation, investment in targeted economic sectors, and positive economic spillovers to ECT. 	<ul style="list-style-type: none"> Opportunities to expand services to other potential MNCs through strategic partnerships.
<ul style="list-style-type: none"> Increase ECT's competitive edge via Senstrac Passenger Transport and Tracking System ("Senstrac PTTS") which enable tracking mobility, digital route planning and automated attendance systems. 	<ul style="list-style-type: none"> Continue focusing on the development of Senstrac PTTS by leveraging on digital technologies and strengthening internal capabilities. Leverage on Senstrac PTTS to expand business relationships with other possible MNC clients.
<ul style="list-style-type: none"> Increase in operating costs due to the fluctuating fuel prices. 	<ul style="list-style-type: none"> To negotiate for pass through costs on fuel prices in contract agreement to allow for reimbursement.

Strategic Review

Our Business Environment & Way Forward

Operating environment

Description

Operating environment		Description
Transportation		
Regulatory policy   	The National Automotive Policy 2020 (“NAP 2020”) has shifted the focus to energy efficient vehicles (“EEV”) and autonomous vehicles of the next generation, including electric vehicles (“EVs”).	
Competition  	Competition from other transportation and logistics service providers.	
Property Development		
Soft property market  	Malaysia property market saw a modest growth of 2%-4% in 2022.	
Increasing interest rates  	Bank Negara Malaysia (“BNM”) has continued to raise the overnight policy rate (“OPR”) from a low of 1.75% to 2.75% to tackle inflation, in line with the country's economic recovery.	
Rising costs of construction   	The property sector has experienced higher construction costs due to disruptions to global supply chains and an industry-wide labour shortage.	
Post Covid recovery  	The reopening of international borders and the transition of the COVID-19 crisis to the endemic stage, are positives that will aid the ongoing market recovery.	
Technology Services		
Adoption of 5G network  	Under Budget 2023, Digital Nasional Bhd (“DNB”), as the single Wholesale 5G Network Provider will expand 5G network nationwide to cover 70% of highly populated areas with infrastructure expenditure allocation worth RM1.3 billion.	
JENDELA initiative  	Jalinan Digital Negara (“JENDELA”) initiative aims to facilitate and provide better quality of experience and 100% connectivity to all Malaysians. The government has allocated RM700 million in Budget 2023 to implement digital connectivity in 47 industrial areas and nearly 3,700 schools.	
Regulatory 5G cost & compliance   	Digital Nasional Berhad’s (“DNB”) 5G wholesale fees will be regulated under the MCMC’s Mandatory Standard on Access Pricing, which will be reviewed every three years.	
Competition   	VBT is granted the right-of-way (“RoW”) by Prasarana Malaysia Berhad to lay and operate fibre-optic cables along the LRT, BRT and Monorail corridor in the Klang valley.	

Strategic Review

Our Business Environment & Way Forward

Impact

Our response

- Additional investment costs into EVs.
- Dependent on client requirements and demand.

- Transitioning to green vehicle is a long term strategy of the Company.
- Engage with potential clients to manage and align expectations.

- Increasing necessities to distinguish ECT from other competitors and compete with other modes of transportation.

- Accelerate strategies for technology and innovation to compete with direct rivals.

- Limited market for opportunities for new developments and high holding costs.

- Re-assess property development plan with a view for divestment.

- Weak consumer sentiment and purchasing power may dampen demand.

- Review property development plan to align to market expectations.

- Margin compression and delays in delivery.

- Review property development plan to align to market expectations.

- Foreign purchasers are expected to help the sector recover to pre-pandemic levels by the end of 2023.

- Review property development plan to align to market demands.
- On look-out for suitable land to expand property portfolio.

- Opportunities to secure additional sites as 5G roll-out and implementation fuel demand for more data bandwidth.

- Leverage on VBT's 108km fibre optic infrastructure along the LRT, BRT and monorail in Klang valley.
- Enhance commercial and technical relationships with DNB and major telcos to provide fast to market services.
- Create appealing service value propositions to enhance business growth.

- Opportunities to support the government's aspiration to provide seamless and inclusive digital connectivity to drive the digital economy.

- Work closely with state and local government authorities to boost connectivity to focus areas such as education, business, government, service-based industries, community and society.

- 5G wholesale fee will affect the competitiveness of the new sites and bandwidth capacity expansion contracts.

- Efficient cost management plan in place to preserve profit margins.
- Work closely with the authorities to ensure compliance.

- Exclusivity to manage and operate mobile sites within the Prasarana corridor.
- Opportunities to build, manage & operate mobile broadband, fixes service and other digital services to Transit-Oriented-Developments ("TOD").

- Enhance technical expertise and leverage on advancement of technologies to deliver value-added services.
- Prudent cost management to ensure profitability.
- Expand network presence beyond Prasarana RoW.

Strategic Review

Our Business Environment & Way Forward

Operating environment

Description



Renewable Energy

Supportive Government Policies for RE



Policies such as Net Energy Metering (“NEM”) 3.0, Smart Automation Grants (“SAG”), and Green Investment Tax (“GITA”) have enabled the clean energy industry in Malaysia to thrive.

Under the Malaysia Renewable Energy Roadmap (“MyRER”), Malaysia targets to reach 31% renewable energy (“RE”) capacity by 2025 and 40% by 2035 with focus on four technology based pillars, namely solar, bioenergy, hydro and new sources.

Growing emphasis on ESG practices in the business sector



Increasing focus on ESG commitments by corporates in form of net zero emissions to combat climate change.

Affordability and efficiencies



In spite of the recent solar PV manufacturing cost spike due to the pandemic, looking back at the past decade, photovoltaic systems have actually seen an 85% cost decline. There has been a considerable increase in efficiency from 2% in 1955 to over 20% today.

Competitive landscape



Over the years, the competition in the solar industry has intensified as numerous new players have entered the market.

Strategic Review

Our Business Environment & Way Forward

Impact

Our response

<ul style="list-style-type: none"> Growth in RE market segments and expansion of investment and competitive opportunities in RE. 	<ul style="list-style-type: none"> Develop and implement new business models to deliver sustainable energy and energy efficiency technologies to new markets and communities.
<ul style="list-style-type: none"> Increasing demand for clean and renewable energy from multinational and local corporations. 	<ul style="list-style-type: none"> Strengthen division business model and expand the solar PV system portfolio through joint ventures and partnerships.
<ul style="list-style-type: none"> Solar photovoltaic (“PV”) has by far the highest technical potential in Malaysia, and is supported by mechanisms to promote affordability. Malaysia allows installation of solar for self-consumption. Its Net Energy Metering Programme (“NEM”) provides a pathway to self-generation with excess energy sold back into the grid. The nation’s LSS projects offer a successful pathway to utility-scale solar adoption. 	<ul style="list-style-type: none"> Expand portfolio in solar PV systems through joint ventures and partnerships.
<ul style="list-style-type: none"> Reduction in tariff rates and reduced return on investments. 	<ul style="list-style-type: none"> Remained committed to advancing technical capacities and enhancing operating maximizing efficiencies and ensuring superior customer service, work quality, and project delivery.

Strategic Review

Value Creation Business Model

KEY INPUTS

DRIVERS/ENABLERS

FINANCIAL

- Total equity: RM447 million
- Total cash flow: RM140 million
- Total borrowings: RM25.5 million
- Total capital expenditure: RM7 million

HUMAN

- 438 employees, with 36.52% are female employees
- Investment in training & development: RM187,000
- 1 female director on the Board

MANUFACTURED

- Outstanding order book of RM291.51 million of water and waste water projects
- 4 glove production lines in one factory
- 139 vans, 45 coaches, 9 MPVs and 7 limo vehicles
- 108 km of fibre optic cables in Klang Valley
- 18.07 acres of landbank

INTELLECTUAL

- Dissolved Air Floatation (“DAF”) and Lamella technology in water segment
- 4-star band grading (top 25 percentile) for Bursa Malaysia FTSE4Good rating
- ISO 9001 (quality management system), ISO 14001 (environmental management system) and ISO 45001 (occupational health & safety management system) certified

NATURAL

- 3,307,180.82 kWh of energy consumption
- 94,530 m³ of water consumption
- 1.93 GW of renewable energy generated from renewable energy segment

Social & Relationship

- RM149 million supplier & sub-contractor spending
- 160 hours of employee volunteering

ASSESSING OPERATING ENVIRONMENT

Please refer to pages 12 to 19 on operating environment of each business segment

ENGAGING STAKEHOLDERS

Please refer to pages 22 to 27 on stakeholder engagement updates

MANAGING RISK

For more information on Key Risks & Mitigations, refer to pages 32 to 34

KEY MATERIAL MATTERS

Top 3 material matters:

- Business management & delivery
- Systematic risk management
- Technology & innovation

For more information on the Group's full list of material matters, refer to page 28

STRATEGIC FOCUS AREAS

- Business model & innovation
- Leadership & governance
- Human capital
- Environment
- Social capital

Please refer to pages 54 to 94 for details of each of our focus areas

Vision

To be a respected and synergistic corporation **transforming lives for the better.**

Mission

To **enrich lives** by providing top quality products and services through operational excellence and sustainability.

Core Values

Commitment

Teamwork

Ownership

Respect

Results Oriented

Strategic Growth Drivers

- Strategic diversification
- Technology & innovation
- Cost & organizational effectiveness
- Sustainability as new growth area

For more information on Strategic Growth Drivers, refer to page 35

Strategic Review

Value Creation Business Model

THROUGH OUR BUSINESS



WATER & WASTEWATER ENGINEERING

- Raw water management
- Design & build of water & wastewater treatment plant
- Non-revenue water solutions
- Piping & reservoirs
- Consumer billing & collection
- Wastewater collection & treatment



HEALTHCARE

- Glove manufacturing



TECHNOLOGY SERVICES

- Fiber optic cables laying and operation



TRANSPORTATION

- Transport solution for worker commuting
- Palm oil & soy oil product transporting services



RENEWABLE ENERGY

- Solar photovoltaic system installation



PROPERTY DEVELOPMENT

- Residential property construction and development

For more information on divisional operational performance, refer to pages 42 to 53

VALUE FOR STAKEHOLDERS

OUTPUT

OUTCOME

FINANCIAL CAPITAL

- Healthy gearing ratio at 0.06 times
- Dividend payment of RM5.6 million
- Interest paid to financial institutions: RM2.7 million

INVESTORS, SHAREHOLDERS, REGULATORS

- Financial growth & stability
- Better attraction and retention of shareholders

HUMAN CAPITAL

- RM24.3 million paid in salaries and rewards
- 36.52% female employees, with 31.4% of managers and above are female
- 9,647,216 manhours without loss time injuries ("LTI")
- 68 internal and external trainings provided

EMPLOYEES

- Safe working environment
- Employee engagement & retention
- Improved employee competency
- Career path enhancement

MANUFACTURED CAPITAL

- 5 new glove products, with total production capacity of 420 million pieces annually
- Delivered 33 cells sites along the LRT corridor

BUSINESS PARTNERS, EMPLOYEES

- Long term relationship with business partners
- Better quality of products and services
- Strategic alliance to strengthen Company's position

INTELLECTUAL CAPITAL

- Dissolved Air Floatation ("DAF") and Lamella technology in water segment

CLIENTS, INVESTORS, EMPLOYEES

- Innovative product portfolio
- Better brand value

NATURAL CAPITAL

- Avoidance of CO₂: 1,236 tonnes
- 2,838 kg of total waste recycled

ENVIRONMENT

- Mitigation of negative environmental impact
- Efficient resources consumption
- Ethical waste management

SOCIAL & RELATIONSHIP CAPITAL

- 5 Salcon Smart Water Programmes held, benefitting 185 students
- RM124,793 invested in community engagement activities
- 1,527 beneficiaries from philanthropic and river programme activities
- 100% local procurement for all business division except water engineering (99.5%)
- RM6.0 million tax contributed

COMMUNITY, SUPPLIERS, SUB-CONTRACTORS, REGULATORS, EMPLOYEES

- Provision of job opportunities
- Long term relationship with suppliers & sub-contractors
- Suppliers & sub-contractors share the same sustainability value
- Adherence to compliance



Strategic Review

Engaging Our Stakeholders

Stakeholders are integral to our value creation process. With the objective of building trust-based relationships, addressing operational issues and improving operational management strategy, we engage our key internal and external stakeholders to gather their insights on priorities and identify potential environmental or social impacts.

Our stakeholder engagement is based on the principles of inclusivity, materiality and responsiveness throughout the organisation and all business activities. Stakeholders are clear about the issues that matter and are involved in decision making in matters that impact them. The Company acts responsively on the material issues and updates stakeholders in a transparent manner.

Our stakeholder engagement details:



EMPLOYEES



Employees are the backbone of the Company's and are key to driving positive changes and value creation. We ensure an inclusive and safe working environment for our workforce and prioritise their career development and wellbeing.

Linkage to: [H](#) [MI2](#) [MI5](#) [MI6](#) [MI7](#) [MI10](#)

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Safe & healthy workplace page 64	Safety, Health & Environment (“SHE”) Committee meeting	Quarterly	• Regular meetings and discussion on safety and health issues	• Efficient reduction on the risks of potential unsafe working environment/condition to protect safety of all stakeholders • Better awareness among employees to cultivate a healthy and safe working environment
	Toolbox training	Weekly	• Emphasizing importance of workplace safety, especially our construction site	
	Safety & Health Campaign	Annually	• Holding events, activities and talks to create awareness on latest safety and health issue internally and via external collaboration	
Capacity building & skill enhancement page 67	Training & workshop opportunities	As needed	• Offering on-job training, leadership training and personal development workshop to improve work quality and efficiency	• Better skill and improved knowledge
Fair remuneration & well-being page 67	Employee performance review	Annually	• Job performance review and a channel of open communication between superior - subordinate on performance, rewards and areas for improvement	• Positive relationship amongst the workforce • Respectful, diverse and inclusive workplace • Better job satisfaction
	Employee well-being benefits	Throughout the year	• Providing entitlements and well-being benefits to retain and attract talents	
	Employee satisfaction survey & exit interviews	Bi-annually	• Conducting survey & interview to obtain employees' opinion on various policies such as well-being, career development, engagement, leadership and work-life balance	

Strategic Review

Engaging Our Stakeholders


Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Fair remuneration & well-being  page 67	Employee satisfaction survey & exit interviews	Bi-annually	<ul style="list-style-type: none"> Conducting survey & interview to obtain employees' opinion on various policies such as well-being, career development, engagement, leadership and work-life balance 	<ul style="list-style-type: none"> Positive relationship amongst the workforce Respectful, diverse and inclusive workplace Better job satisfaction
	Multiple online communications platforms include social media (Facebook, LinkedIn, Instagram), corporate website, intranet & newsletter	Throughout the year	<ul style="list-style-type: none"> Providing up-to-date company development and activities 	
	Festive celebration	As needed	<ul style="list-style-type: none"> Organising festive celebrations to promote inclusivity and diversity 	
	Recreational & sport activities via Salcon Recreational Club ("SRC")	Throughout the year	<ul style="list-style-type: none"> Engaging employees and family members, improving work-life balance through sports and recreational activities 	
Fair labour practices  page 71	Compliance with laws and regulations	Throughout the year	<ul style="list-style-type: none"> Conducting briefing to new joiners on ethics & conducts Introducing Anti-Sexual Harrassment Policy Managing grievance cases Upholding zero tolerance for discrimination against race, religion, gender, age, disabilities, nationality, political view, marital status etc. 	<ul style="list-style-type: none"> Harmonious, non-discrimination & inclusive workplace Positive working relationship among workforce



BUSINESS PARTNERS/ASSOCIATE PARTNERS

We work hand-in-hand with our business partners/associate partners to achieve business sustainability.

Linkage to:   

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Long term business strategy  page 58	Strategic business planning meetings	As needed	<ul style="list-style-type: none"> Annual strategic business plan and budget planning session Quarterly meetings to review financial progress & non-financial (ESG) progress 	<ul style="list-style-type: none"> Sustainable business Positive relationship

Strategic Review

Engaging Our Stakeholders



CLIENTS/CUSTOMERS

We are committed to provide top quality products and services to our clients/customers through operational excellence & sustainability. Customers are a central factor as they drive revenues and influence our product and service innovation.

Linkage to: **B** MI1 MI2 MI3 MI5

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Superior quality products/services Cost efficient & timely delivery page 58	Regular & efficient project meetings	As needed	<ul style="list-style-type: none"> Having meetings and discussion to meet customers/clients' expectation 	<ul style="list-style-type: none"> Partnering for growth Superior quality of products/services Positive relationship
	Client satisfaction survey	Annually	<ul style="list-style-type: none"> Getting customers/clients' feedback on our quality of our people, products and services, pricing Taking actions on areas for improvement from customers' inputs 	
	Customer engagement activities	Throughout the year	<ul style="list-style-type: none"> Holding events and semi-formal sessions with customers to build positive relationship 	
Innovative solutions page 60	Research & development	Throughout the year	<ul style="list-style-type: none"> Developing new product for glove segment via our R&D arm 	<ul style="list-style-type: none"> Differentiated products and services
	Partnership on technology innovation	Throughout the year	<ul style="list-style-type: none"> Identifying new partners to improve technology or engineering support 	
Ethical business practices page 62	Compliance with laws and regulations	Throughout the year	<ul style="list-style-type: none"> Upholding the Group's Anti-Bribery & Anti-Corruption Policy 	<ul style="list-style-type: none"> Ethical business dealing



MEDIA

We engage with media friends to share the Company's strategies and developments. Besides mainstream media, Company is also engaging with stakeholders via various social media platform.

Linkage to: **S** MI1 MI2

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Financial performance & company strategies ESG contributions pages 36 and 58	Press releases	As needed	<ul style="list-style-type: none"> Sharing Company's ESG initiatives and financial performances 	<ul style="list-style-type: none"> Positive branding

Strategic Review

Engaging Our Stakeholders



REGULATORS/GOVERNMENT

We work closely with regulators to comply with legal and statutory requirements and drive our sustainability agenda.

Linkage to:

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Full compliance with all regulators including Bursa Securities, Securities Commissions, & etc. page 62	Meetings and engagement through forums, webinars and conferences	As needed	<ul style="list-style-type: none"> Getting latest updates from meetings and networking sessions 	<ul style="list-style-type: none"> Advocacy towards shaping policies for the future Active contribution to the development of the nation
	Implementation of policies required by regulators	Throughout the year	<ul style="list-style-type: none"> Supporting government's climate ambition and transitioning into low-carbon economy by committing to reduce energy consumption and emissions 	
Timely compliance with laws and regulations page 62	Compliance report and audit	As needed	<ul style="list-style-type: none"> Submitting compliance report to the regulatory bodies and attend to relevant audit Upholding good corporate governance through policies such as ISO standards, Code of Conduct and Anti-Bribery & Anti-Corruption Policy 	



NON-GOVERNMENTAL ORGANISATIONS (NGOS)

We collaborate with NGOs to create values for the communities and reduce environmental impacts.

Linkage to:

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Salcon's environmental impacts ESG contributions Community living standards page 90	Collaboration/partnership to implement social/environmental initiatives	As needed	<ul style="list-style-type: none"> Collaborating with various NGOs and schools to drive ESG initiatives to raise environmental awareness, these include Salcon Smart Water Programme & special children centre visit etc. 	<ul style="list-style-type: none"> Higher awareness on environmental conservation and social inclusion Positive & long term partnership

Strategic Review

Engaging Our Stakeholders



INDUSTRY AFFILIATES

We engage with industry bodies to cultivate good relationships with industry peers.

Linkage to: **B**  **MI1** **MI2**


Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Sharing of best practices for industry progress Private partnership to drive national agenda  <i>page 59</i>	Industry conferences, exhibitions, workshops, webinars or dialogues	Throughout the year	<ul style="list-style-type: none"> Participating in industry events to exchange knowledge and views on industry issues 	<ul style="list-style-type: none"> Positive relationship/partnership to drive innovation Capacity building and improved knowledge on industry trend



SUPPLIERS/SUB-CONTRACTORS

We work with suppliers/sub-contractors who share the same value with us to deliver sustainable solutions.

Linkage to: **B**  **MI2** **MI4** **MI5** **MI8** **MI10**

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Long term partnership Timely response and payments Fair margins Human rights & social inclusion Environmental compliance  <i>pages 60, 62, 71 and 74</i>	Engagements/meetings during the tender & bidding process Procurement policies & system	As needed Throughout the year	<ul style="list-style-type: none"> Engaging with our suppliers throughout our procurement and vendor application process Committing to our statement of policies and business ethics before registering as our suppliers/sub-contractors 	<ul style="list-style-type: none"> Positive relationship Fair & timely payment Capacity building

Strategic Review

Engaging Our Stakeholders



SHAREHOLDERS/INVESTORS

We remain prudent in risk management and are committed to deliver highest values to our shareholders/investors.

Linkage to:

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Long term business growth strategies Market outlook & growth prospect Sustainable financial performance page 58	Annual General Meeting (“AGM”)	Annually	<ul style="list-style-type: none"> Sharing Company's performance and business direction with shareholders Rewarding shareholders through dividend payment 	<ul style="list-style-type: none"> Appreciation in long term return on investment Positive growth prospect
	Company/ stock exchange announcements through Bursa's website	As needed	<ul style="list-style-type: none"> Updating stakeholders on Company's latest key developments 	
	Press releases/ announcement through company's website	As needed	<ul style="list-style-type: none"> Sharing Company's message & major developments 	
	Analysts/bankers/ fund managers meeting	As needed	<ul style="list-style-type: none"> Building network connection with analysts and updating them on Company's strategies 	



LOCAL COMMUNITIES

We engage and uplift the lives of local communities in the areas we operate.

Linkage to:

Priorities & concerns	Our engagement approach	Frequency	Our response	Value created
Salcon's environmental impacts Employment opportunities Socioeconomic development page 91	Internship opportunities & local employment	As needed	<ul style="list-style-type: none"> Offering internship & job opportunities within the local community 	<ul style="list-style-type: none"> Positive relationship Better living standards
	Community outreach programmes	As needed	<ul style="list-style-type: none"> Engaging with NGOs to respond to their needs through 3 pillars: environment, education & philanthropic giving Engaging with local residents to understand their feedback on impacts from the projects 	

Strategic Review

Establishing Materiality

The Group conducts a yearly review of its key material issues in order to identify, prioritize and develop new strategies to address our stakeholder's concerns and any risks and opportunities arising. In FY 2022, we conducted a review of the Group's materiality issues and matrix internally with our Board of Directors and senior management team as well as with an external agency.


The following factors were taken into consideration during the review process:

Impact on business sustainability, production and efficiency

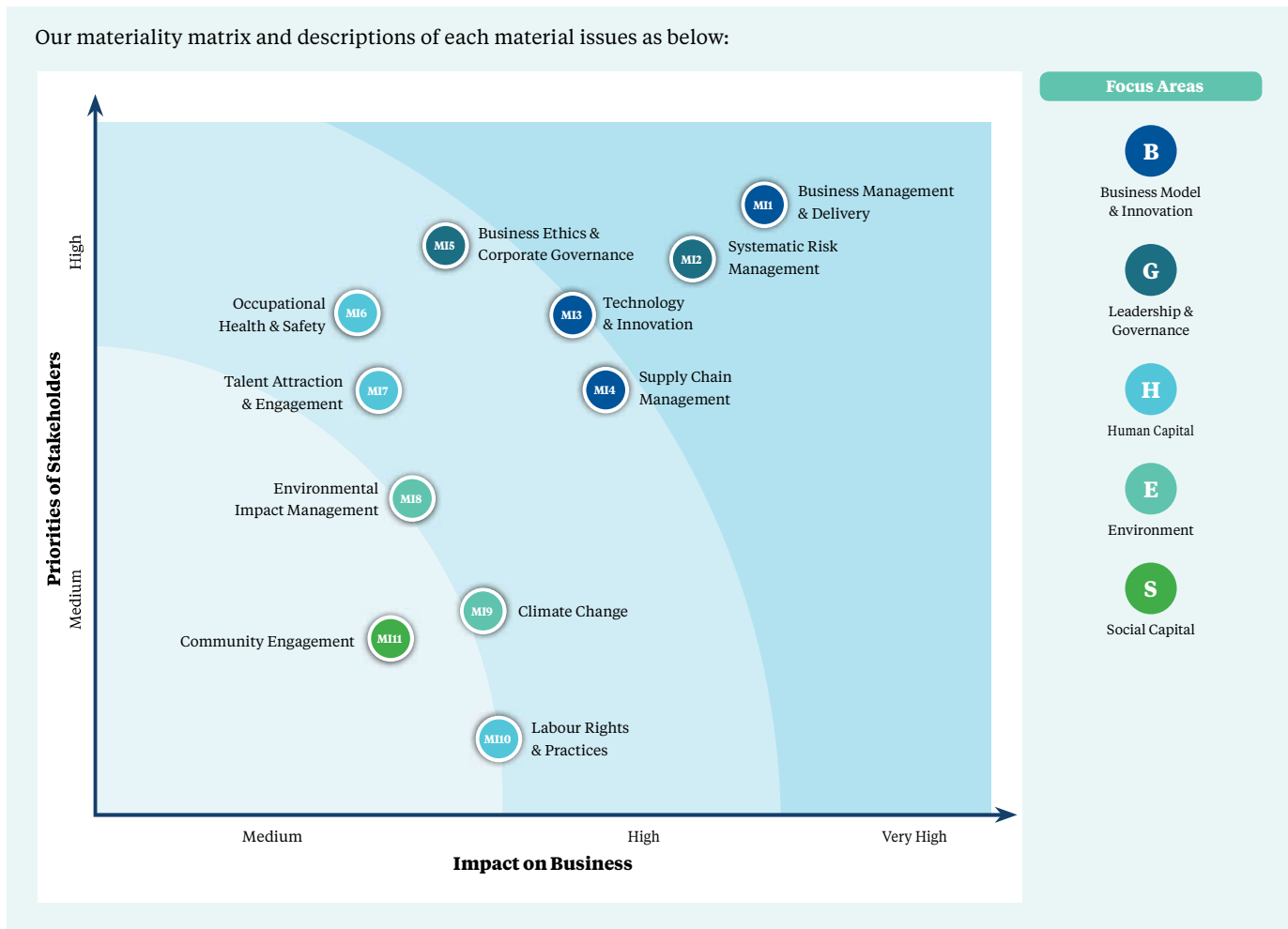
Stakeholder expectation on enterprise & ESG risks

Value creation for stakeholders
















The Company's materiality matters are based on 5 key focus areas: Business Model & Innovation, Leadership & Governance, Human Capital, Environment, Social Capital. Subsequent to the review, the number of key material issues were reduced to 11 key material issues ("MIs"), instead of 14 in the previous year. The reduction in the number of material issues are due to consolidation of relevant MIs for more focussed and ease of reporting. An analysis of the changes and rationale are reviewed in the table below.

 For detailed materiality review process and global standards and frameworks used, please refer to our website at <https://www.salcon.com.my/sustainability/shaping-a-sustainable-future>

Materiality Matrix & Analysis

















Strategic Review Establishing Materiality






Material issues	Change analysis	Stakeholder concerns & priorities	How we address the issues	Measurement indicators
BUSINESS MODEL & INNOVATION				
In alignment with: UNGC Principle 9      				
Business Management & Delivery  MI1	<i>Business Model & Financial Management</i> was renamed <i>Business Management & Delivery</i> in order to focus on the aspect of business management & deliverables to our clients whilst the financial management part is omitted as this will be reported in the Financial section of this report. <i>Project Management</i> in previous material matrix was consolidated into this MI due to its relevance of focus.	<ul style="list-style-type: none"> Projects completed on time and within budget Deliverables meet customers' expectation 	Efficient project management to ensure deliverables within budget & timeline.  pages 58 to 59	<ul style="list-style-type: none"> Client satisfaction score
Technology & Innovation  MI3	Ranking was moved up, driven by rapidly changing business environment and to increase the Company's competitive edge to stay ahead of its competitors.	<ul style="list-style-type: none"> New technologies & innovation to develop new products & services to fulfil need and trends in the market 	Identifying opportunities to innovate especially via collaboration with potential technology service providers.  page 60	<ul style="list-style-type: none"> Number of collaboration to improve technology/innovation
Supply Chain Management  MI4	Moved down one rank from previous year. This remains a significant materiality issue with high stakeholder interest.	<ul style="list-style-type: none"> Cost and efficiency of supply chain Sustainable & responsible procurement 	Working closely with suppliers and sub-contractors to manage ESG risks and expand opportunities.  pages 60 to 61	<ul style="list-style-type: none"> Suppliers & sub-contractors performance score
LEADERSHIP & GOVERNANCE				
In alignment with: UNGC Principle 10 				
Systematic Risk Management  MI2	<i>Critical Incident Risk Management</i> (MI8 as per previous matrix) was merged together with <i>Systematic Risk Management</i> . <i>Systematic Risk Management</i> has also been elevated to ensure that it is given the attention and resources needed for the long-term sustainability and success of the Company. The ranking has been moved up in view of increasing importance of effective systematic risk management for sustainable growth.	<ul style="list-style-type: none"> Effectiveness of the Company's systematic risk management, mitigation strategies & plans 	Group Enterprise Risk Management Framework in place and regularly reassessed to ensure process and procedures are up to date.  page 62	<ul style="list-style-type: none"> Annual performance review on enterprise risks

Strategic Review

Establishing Materiality

Material issues	Change analysis	Stakeholder concerns & priorities	How we address the issues	Measurement indicators
LEADERSHIP & GOVERNANCE				
In alignment with: UNGC Principle 10 				
Business Ethics & Corporate Governance 	Moved down one rank from previous year. <i>Corporate Governance</i> was added into this material issue to demonstrate good board leadership.	<ul style="list-style-type: none"> Transparency & accountability in doing business Adherence to the highest standards of corporate governance, from the Boardroom to the employees 	Clear policies and practices to promote integrity, accountability and transparency in place.  pages 62 to 63	<ul style="list-style-type: none"> Fines or non-monetary sanctions for material non-compliance with laws or regulations
HUMAN CAPITAL				
In alignment with: UNGC Principle 1, 2, 3, 4, 5, 6     				
Occupational Health & Safety 	Ranking was moved up to reflect the Company's commitment for the safety of all stakeholders.	<ul style="list-style-type: none"> Safe & healthy workplace Reduced accident rate and good awareness on workplace health & safety 	Proactive measures to prevent incidents, minimise risks and raise awareness has been implemented Group-wide.  pages 64 to 66	<ul style="list-style-type: none"> Loss Time Injury ("LTI") Completion of safety training
Talent Attraction & Engagement 	<i>Talent Attraction, Growth & Retention and Employee Engagement, Diversity & Inclusion</i> , have been merged and renamed as <i>Talent Attraction & Engagement</i> .	<ul style="list-style-type: none"> Attract and retain talents to support the Company's business growth strategy Diverse & inclusive workforce 	Personal development and technical trainings geared towards retaining intellectual capital and good cultural fit. Equal opportunity and non-discriminatory recruitment and rewards.  pages 67 to 70	<ul style="list-style-type: none"> Employee training hours Turnover rate Percentage of employee participation in company activities Percentage of female employee with managerial positions
Labour Rights & Practices 	<i>Labour Practices</i> has been renamed <i>Labour Rights & Practices</i> as we reframe the way we approach the issues to better reflect our goals and values in this area.	<ul style="list-style-type: none"> Compliance to national labour laws & regulations 	Clear policies as guidance and support to maintain fair labour practices.  pages 71 to 73	<ul style="list-style-type: none"> Non-compliance with M'sia Employment Act & Labour Law

Strategic Review Establishing Materiality

Material issues	Change analysis	Stakeholder concerns & priorities	How we address the issues	Measurement indicators
ENVIRONMENT In alignment with: UNGC Principle 7, 8 				
Environmental Impact Management MI8	<i>Water & Wastewater Management, Pollution & Resources, Energy Management and Ecology Impacts</i> have been merged and renamed <i>Environmental Impact Management</i> for better data tracking and reporting purpose. Materiality increased compared with previous year due to increasing commitment by the Company in this area.	<ul style="list-style-type: none"> Compliance to environmental laws & regulations Minimizing & mitigating environmental impacts 	Monitor, manage and track water & energy consumption, pollution control and management. Conservation programmes are carried out to avoid excessive wastage and additional negative impacts to the environment.  pages 74 to 81	<ul style="list-style-type: none"> Water consumption intensity reduction percentage Energy consumption intensity reduction percentage Scheduled waste management compliance
Climate Change MI9	Ranking was moved up from previous year. Company continues to address climate change in an aggressive manner.	<ul style="list-style-type: none"> Transition into low carbon business activities 	Monitoring of business activities' carbon footprint and implementation of various initiatives to reduce emissions.  pages 82 to 90	<ul style="list-style-type: none"> Emission intensity reduction percentage
SOCIAL CAPITAL In alignment with: UNGC Principle 1 				
Community Engagement MI11	<i>Community Relations</i> has been renamed <i>Community Engagement</i> with the objective to focus on more meaningful engagement to achieve our objectives.	<ul style="list-style-type: none"> Engagement/ activities to support the community in achieving milestones in education, environment and community focus areas 	Meaningful engagement with target group (young generation and less fortunate) through 3 pillars: Education, Environment and Community.  pages 91 to 94	<ul style="list-style-type: none"> Number of local employment provided Number of community events organised

Strategic Review

Key Risks & Mitigations

Salcon key business risks and controls for internal and external operating environment, especially inherent risks were identified, assessed and managed. The performances of Risk Management processes are in accordance to ISO 31000 Risk Management's Framework, and enabled Salcon to achieve the stakeholders' objectivity without exceeding the risk tolerance limits and sits within risk appetities.

Salcon's key risks are identified, evaluated and weighed by owners, Internal Audit & Risk Management Department ("IARM") and Senior Management via Risk Management Work Group ("RMWG") meetings, to produce Salcon's top risks profile and reported by IARM to the Risk Management Committee ("RMC"), at least once a year. The RMC will discuss on the potential risk issues in the Group, review mitigation measures' effectiveness according to current business operating environment and report them to the Board for governance oversight and further strategic directives for the Group.

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 114 of this Annual Report.

The identified common key risks to the Company and mitigation measures are as follows:

Description	Mitigation Measures	Related Material Matters
Financial Risk		
		Likelihood: 2 Impact: 2 Target Risk rating: 4
<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"> Corporate Finance constantly monitor and report the Group's gearing positions and fluctuations of foreign exchange to the Board's Committee to ensure that debts and foreign exchange fluctuations are within the Group's threshold levels. 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 pages 122 to 231. 	
Competition Risk		
		Likelihood: 1 Impact: 2 Target Risk rating: 3
<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 satisfaction surveys and feedbacks. 	
Geopolitical Risk		
		Likelihood: 1 Impact: 2 Target Risk rating: 3
<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 investments. 	<ul style="list-style-type: none"> Build good rapport with local authorities and regular visits to ensure smooth operations. Closely monitor the political environment through news media and regular discussions with Management on local geopolitical climate. 	

Strategic Review

Key Risks & Mitigations

Description	Mitigation Measures	Related Material Matters
Regulatory and Litigation Risk Likelihood: 3 ■ Impact: 3 ■ Target Risk rating: 6 ■		
<ul style="list-style-type: none"> Amendments, revisions or introduction of new business 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. 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI1</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI2</div> </div>
Project Management and Construction Risk Likelihood: 3 ■ Impact: 2 ■ Target Risk rating: 4 ■		
<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. Conduct periodic operation reviews to ensure the compliance of procedures on process control, inspection and testing, project implementation, and others. Strengthened in-house training measures to improve Project Management Team capabilities. Innovate & develop strategies that enhance operational efficiency and cost optimisation. 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI1</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI2</div> </div>
Supply Chain Risk Likelihood: 3 ■ Impact: 2 ■ Target Risk rating: 5 ■		
<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. 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI1</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI3</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI4</div> </div>
Workplace Health and Safety Risk Likelihood: 1 ■ Impact: 2 ■ Target Risk rating: 3 ■		
<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 ("SOP"). 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 ("PPE") including face masks, hand sanitisers and self test kits to all employees. Implement work-from-home or split team arrangements for non-essential employees where applicable, to limit overall movement. 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI5</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI9</div> </div>

Strategic Review

Key Risks & Mitigations

Description	Mitigation Measures	Related Material Matters
People Risk Likelihood: 2 ■ Impact: 2 ■ Target Risk rating: 4 ■		
<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. 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI6</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI10</div> </div>
Integrity Risk Likelihood: 2 ■ Impact: 2 ■ Target Risk rating: 4 ■		
<ul style="list-style-type: none"> Inability to manage actions that could facilitate integrity breaches such as conflict of interests, corruptions/briberies, etc; which carries serious consequences for business and employees such as fines, civil penalties, criminal charges, etc. 	<ul style="list-style-type: none"> Formulate, disseminate, implement and enforce applicable policies/guidelines such as Code of Ethics and Conduct ("COEC"), Anti-Bribery & Anti-Corruption Policy ("ABAC"), Whistleblowing Policy, etc. Instill employees' education/participation/understanding of integrity via acknowledgements of COEC, ABAC declarations, etc. Periodic campaigns to promote, raise and sustain integrity awareness and culture within the Group. 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI2</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI5</div> </div>
Sustainability Risk Likelihood: 2 ■ Impact: 2 ■ Target Risk rating: 4 ■		
<ul style="list-style-type: none"> Inability to account for and manage uncertain or changing social or environmental events or conditions whereby during its occurrence, may or can cause significant negative impact and conversely, opportunities; on or for the company. 	<ul style="list-style-type: none"> Periodic campaigns to promote, raise and sustain ESG awareness and culture within the Group, such as recycling campaigns, tree planting exercises, etc. The Group's Sustainability Committee holds yearly meetings to discuss on sustainability and advise the Group on matters relating to ESG policies and practices. 	<div style="display: flex; gap: 10px;"> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI5</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI8</div> <div style="border: 1px solid black; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center;">MI9</div> </div>





As based on existing TricorRadar heat map system:

■ 2-3
 ■ 4-5
 ■ 6-7
 ■ 8-10

Strategic Review

Strategic Growth Drivers & Priorities

Salcon is progressing on a clearly defined strategic roadmap to accelerate and build resilience. These four (4) strategic growth drivers have enabled the Company to diversify its offerings and capitalize on growth opportunities whilst delivering quality products and services effectively and efficiently.

Growth Driver	FY 2022 Developments	FY 2023 Key Priorities
<p>Strategic diversification</p> <p><i>Expanding into new markets and offering new products to diversify the Company's revenue streams and mitigate risk.</i></p>	<ul style="list-style-type: none">  Expanded into 4 markets in FY 2022: Russia, Philippines, Myanmar & Kenya. 	<ul style="list-style-type: none"> Focus on research & development ("R&D") for better product innovation and to penetrate into new markets. Continue to identify new opportunities to mitigate risks and enhance profitability.
<p>Technology & innovation</p> <p><i>Utilizing technology and innovation to improve and differentiate the Company's products or services.</i></p>	<ul style="list-style-type: none">  Implement sludge pipe conveyor system for Langat 2 Package 3 project.  Identified Suez and Mitsubishi as our MBR (membrane) Strategic Partner.  Implemented 100% geotagging of critical active equipment. 	<ul style="list-style-type: none"> Identify technical experts for strategic collaboration to deliver improved products and services. Latest technology to enhance competitive edge and gain more market share.
<p>Cost & Organizational effectiveness</p> <p><i>Reducing costs and improving organizational effectiveness to drive success and increase efficiency.</i></p>	<ul style="list-style-type: none"> Performance management workshop for senior management on systematic and comprehensive Key Performance Indicators ("KPIs") setting. Improved employee welfare, including medical/dental coverage and staggered working hours. 	<ul style="list-style-type: none"> Improve talent management, attraction & retention through a performance driven culture. Strengthen supply chain management to optimize cost savings.
<p>Sustainability as new growth area</p> <p><i>Focusing on environmentally and socially responsible practices to drive business growth and differentiate the Company in the marketplace.</i></p>	<ul style="list-style-type: none"> Workshop on Integrated Reporting with Special Focus areas for Board of Directors and senior management. Reviewed and set various key environmental targets, including net zero target. Launched of Anti-Sexual Harassment Policy to address inclusive labour practices. ESG-linked remuneration, with 20% of bonus pool linked to ESG performances. 	<ul style="list-style-type: none"> Transitioning into low carbon economy to meet Company's net zero goal. Embed culture of sustainability into our business planning & operations and enhance corporate governance. Engage with supply chain to address sustainability issues. Keep abreast with industry development to ensure sustainability practices & approaches are well aligned with international standards.

Financial Performance Review

Group CFO's Statement

Dear valued stakeholders,

I present before you the financials for FY 2022.

DIVISIONAL FINANCIAL REVIEW

Group Financial Performance

RM'000	2022	2021	Var
REVENUE	204,109	286,893	-29%
(LOSS)/PROFIT BEFORE TAX	(51,640)	27,478	-288%
NET (LOSS)/PROFIT	(41,326)	16,776	-346%

The Group achieved a total revenue of RM204.1 million in FY 2022, compared to RM286.9 million in the preceding financial year, representing a decrease of 29% attributed mainly due to lower demand in the glove industries.

The Group recorded loss before tax of RM51.6 million compared to profit before tax of RM27.5 million in the previous year mainly due to impairment loss on trade and other receivables.

The Group has reported a net loss of RM41.3 million in the current financial year, compared to the net profit of RM16.8 million reported in the previous year mainly due to losses in the Healthcare Division which recorded net loss of RM31.1 million in FY 2022.

Consolidated Cash Flow Analysis for FY 2022

RM'000	2022	2021
Net cash generated from operating activities	39,096	39,079
Net cash generated from/(used in) investing activities	3,010	(45,568)
Net cash used in financing activities	(21,496)	(13,058)
Effects of exchange rate changes	(1,074)	(2,034)
Net increase/(decrease) in cash at year end	20,599	(19,547)
Cash & bank balances	140,072	120,536

The net cash generated from operating activities has increased slightly as compared to FY 2021. The net cash from investing activities amounts to RM3 million for FY 2022 is higher compared to cash flow used in FY 2021, mainly due to the acquisition of the Healthcare Division in FY 2021. Net cash used in financing activities amounts to RM21.5 million in FY 2022 compared to RM13.1 million in FY 2021 mainly due to more repayment of borrowings in FY 2022. The cash & bank balance as at FY 2022 is 16.21% higher at RM140 million compared to FY 2021 at RM120.5 million.

Total Borrowings

RM'000	Borrowing due for repayment in		Total
	<1 year	>1 year	
Total borrowings	18,800	6,737	25,537

The Group has recorded borrowings of RM25.5 million as compared to RM39.4 million for corresponding period in the immediate preceding year. The movement in the borrowings was substantially attributed mainly due to repayment of borrowings in FY 2022.

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

Financial Performance Review

Group CFO's Statement

Capital Management

RM'000	2022	2021
Total borrowings	25,537	39,432
Lease liabilities	1,809	2,644
Less: Total cash & bank balances	(140,072)	(120,536)
Net borrowings	(112,726)	(78,460)
Owners' equity and non-controlling interests	447,630	494,429
Net gearing ratio (times)	0.06	0.08

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 decreased 9.3% from RM494.4 million in FY 2021 to RM447.6 million in FY 2022.

Consolidated Financial Position Analysis for FY 2022

RM'000	2022	2021	Var
Non-current assets	200,934	303,508	-33.8%
Current assets	393,250	357,752	9.92%
Total assets	594,184	661,260	-10.1%
Non-current liabilities	23,728	33,596	-29.37%
Current liabilities	122,826	133,235	-7.81%
Total liability	146,554	166,831	-12.15%
Owners' equity	425,031	454,834	-6.6%
Current ratio (times)	3.20	2.69	19%
Net assets per share attributable to equity holders (RM)	0.42	0.45	-6.7%

Total assets

The Group's total assets recorded RM594.2 million, decreased by 10.1% compared to RM661.3 million in FY 2021 mainly due to impairment loss on trade and other receivables.

Total liabilities

Total liabilities of the Group recorded at RM146.6 million in FY 2022, decreased by 12.15% compared to RM166.8 million in FY 2021 mainly attributed to the decrease in borrowings.

Owner's equity

Owner's equity decreased by 6.6% to RM425 million mainly due to losses in FY 2022.

Current ratio

The Group's current ratio, a balance sheet performance measure of the Group's financial liquidity recorded at 3.20 times in FY 2022, increased by 19% compared to 2.69 times in FY 2021. The current ratio indicates that the Group has adequate liquidity to cover short-term obligations.

Dividend Payout

FY 2022 The Company paid a final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every forty (40) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2021.

FY 2021 The Company paid a first and final dividend via distribution of treasury shares as share dividends on the basis 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.

Financial Performance Review

Group CFO's Statement

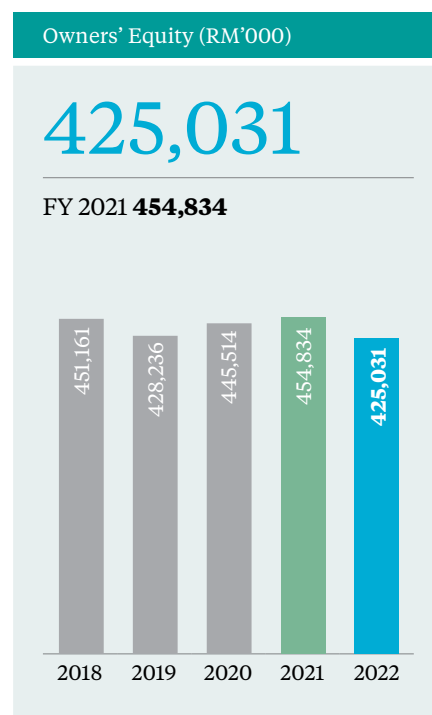
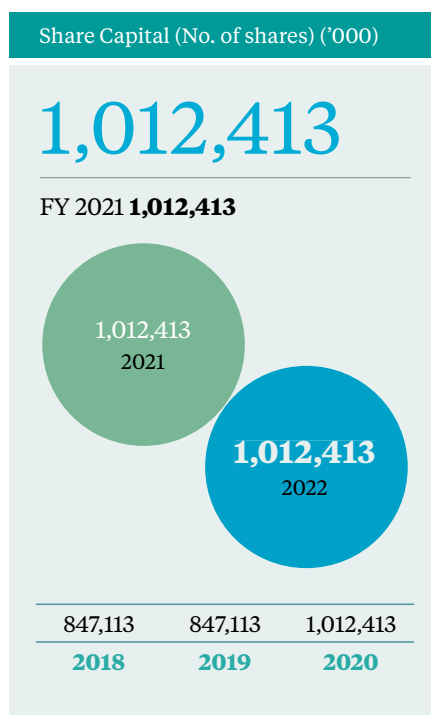
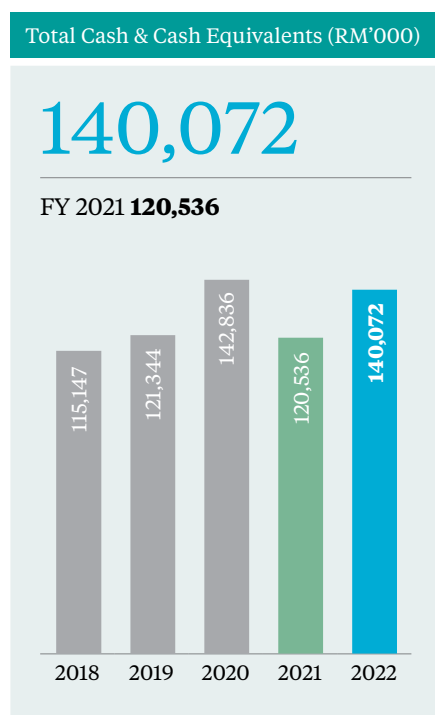
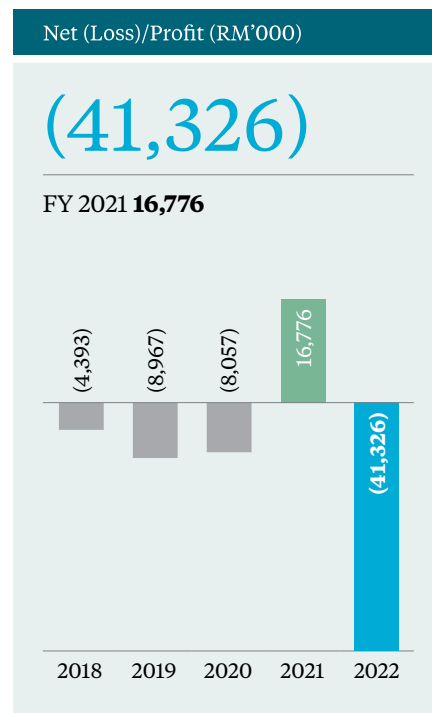
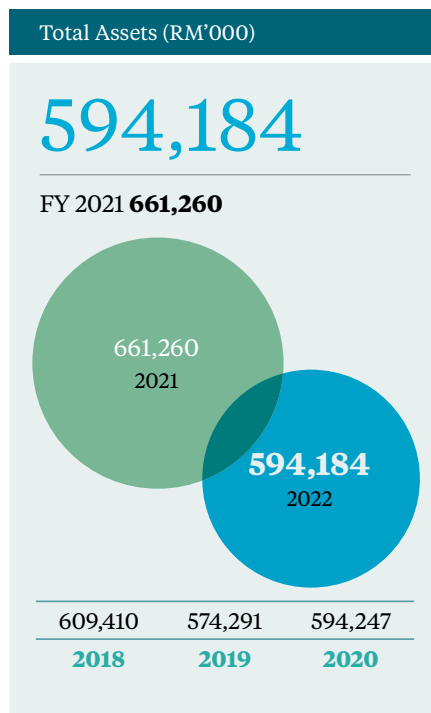
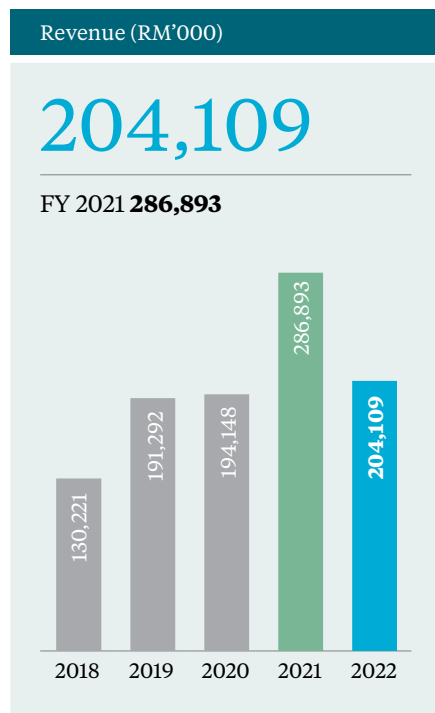
Financial Performance

RM'000	FINANCIAL YEAR ENDED DECEMBER				
	2022	2021	2020	2019	2018
FINANCIAL RESULTS					
Revenue	204,109	286,893	194,148	191,292	130,221
(Loss)/Profit Before Tax	(51,640)	27,478	(8,750)	(7,331)	(1,562)
Net (Loss)/Profit	(41,326)	16,776	(8,057)	(8,967)	(4,393)
KEY INFORMATION OF FINANCIAL POSITION					
Total Cash and Cash Equivalents	140,072	120,536	142,836	121,344	115,147
Total Assets	594,184	661,260	594,247	574,291	609,410
Total Liabilities	146,554	166,831	126,484	125,066	136,399
Total Borrowings	25,537	39,432	32,065	24,102	48,381
Share Capital (No. of shares)	1,012,413	1,012,413	1,012,413	847,113	847,113
Owners' Equity	425,031	454,834	445,514	428,236	451,161
Total Equity	447,630	494,429	467,763	449,225	473,011
FINANCIAL RATIOS					
Basic Earnings Per Share (sen)	(2.40)	1.19	(0.70)	(1.03)	0.25
Share Price at Year End (RM)	0.230	0.250	0.260	0.245	0.235
Price Earnings Ratio (times)	(0.10)	0.21	(0.37)	(0.24)	0.94
Return on Owners' Equity (%)	-5.72%	2.63%	-1.36%	-2.02%	0.47%
Return on Total Assets (%)	-4.09%	1.81%	-1.02%	-1.51%	0.35%
Dividend Payout to Earning Ratio (%)	-23.00%	31.26%	-106.08%	-88.06%	31.44%
Net Gearing Ratio (times)	0.06	0.08	0.07	0.06	0.11

Financial Performance Review

Group CFO's Statement

Group Financial Highlights



Financial Performance Review

Group CFO's Statement

Group Segmental Performance

RM'000	FINANCIAL YEAR ENDED DECEMBER				
	2022	2021	2020	2019	2018
GROUP REVENUE					
Engineering and Construction	134,762	136,298	153,593	163,456	103,125
Property Development	-	2,177	23,763	7,773	5,607
Trading & Services	17,080	15,574	16,792	19,181	20,008
Healthcare	52,267	132,844	-	-	-
Concessions	-	-	-	882	1,481
Revenue	204,109	286,893	194,148	191,292	130,221
GROUP (LOSS)/PROFIT BEFORE TAX					
Engineering and Construction	(2,436)	10,056	(3,778)	1,648	141
Property Development	(2,433)	(2,438)	(4,861)	(3,598)	(8,963)
Trading & Services	3,668	963	(478)	(7,719)	1,480
Healthcare	(50,708)	18,680	-	-	-
Concessions	269	217	367	2,338	5,780
(Loss)/Profit Before Tax	(51,640)	27,478	(8,750)	(7,331)	(1,562)
GROUP NET (LOSS)/PROFIT					
Engineering and Construction	(1,832)	7,620	(4,741)	(3)	(1,119)
Property Development	(2,675)	(2,606)	(4,486)	(3,857)	(8,970)
Trading & Services	3,027	426	(885)	(8,230)	523
Healthcare	(40,109)	13,244	-	-	-
Concessions	269	217	367	2,341	5,780
Discontinued Operations	(6)	(2,125)	1,688	782	(607)
Net (Loss)/Profit	(41,326)	16,776	(8,057)	(8,967)	(4,393)

Segmental Analysis

Engineering & Construction Division

During the financial year, the Division recorded loss before tax of RM2.4 million as compared to profit before tax of RM10.1 million in the preceding year mainly due to lower contributions from share of profit from joint ventures in the current financial year.

Healthcare Division

The Division recorded loss before tax of RM50.7 million as compared to profit before tax of RM18.7 million in the preceding year mainly due to impairment loss on trade and other receivables in the current financial year.

Property Development Division

The Division recorded loss before tax of RM2.43 million in the current year cumulative quarter as compared to loss before tax of RM2.44 million in the preceding year mainly due to finance costs incurred in the current financial year.

Financial Performance Review

Group CFO's Statement

Trading and Services Division

Under the Trading and Services Division, revenue recorded RM17.1 million as compared to RM15.6 million in the preceding year. The Division recorded a profit before tax of RM3.7 million as compared to a profit before tax of RM1.0 million in the preceding year mainly due to higher contributions from share of profit from joint ventures in the current financial year.

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	2022	2021
VALUE ADDED:		
Revenue	204,109	286,893
Purchases of goods & services	(219,680)	(230,644)
Value added by the Group	(15,571)	56,249
Share of profit of associated companies and joint ventures	4,133	12,311
Total value added for distribution	(11,438)	68,560
DISTRIBUTION:		
To employees		
- Salaries & other staff costs	26,515	28,309
To Governments		
- Taxation	(10,320)	8,577
To Rakyat		
- Community Investment	53	235
To providers of capital		
- Dividends	5,594	3,742
- Finance cost	2,673	3,864
- Non-controlling interest	(16,996)	4,807
Retained for future reinvestment & growth		
- Depreciation and amortization	10,967	10,799
- Retained loss	(29,924)	8,227
Total Distributed	(11,438)	68,560
RECONCILIATION :		
Net Loss for the year attributable equity holders	(24,330)	11,969
Add: Depreciation and amortization	10,967	10,799
Finance cost	2,673	3,864
Staff costs	26,515	28,309
Community Investment	53	235
Taxation	(10,320)	8,577
Non-controlling interest	(16,996)	4,807
Total Value Added	(11,438)	68,560

Divisional Operations Review

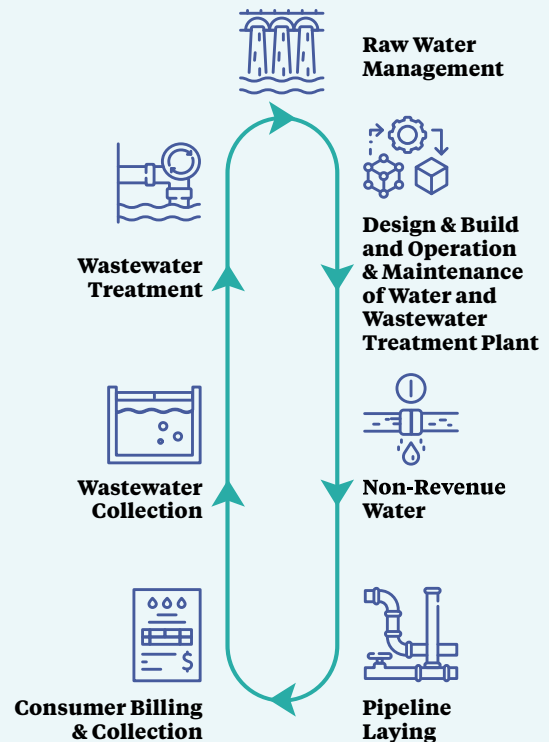


ENGINEERING & CONSTRUCTION DIVISION

Stakeholders
Involved



Value Chain



About the Division

- 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, operation & maintenance of water distribution system, non-revenue water (“NRW”) reduction, customer service, meter readings, billings and collection in Malaysia & overseas.
- Driven by subsidiaries namely Salcon Engineering Berhad (“SEB”) and Envitech Sdn. Bhd. (“Envitech”), in which SEB manages water engineering and Envitech manages wastewater engineering.

Divisional Operations Review

Engineering & Construction Division

Key Stakeholder Value Creation in FY 2022



Employees

- RM13.53 million payment to employee wages
- 246 workforce, with 57% are technical workforce
- Achieved 8.06 million manhours without loss time injury (“LTI”)



Suppliers/ Sub-contractors

- RM81.53 million payment to suppliers & sub-contractors



Clients/Customers

- Commissioned 120 million litres per day (“MLD”) water treatment plant and Completion of O&M of major sewage treatment plant project, which treats 207 MLD of sewage



Shareholders/ Investors

- Outstanding orderbook of RM291.51 million
- Tender value of RM1.2 billion



Local Communities

- Managed 7,106 number of calls at the Sandakan billing centre for Sandakan community

Operation Review

During the year under review, the Engineering & Construction division secured a total of RM230 million worth of new contracts in Malaysia ie Package 3 – Cadangan Reka dan Bina Sistem Pelupusan Enapcemar Untuk Loji Rawatan Air Langat 2 from Pengurusan Aset Air Berhad (“PAAB”) valued at RM210.0 million as well as several sewage treatment plants and sewerage reticulation pipelines projects.

The scope of Package 3 project from PAAB is to design and build a residual conveyance and disposal system for Langat 2 Water Treatment Plant, which includes a pipe conveyor of approximately 2,000 meters from the plant to the residual storage shelter near Bukit Enggang Balancing Reservoir.

The award of these projects is a measure of confidence that our clients have in the division which has more than 48 years strong track record and expertise in the water & wastewater industry.

Meanwhile, the division has also successfully completed several major projects in FY 2022, as follows:



Aerial view of Telibong water treatment plant

1. Design & build 120 MLD water treatment plant, 140 MLD raw water intake, raw water pipeline, TW pipelines and service water tanks for Kuala Terengganu Utara (“KTU”) Water Supply Scheme, Terengganu
 - The plant has been tested, commissioned and handed over since October 2022 and presently under Operation & Maintenance by SATU
 - Completion of balance minor works and defect liability period
2. Rehabilitation works of Vacuum Sewerage System at Bandar Ambang Botanic
 - Design, submission, construction, testing, commissioning the Rehabbed Vacuum Sewerage System

Laying of Vacuum Sewer & Telemetry Cable with total length of 4,090m for rehabilitation works of vacuum sewerage system at Bandar and Ambang Botanic.

Divisional Operations Review

Engineering & Construction Division



Laying of Vacuum Sewer & Telemetry Cable with total length of 4090m for rehabilitation works of vacuum sewerage system at Bandar Ambang Botanic

The major on-going projects under this division are as below:

Water engineering:

1. Langat Centralised Sewage Treatment Plant – Package 1 & 2
 - Upgrading 10 existing sewage treatment plant to 6 network pump station and 4 single pump station as well as laying 10 km force main
 - Status of completion as at Feb 2023: 99%
2. Upgrading of Telibong II from 80 MLD to 160 MLD
 - Construction of raw water intake, raw water pipeline and water treatment plant of 80 MLD
 - Status of completion as at Feb 2023: 82%
3. Langat 2 – Package 15(4), Pipeworks
 - Laying DN1,600 @ 1.36 km and DN1,400 @ 3.7 km MSCL pipes to the existing distribution system
 - Status of completion as at Feb 2023: 63%
4. Customer Call Center, Monitoring & Maintaining DMZ, Meter Reading and Billing for Sandakan Water Department
 - Operation & maintenance of Customer Call Center, monitoring & maintaining District Meter Zones, meter reading and billing
 - Status of completion as at Feb 2023: 76%

5. Package 3: Design & Build Dewatered Residual Disposal System for Langat 2 WTP
 - Design & build dewatered sludge conveyance system and landfill and 6 months O&M
 - Status of completion as at Feb 2023: 5%

Wastewater engineering:

1. External Common Gravity Sewer Mains at Jalan Segambut
 - Construction, inspection, testing & commissioning and handing over of sewerage reticulation
 - Status of completion as at Feb 2023: 40%
2. Sewage Treatment Plant STP2A (Module 3 - 50,000 PE with Ultimate Capacity 200,000 PE) at Mukim Kapar
 - Design and build, installation, completion, testing & commissioning of sewage treatment plant
 - Status of completion as at Feb 2023: 99%
3. External Sewerage and Drainage Works, Mukim Kuala Lumpur
 - Construction, inspection, testing & commissioning sewerage reticulation
 - Status of completion as at Feb 2023: 0% (under drainage system application approval stage)

The division is actively tendering for NRW projects and looks to expand its footprint in Malaysia, including other districts of Sabah.

The Road Ahead

Prospects for the division remains resilient with the government's continuous initiative and investments to improve the water quality and services, manage flood mitigation & reduce NRW rate in Malaysia.

The Water Sector Transformation 2040 (“WST 2040”), a two-decade agenda outlined in the 12th MP, aims to enable the water sector to significantly contribute to national growth and wealth creation by becoming a regional water industry hub. The goals include achieving water supply accessibility by 98% especially in rural areas and islands, sewerage services coverage to 90% and NRW reduction rate at 25% by 2025. During the re-tableting of the revised National Budget 2023/24, the government expects to re-tender six flood mitigation projects latest by June 2023, including projects in Sungai Johor in Kota Tinggi, Johor; Sungai Rasau and Sungai Klang, Selangor; and Sungai Golok, Kelantan.

We are confident of securing more water and wastewater projects in the new financial year. Our current total tendered/pre-qualified projects are valued at RM1.2 billion as at 31 December 2022, for both local and overseas projects whilst the outstanding orderbook stands at RM291.51 million, with 85% from water unit, 14% and 2% from wastewater and NRW unit respectively. The division continues to prioritise cost and operational efficiency as well as technology and innovation as the key strategic growth drivers to create long term sustainable values for our stakeholders.

Divisional Operations Review

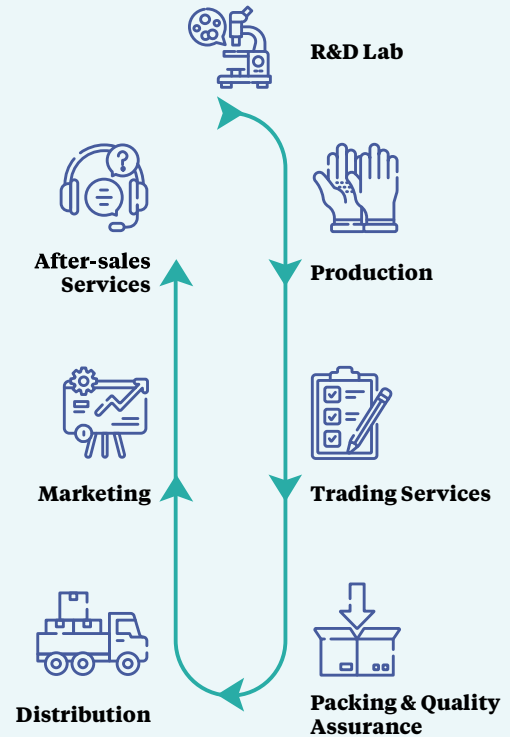


HEALTHCARE DIVISION

Stakeholders Involved



Value Chain



About the Division

- The Healthcare Division is led by JR Engineering and Medical Technologies (M) Sdn. Bhd. (“JREMT”).
- JREMT is in the business of manufacturing and trading of medical and industrial grade disposable latex, nitrile and polychloroprene gloves, covering various market segments such as dental, food, healthcare, industrial, laboratory, spa & beauty.
- JREMT also provides turnkey and consultation services globally since 2001, including Thailand, USA, African Continents, Bangladesh etc. Services consists of plant set up, machinery sourcing, testing and commissioning of production lines.
- 1 manufacturing plant with 4 production lines.

Divisional Operations Review

Healthcare Division

Key Stakeholder Value Creation in FY 2022



Employees

- RM2.99 million payment to employee wages
- Achieved zero fatality



Suppliers/ Sub-contractors

- RM51.8 million payment to suppliers

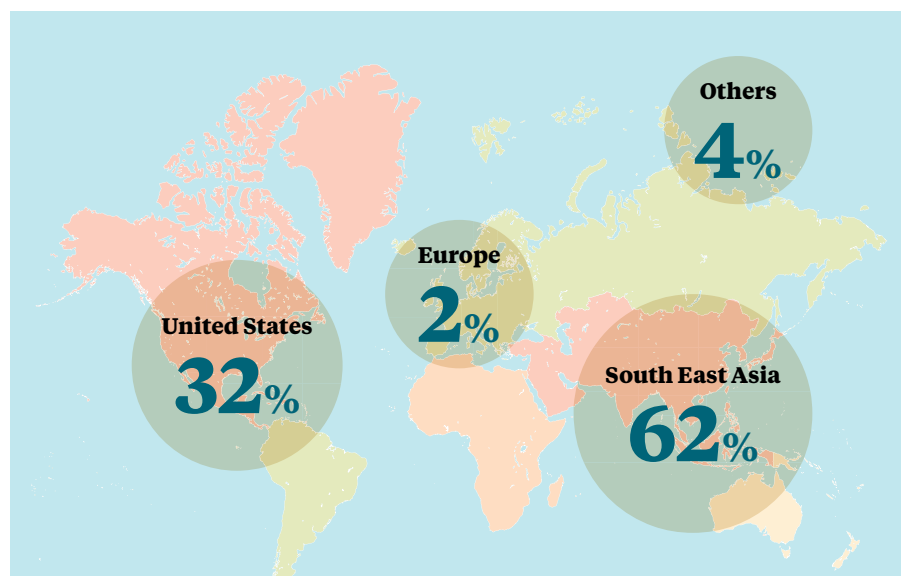


Clients/Customers

- Conducted Sedex Members Ethical Trade Audit (“SMETA”)
- Complied with 6 globally-recognised certifications/standards
- Delivered 125,059,556 pieces of gloves to 15 countries, for more than 160 customers
- Developed 5 new products in FY 2022

Operation Review

In FY 2022, the division launched 5 new products and penetrated into 4 new markets namely Myanmar, Philippines, Kenya and Russia. New products launched in FY 2022 are 300mm diamond grip examination gloves, neurosurgeons brown surgical gloves, orthopedic brown surgical gloves, gynecology 16” and 18” gloves and 240mm dual colored examination gloves. The Research & Development team continues innovating niche products to meet customers’ needs & expectations. In FY 2022, the division has footprint at various regions in 15 countries in total with diverse range of products to align with rapidly changing markets, as below:



JREMT continues to expand in existing markets via various marketing channels, such as social media, personal marketing representatives, digital marketing and exhibitions. In FY 2022, JREMT has participated in the following exhibitions to reach out to

potential customers and engage with existing customers:

- Vietnam Medipharm Expo 2022
- Medical Fair Asia 2022 Singapore
- Margma IREGCE 2022 Malaysia
- Selangor International Business Summit 2022
- Africa Expo 2022

To ensure consistent product quality and improve production efficiency, JREMT has invested in automation in its production process. Auto-pelleting & auto-pouching machine are used to seal pouches, which is 8 times faster than using manual labour. Affected by the travel restriction in earlier years due to the pandemic as well as regulations in importing foreign labour, the move to invest in automation has helped to solve the division’s labour issues. In FY 2022, 46 foreign labour from India were recruited.

JREMT’s products are certified with FDA certifications, CE Marking and various applicable ISO certifications. Besides this, the division has been a member of Supplier Ethical Data Exchange (“SEDEX”) since February 2022 and attended to customers’ requirement on Sedex Members Ethical Trade Audit

Divisional Operations Review

Healthcare Division



Auto-pelleting & auto-pouching machine improve production efficiency by 8 times

("SMETA"). During the year under review, 1 SMETA audit have been conducted in February and JREMT has successfully complied with 99% of the audit which are based on 4 key areas: health and safety standard, labour standards, environment & business ethics.

Status of the material litigation between JREMT and Aspen Glove Sdn. Bhd. ("AGSB") is on-going. Following JREMT's counterclaim filed on 19 December 2022, AGBS has filed a write against JREMT on 25 January 2023. The suit is non-meritorious and JREMT will vigorously defend the suit.

The Road Ahead

The government's revised 2023 Economic and Fiscal Outlook reports that growth in the manufacturing sector is expected to moderate this year to 3.9%, down from 8.1% in 2022 and 9.5% in 2021, amid moderate economic activities.

Demand for gloves are currently lower than pre-pandemic level due to several factors such as increase of raw material prices, supply chain disruption due to the Ukraine-Russia war, new competitors in the industry, coupled with customers holding off restocking activity because of excessive glove inventory. Nevertheless, given the rising hygiene awareness & health standards globally, the Company anticipates that the global glove demand will remain promising in long term. This is due to several factors such as increasing hygiene standards in both non-medical and medical sectors, growing aging population with the elderly being more susceptible to higher risk diseases, normalized customers inventory levels after the earlier overstocking, progressively stringent health regulations and emergence of new health threats.

The division's current strategies are to focus in investing in R&D for better operation and product quality as well as enhance cost and operational efficiency.

Divisional Operations Review

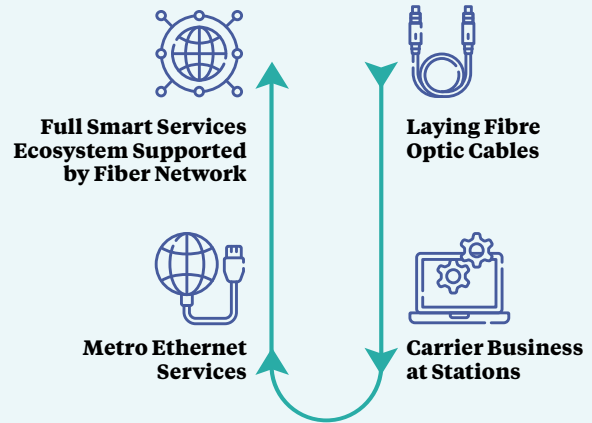


TECHNOLOGY SERVICES DIVISION

Stakeholders Involved



Value Chain



About the Division

- The Technology Services Division is led by Volksbahn Technologies Sdn. Bhd. (“VBT”).
- VBT’s network services are available in Klang Valley through out Prasarana’s Light Rapid Transit (“LRT”), Bus Rapid Transit (“BRT”), and Monorail (“MRL”) corridor from Gombak/Ampang to Puchong/Putra Heights.
- Manage and operate over 100 mobile sites offering mobile backhaul and broadband services within Prasarana’s LRT, Monorail and BRT corridors.
- 108 km distance of fiber optics infrastructure in Klang Valley.

Key Stakeholder Value Creation in FY 2022



Employees

- RM3.13 million payment to employee wages
- Achieved zero employee and contractor fatality rate



Suppliers/ Sub-contractors

- RM4.59 million payment to suppliers/sub-contractors



Clients/ Customers

- Delivered 33 cell sites along LRT corridor for its clients in FY 2022, with 29 of the sites secured in the same year

Divisional Operations Review

Technology Services Division



DNB site at University Station

Operation Review

During the year under review, VBT has successfully delivered 33 cell sites on-air along LRT corridor for its clients which include Celcom, Maxis, Digi and Digital Nasional Berhad (“DNB”) in FY 2022, whereby 24 out of the 33 sites are fifth-generation cellular network-based (5G) for DNB. This has also provided opportunities to build, manage & operate mobile broadband, fixes service and other digital services to Transit-Oriented-Developments (“TOD”).

Under its Enterprise Business services, in FY 2022, VBT has successfully clinched contracts from 3 new customers, ie: View Qwest Sdn. Bhd., XMT Technologies Sdn. Bhd. & YTL Communication Sdn. Bhd.. Together with 2 other existing customers – Allo Technology Sdn. Bhd. &

X86 Network Sdn. Bhd., VBT has secured 17 enterprise business sites and delivered 10 in FY 2022. The remaining 7 sites are expected to be delivered in FY 2023. In FY 2022, VBT has secured and delivered a total of 3 mobile backhaul services for U Mobile & Celcom.

The Road Ahead

Under Budget 2023, DNB, as the single Wholesale 5G Network Provider, will expand 5G network nationwide to achieve 80% of coverage of populated areas (“Copa”) areas with infrastructure expenditure allocation worth RM1.3 billion by end-2024.

VBT’s focus in near and medium term is on the 5G pillar structure deployment for DNB. Though the revised 5G wholesale fee will affect the competitiveness of the new

sites and bandwidth capacity expansion contracts, VBT will work closely with the authorities to ensure compliance, while enhancing its cost efficiency to increase competitive edge.

In terms of its enterprise business section, VBT continues to explore greenfield and brownfield areas and provide fixed broadband services through collaboration with service partners at commercial/residential buildings. With the Jalanan Digital Negara (“JENDELA”) initiative in which the government aims to implement digital connectivity to unserved locations with low mobile connectivity penetration, VBT are readily-available to provide the necessary solution within Prasarana’s Row Corridor.

Divisional Operations Review



TRANSPORTATION DIVISION

Stakeholders Involved



Value Chain



Provide inbound and outbound logistics for transporting palm oil and soy oil product



Provide transportation services for multinational companies



Provide daily commute of targeted users including tourists

About the Division

- The Transportation Division is spearheaded by Eco-Coach & Tours (M) Sdn. Bhd. (“ECT”).
- ECT offers transportation services, including worker transportation for multinational corporations in the northern region in Malaysia, as well as inbound and outbound tour services.
- Green Fleet Sdn. Bhd., a wholly-owned subsidiary of ECT, provides transportation services for palm oil and soy oil products.

Key Stakeholder Value Creation in FY 2022



Employees

- RM5.4 million payment to employee wages
- Achieved zero fatality rate



Clients/Customers

- Provision of employees’ transportation services to 3 multinational companies
- Operates a total of 139 vans, 45 coaches, 9 MPVs, 1 lorry and 7 limo vehicles for worker transportation clients
- Operates 5 unit of stainless steel and mild steel bulk tankers
- Better technology with the installation of Senstrac on 196 vehicles

Divisional Operations Review

Transportation Division



The exterior view of the SCANIA coach under ECT's fleet

Operation Review

As at FY 2022, Eco-Coach & Tours (M) Sdn. Bhd. ("ECT") serves its multinational companies' clients, which include Intel, Paramit, and Analogue Device ("ADI") with total fleet size of 139 vans, 45 coaches, 9 MPVs, 1 lorry and 7 limousines. In order to provide safe, timely and tracking services to its clients and optimise cost efficiency, ECT invested on improvements to its Senstrac FOCAS Passenger Transport and Tracking System ("Senstrac") with an on-demand transport system to enable passengers to book their journey through its application system at a convenient time (during service operating hours), and to be picked at a designated convenient location. To date, a total of 196 vehicles has been installed with the Senstrac

system. The division seeks to diversify its commercial relationships and prioritize the marketing and promotion of the Senstrac to new potential clients in non-current industries.

Under its industrial product logistic unit, Green Fleet Sdn. Bhd. ("GF") operates 5 stainless steel and mild steel bulk tankers for clients in the palm oil and soy oil industries, including Soon Soon Oilmills Sdn. Bhd. and PGE0 Edible Oils Sdn. Bhd. Due to the recovery of global economic activities after the COVID-19 pandemic, this segment has revived and continues in its development.

The Road Ahead

The increased interest among MNCs to set up their manufacturing base in Malaysia,

would generate significant multiplier effects on economic growth.

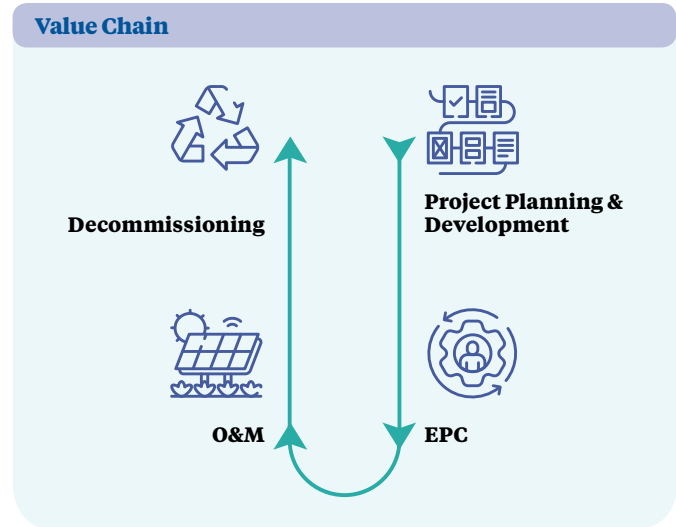
ECT intends to expand the business through the following strategies:

- Leveraging on digitalization in its transportation services, such as passenger transport and tracking, and a digital route planning system to offer more efficient services for vehicle and driver rostering for targeted users' daily commutes.
- Broadening the market presence by securing more contracts.
- Transitioning to low carbon emission vehicles.

Divisional Operations Review

RENEWABLE ENERGY DIVISION**Stakeholders
Involved****About the Division**

- Spearheaded by wholly owned subsidiary Salcon Power (HK) Limited (“Salcon Power”) & 70% owned subsidiary, Inergist Sdn. Bhd. (“Inergist”).
- Salcon Power operates rooftop solar photovoltaic systems in the United Kingdom for households whilst Inergist installs and operates solar photovoltaic systems on rooftops of homes as well as industrial buildings in Malaysia market.

Value Chain**Key Stakeholder Value Creation in FY 2022****Employees**

- RM11,681 payment for employee wages

**Clients/Customers**

- Generation of 1.93 GWh of solar energy, which had reduced clients' electricity costs
- Offset 1,236 tonnes of CO₂ emission

**Local Communities**

- 1,600 homes in UK has been installed with rooftop PV panels as at FY 2022

**Regulators/Government
Authorities**

- Supports national renewable energy (“RE”) target in which 31% of RE share in the national installed capacity mix by 2025



The renewable energy division continues to generate 1.93 GWh of low carbon renewable energy from the rooftop solar photovoltaic system at HeveaPac in FY 2022

Operation Review

As at FY 2022, Inergist continues to generate 1.93 gigawatt-hours (“GWh”) of low carbon renewable energy from the rooftop solar photovoltaic system at HeveaPac Sdn. Bhd. (“HeveaPac”). This translates into an offset of 1,236 tonnes of CO₂ emission per annum.

In the UK, Salcon Power has successfully generated 1,234.74 kWh from 405 residential rooftop solar photovoltaic systems.

The Road Ahead

We see positive indicators that the market for renewable energy system, particularly solar photovoltaic system installation will remain resilient. In Budget 2023,

Bank Negara will provide RM2 billion in funding for sustainable technology start-ups and help small and medium enterprises implement low-carbon practices. This is part of the government's measures to support and encourage green practices among local businesses and ultimately achieving the Net Zero Carbon country by 2050.

We will continue to work closely with our partners to support the development of the renewable energy segment.

Divisional Operations Review

PROPERTY DEVELOPMENT DIVISION

Stakeholders Involved



About the Division

- The Property Development Division is represented by Salcon Development Sdn. Bhd..
- The division delivers niche property development tailored to address the needs of the market and community.

Value Chain



Landbank



Sales and Marketing



Construction

Key Stakeholder Value Creation in FY 2022



Clients/Customers

- Landbank size of 18.07 acres

Operation Review

The Group entered into a Joint Venture Agreement (“JVA”) with Exsim Kebun Teh Sdn. Bhd. (formerly known as Exsim Hills (Sabah) Sdn. Bhd.) through its subsidiary, Nusantara Megajuta Sdn. Bhd. to undertake a multiple phased mixed-use development project in Johor Bahru. Under the terms of the JVA, Exsim will pay RM140 million as landowner’s entitlement to Salcon upon reaching the milestones as stipulated in the agreement.

The joint venture would allow Salcon to unlock the value of the development lands by tapping on the skills, track record and experience of the developer who provides property development services ranging from the inception to the completion of a portfolio for commercial and industrial projects.

The Road Ahead

Malaysia's property market remains challenging as weak consumer sentiments persist as a result of weaker economic

prospects and volatility in the Malaysian Ringgit. Nonetheless, the Group continues to seek opportunities and will evaluate various proposals with caution in the current market environment.



Salcon entered into a Joint Venture with Exsim Kebun Teh Sdn. Bhd. to undertake a multiple phased mixed-use development project in Johor Bahru

SUSTAINABILITY STATEMENT

This Sustainability Statement is Salcon Berhad's ("Salcon" or "Company") 15th annual reporting of our Environmental, Social and Governance ("ESG") performance. This year, the Board in affirming its commitment to incorporate ESG across short, medium and long-term business strategies, has approved to integrate ESG Key Performance Indicators ("KPI") as part of the Group KPI on an 80:20 basis ie 80% for financial KPI and 20% for ESG KPI.

Commencing FY 2023, annual remuneration and incentives will be linked to both financial and ESG performance. In this report, we will share the Company's progress in aligning ESG metrics and goals with the overall company financial goals to drive consistent and sustainable change.

As we sharpen our focus on building a strong foundation with sustainable value creation for our stakeholders, we continue to strengthen our disclosures in line with global reporting frameworks and Bursa Malaysia requirements. We have also reviewed, re-ranked and consolidated

the Company's key material issues as we continue our sustainability journey, by integrating ESG practices into our operations and value chain through meaningful engagement and collaboration with stakeholders.

REPORTING PERIOD & CYCLE

1 January 2022 to 31 December 2022
(annually)

SCOPE & BOUNDARY OF REPORTING

This Sustainability Statement covers the non-financial or ESG performance of the Company. Our reporting coverage is based on business segment dimension unless stated otherwise. During the reporting period, there is no significant change to our structure, ownership and supply chain. Property development has been excluded as the division is inactive during the reporting year. Beside Salcon Berhad, coverage based on our diversified businesses are as tabled below. All information disclosed in this Report is available information at the Company. We are committed to enhance the information transparency for all our reporting.

BUSINESS & COMPANY



Water engineering

Salcon Engineering Berhad
("SEB")

Wastewater engineering

Envitech Sdn. Bhd. ("Envitech")



Transportation

Eco-Coach & Tours (M) Sdn. Bhd.
("ECT")

Green Fleet Sdn. Bhd. ("GF")



Technology services

Volksbahn Technologies Sdn.
Bhd. ("VBT")



Healthcare

JR Engineering and Medical
Technologies (M) Sdn. Bhd.
("JREMT")



Renewable energy

Inergist Sdn. Bhd. ("Inergist")

ACCESSIBILITY

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

FEEDBACK

We appreciate and value all feedback/ comments from our stakeholders about this Report. Please address your concerns, feedback or comments to the Sustainability Committee at corporate@salcon.com.my.

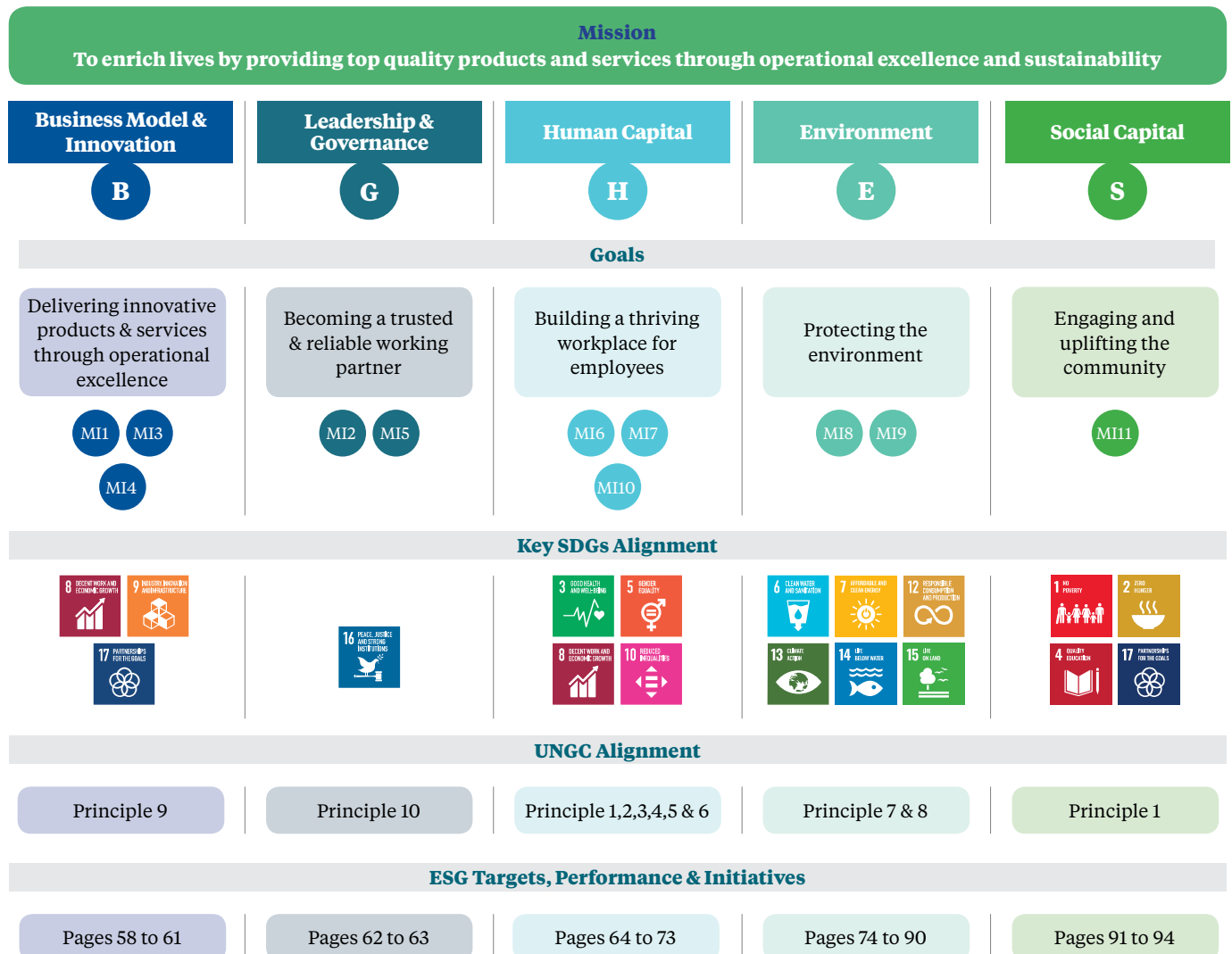
Sustainability Statement

SUSTAINABILITY AT SALCON

Guided by the Company’s Sustainability Framework which comprises five (5) key ESG focus pillars, we continue to forge our ESG strategies to create value to our stakeholders whilst minimizing negative impacts to the environment.











Each focus pillar is supported by strategic goals and aligned with the UN Sustainable Development Goals (“SDGs”) and United Nations Global Compact (“UNGC”) ten principles. Measurable ESG targets are set and tracked for each focus pillar.

Salcon Sustainability Framework



Sustainability Statement

Contributing to United Nations Sustainable Development Goals (“SDGs”)

SDG	FY 2022 contribution	SDG	FY 2022 contribution
	<ul style="list-style-type: none"> Philanthropic programme with contributions of RM13,405 to NGOs, benefitting 102 people in the community, including special children 		<ul style="list-style-type: none"> Investment in solar power
	<ul style="list-style-type: none"> 100% of project sites of SEB are audited as per the Company’s QSHE Policy, which is certified in accordance with the ISO 45001 Occupational Health and Safety Management System Annual Safety & Health Campaign to instill occupational safety and health awareness among workforce including blood donation campaign in collaboration with Malaysia National Blood Centre and successfully collected 134 pints of blood, translating to up to 402 lives saved Collaborated with Hospital Assunta to provide complimentary health screening to employees and community during the Safety & Health Campaign 		<ul style="list-style-type: none"> Equal salary ratio for male:female Incorporated ESG criteria such as no child/illegal labour, waste management, safety management & anti-corruption into supplier and sub-contractor assessment
	<ul style="list-style-type: none"> Launched Anti-Sexual Harassment Policy 36% female workforce 		<ul style="list-style-type: none"> Annual recycling programme among employees, with 2,838 kg of recyclable items collected Collaborated with Kloth Cares in fabric recycling, collected 332 kg of textile Recycling campaign with Sekolah Kebangsaan USJ 12, with 1,262 kg of recyclable items collected
	<ul style="list-style-type: none"> Installed solar-powered water filter for indigenous people (<i>orang asli</i>) Zero non-compliance on effluent treatment Collaborated with Water Watch Penang to organize 5 Salcon Smart Water Programmes to raise river water awareness, benefitting 5 schools and 199 students and teachers 		<ul style="list-style-type: none"> Track carbon emissions and commenced Scope 3 emissions using GHG Protocol
			<ul style="list-style-type: none"> Anti-corruption and anti-bribery training for employees
			<ul style="list-style-type: none"> Collaborated with various NGOs and entities to drive ESG initiatives: <ul style="list-style-type: none"> Water Watch Penang: river water conservation Kloth Cares: fabric recycling Budimas Children’s Library: Book donation SZ Slim Scrap Metal: Recycling campaign

Sustainability Governance Structure

Salcon’s Board of Directors (“Board”) remains cognizant of its role in setting the “tone from the top” and is fully committed towards ensuring that sustainability is embedded across the Company with adequate resources, systems and processes in place. The Board provides stewardship with the support of the Sustainability committee (“SC”) and sustainability issues are discussed in BOD meetings for review and decision making, where applicable.

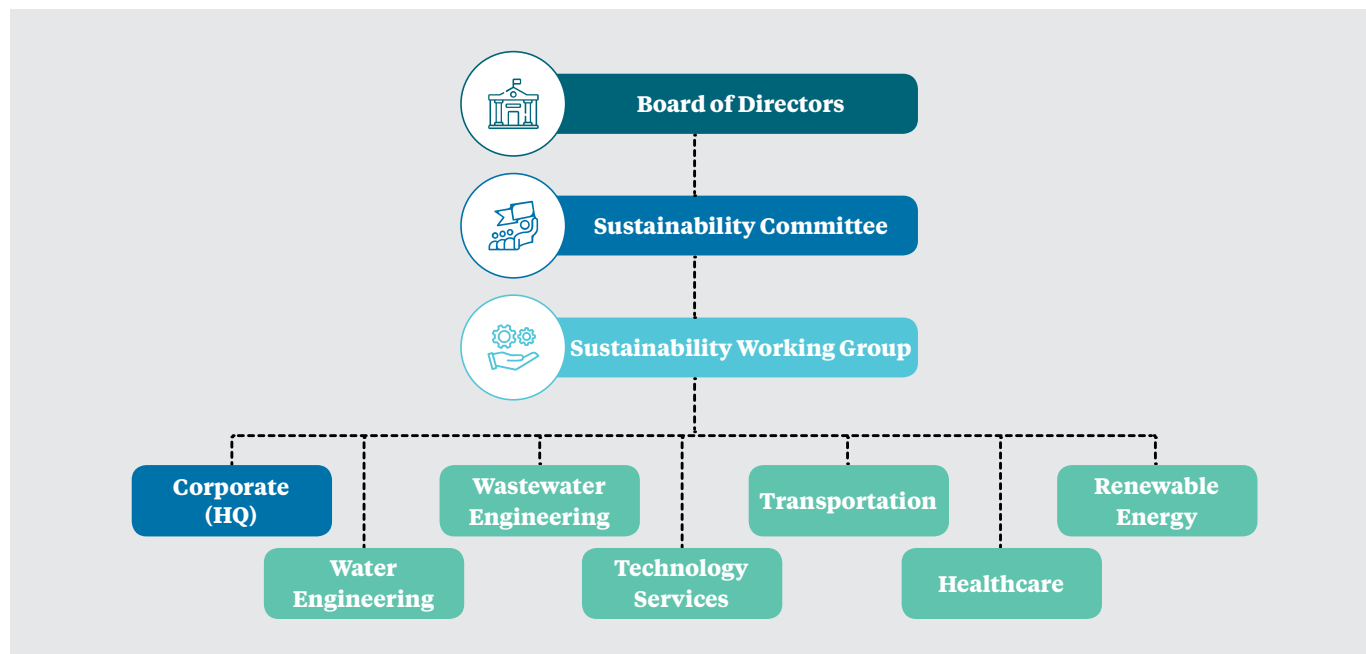
Composition & responsibility

The Board Sustainability Committee is chaired by an Independent Non-Executive Director and consist of a total of 5 committee members. The Committee, which has been formed since 2016 consist of:

- Independent Non-Executive Director
- Executive Director
- Chief Financial Officer
- Chief Operating Officer of Salcon Engineering Berhad
- General Manager of Corporate Affairs Department



Sustainability Statement

Supported by the Sustainability Committee, the BOD takes an active role in addressing ESG material matters including climate change, corporate governance, human rights, occupational safety & health and etc. The Sustainability Working Group comprises various department heads and business unit heads within the Group.



Level	Key roles & responsibilities	Frequency of meeting
Board of Directors	<ul style="list-style-type: none"> Review and make decision on sustainability strategies Oversight of Group’s sustainability goals and practices 	Annually
Sustainability Committee	<ul style="list-style-type: none"> Provide advice to the Board in monitoring the decisions and actions of Management in achieving Salcon’s sustainability goals Oversee the processes, standards and strategies Provide oversight and input on management’s sustainability initiatives Monitor ESG Key Performance Indicators 	Annually
Sustainability Working Group	<ul style="list-style-type: none"> Drive engagement on sustainability amongst employees and value chain Instill sustainability awareness Plan and involve in day-to-day implement of sustainability matters to ensure Company sustainability goals are achieved 	Annually (formal) As and when required <i>(for implementation and discussions on one-on-one basis)</i>

Awards & Recognitions

Award	Winning category
	Asia’s Best Integrated Report (First Time) 2021 – Gold
	Asia’s Best Integrated Report (SME) 2021 – Gold
	The Edge ESG Award Equity - Utilities category – Silver
	Inclusion in the FTSE4Good Bursa Malaysia Index from 2015 to 2022

Sustainability Statement

B Business Model & Innovation



Delivering innovative products & services through operational excellence

▶ **99%**

of projects under engineering & construction division completed within timeline & budget

▶ Achieved average

85%

of customer satisfaction

▶ Integrated

ESG

criteria for critical suppliers and sub-contractors evaluation for the water engineering division

MI

Business Management & Delivery

Effective business management and delivery is crucial to meet our client's requirements in the different business sectors we are in. It is a continuous improvement process which is necessary to create value and remain competitive in today's business environment.

We address and track the progress of our business management & delivery through efficient and on-time delivery of project/products to ultimately achieve positive customer experience and build trust for long term relationships.

Project management/product manufacturing

Throughout our day-to-day operations, we take a prudent approach to manage our cost, improve operational efficiency and make business decisions which we believe to create values for our stakeholders. Key business progress in FY 2022 is as below:

Business Divisions	FY 2022 Achievement
Engineering & Construction (Water)	<ul style="list-style-type: none"> 99% of projects completed were delivered within timeline and budget. 7,106 number of calls received with average handling time of 5 to 10 minutes for customer billing and collection services at Sandakan Customer Service Centre.
Engineering & Construction (Wastewater)	<ul style="list-style-type: none"> 100% of projects completed were delivered within timeline and budget.
Transportation	<ul style="list-style-type: none"> Fulfilled 90% of client's demand for on-demand shuttle service.
Healthcare	<ul style="list-style-type: none"> 5 new products developed. Ventured into 4 countries: Myanmar, Philippines, Russia & Kenya.

Our water engineering & healthcare division are certified with the following standards. During FY 2022, 100% of the division's project/manufacturing sites are certified with the applicable standards below:

Water Engineering, Healthcare

ISO 9001:2015 Quality Management System

ISO 14001:2015 Environmental Management System

ISO 45001:2018 Occupational Health and Safety Management System

Healthcare

ISO 13485:2016 Quality Management System

CE marking

FDA

Sustainability Statement

Customer Satisfaction

Customer satisfaction surveys enable us to track, measure and identify any shortfalls and areas for improvements. Each division adopts different targets and survey focus areas to measure their respective customers' satisfaction in order to build stronger relationships, and secure new and repeated business.

Customer satisfaction target & performance:

Business Divisions	FY 2022 Customer Satisfaction Score		Survey Focus Area	Frequency of Survey
	Target	Achievement		
Engineering & Construction (Water)	75%	81.3%	Project management, competency & skills, safety, environmental	Twice a year
Engineering & Construction (Wastewater)	65%	83%	Management, problem solving, communications	Twice a year
Healthcare	90%	78%	Product quality, pricing & responsiveness	Yearly
Technology Services	100%	95%	Project management, responsiveness, safety & pricing	Yearly
Transportation Services	75%	85%	Safety, responsiveness & competency	Yearly

We uphold ethical business practices when dealing with our customers. In the past 3 financial years, there were zero legal actions or fines related to anti-competitive behaviour and violations of anti-trust and monopoly legislation. Besides this, customers' data are kept confidential by strictly adhering to the Personal Data Protection Act 2010 ("PDPA"). In FY 2022, there were zero case on complaints concerning breaches of customer's privacy.

In order to ensure we are up-to-date with the pertinent industry developments as well as engage with the industry players, we participate as member in relevant business association/Non-Profit Organisations/Non-Government Organizations.

Our membership associations:

Business Divisions



Engineering & Construction



Transportation



Healthcare

Participating Association

- Malaysia Federation of Employers
- The Malaysia Water Association
- International Water Association
- Malaysia South-South Association
- CIDB Malaysia
- Malaysia Association Tours & Travel Agent
- Malaysian Occupational Safety and Health Practitioners Association
- Malaysian Rubber Council
- Malaysian Rubber Glove Manufacturers Association

Sustainability Statement

MI3

Technology & Innovation

The Group leverages on technology & innovation to drive growth, enhance efficiency and develop new products and services in order to stay ahead of competitors. Our approach in this area is not to re-invent the wheel but to actively explore collaboration opportunities with strategic technology partners which are proven, relevant to our industry and satisfies the need of our potential clients.

Various divisions adopt the following approaches in this area:

Business Divisions	Initiatives on Technology & Innovation
 Engineering & Construction	<ul style="list-style-type: none"> Embarked on renewable energy opportunities such as mini hydro where we have identified local technology partners/system integrators and participated in local tenders. Implement sludge pipe conveyor system for Langat 2 Package 3 project. Identified MBR (membrane) strategic partner. Collaborated with university on water reclamation projects.
 Technology Services	<ul style="list-style-type: none"> 100% geo-tagging of critical active equipment. Enhanced network presence, commercial & technical relationship to adopt 5G network.
 Transportation	<ul style="list-style-type: none"> Continue focusing on the development of Senstrac Passenger Transport and Tracking System (“PTTS”) by leveraging on digital technologies and strengthening internal capabilities. Leverage on Senstrac PTTS to expand business relationships with other possible MNC clients.
 Healthcare	<ul style="list-style-type: none"> Investment in research & development to improve product quality and innovation. Explore new green technology in manufacturing such as material recycling or upcycling to improve cost efficiency. Integrating automation in operation through investment in auto-pelleting & auto-pouching machine, which has increased work efficiency by 8 times.

MI4

Supply Chain Management

A resilient, responsible and sustainable supply chain creates long-term value for our stakeholders. We are committed to integrate ESG factors into our supply chain management and work with our suppliers and sub-contractors to ensure that they are using sustainable practices in their operations.

During the year under review, we integrated ESG criteria such as no child/illegal labour, waste management, safety management & anti-corruption into our evaluation of critical suppliers and sub-contractors for the water engineering division.

Supplier/sub-contractor assessment on ESG criteria for water engineering division:

- Percentage of new suppliers/sub-con that were screened: 29%
- Number of suppliers/sub-con assessed: 10

Suppliers/Sub-contractors’ are evaluated at least once a year and those who are unable to meet our criteria will be removed from our supplier/sub-contractor list to ensure quality deliverables.

Sustainability Statement

Performance Scoring:

Business Divisions	FY 2022 Suppliers/Sub-contractors' Evaluation Score		Key Areas of Evaluation	Frequency of Assessment
	Target	Achievement		
Engineering & Construction (Water)	90%	90% for suppliers and 68% for sub-contractors	<ul style="list-style-type: none"> Quality assurance system On time delivery Workmanship Pricing 	Yearly
Engineering & Construction (Wastewater)	50%	90%	<ul style="list-style-type: none"> Quality assurance system On time delivery Workmanship Pricing 	Yearly
Healthcare	95%	99.8%	<ul style="list-style-type: none"> Quality assurance system Cleanliness Storage On time delivery Number of materials received 	Monthly
Technology Services	No target set	98%	<ul style="list-style-type: none"> On time delivery Pricing After sales support Performance 	Yearly

Percentage of procurement budget spent on local suppliers by country:

Business Divisions	Country		Percentage (%)	
	Malaysia	Others		
 Water Engineering	Malaysia	Others	99.5%	0.5%
 Wastewater Engineering	Malaysia		100%	
 Technology Services	Malaysia		100%	
 Transportation	Malaysia		100%	
 Renewable Energy	Malaysia		100%	

Sustainability Statement

G Leadership & Governance



Becoming a trusted & reliable working partner

➤ Adoption of the Directors' **FIT AND PROPER POLICY**

➤ Established **REMUNERATION POLICY** for Directors & Senior Management

➤ **ZERO** fines and cases of corruption & bribery

MI2

Systematic Risk Management

The Group's Integrated Risk Management Policy and Procedures ("IRMPP") was established in accordance with the ISO 31000 Risk Management Framework and aims to strike a balance between our risk appetite and business strategies for sustainable growth.

The Board via the Audit Committee ("AC") and the Risk Management Committee ("RMC") is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. A sound system of risk management and internal controls are in place to ensure that risks are managed and mitigated in accordance to the Group's policies and procedures.

For details of our risk management practices from governance structure, key risks, potential impacts and mitigation measures,

Kindly refer to Key Risks & Mitigations section under this Report from pages 32 to 34 and Statement of Risk Management & Internal Control section from pages 114 to 118.

MI5

Business Ethics & Corporate Governance

The Board is committed to ensure that the highest standards of corporate governance is practiced and that we conduct our business in a responsible, ethical and sustainable manner in line with the Malaysian Code of Corporate Governance ("MCCG") and industry best practices.

The Group's Corporate Governance Statement from pages 104 to 110 in this Integrated Annual Report details our corporate governance practices.

During the period under review, the Board undertook the following measures to strengthen our commitments to good corporate governance:-

- 1) Adoption of the Directors' Fit and Proper Policy which governs the appointment and re-election of directors of the Group. This policy aims to safeguard the Board's quality and integrity, as well as ensure that each of the board members possesses the character, experience, integrity, competence, time and commitment to effectively discharge his/her role as a Director.



Directors' Fit and Proper Policy

https://salcon.listedcompany.com/misc/Salcon_Directors_Fit_and_Proper_Policy.pdf

- 2) Enhanced Board Diversity Policy to address gender diversity, which we commit to appoint at least a suitable women director.



Board Diversity Policy

<https://www.salcon.com.my/sites/default/files/corporate-governance/pdf/Board%20Diversity%20Policy.pdf>

- 3) Established Remuneration Policy for Directors & Senior Management with the objective to attract and retain the right talent in the Board and Senior Management (C-suites) with a competitive remuneration package to manage and drive the Company's long-term objectives successfully.



Remuneration Policy for Directors & Senior Management

<https://www.salcon.com.my/sites/default/files/corporate-governance/pdf/Remuneration%20Policy.pdf>

Salcon has outlined clear and sustainable tax strategies, articulating the following commitments:


- Compliance with the spirit as well as the letter of the tax laws and regulations in countries in which we operate
- Not to use tax structures without commercial substance
- Undertaking of transfer pricing using the arm's length principle

Sustainability Statement



Training on Implementation of KPIs for Performance Management was organised for the employees at managerial level to improve their management skill on quantifying individual and organizational goals and thus evaluating performance of their team members

In line with the Company's practices to conduct business in a transparent way, whistleblowers may address any concerns to the Senior Independent Non-Executive Director in writing, by telephone, fax or email. All information are treated with strict confidentiality. In FY 2022, there is zero whistleblowing case.

 Please visit https://salcon.listedcompany.com/misc/Whistle_Blowing_Policy.pdf for Salcon's Whistleblowing Policy

Good corporate governance practices extend to our value chain as well where stakeholders are required to abide and align to the Company's integrity and ethical business policies. Commitment from our stakeholders:

Stakeholder Group	Commitment to Business Ethics & Corporate Governance	Business Boundary
Employees	<ul style="list-style-type: none"> Code of Ethics & Conduct Anti-Bribery & Anti-Corruption ("ABAC") Policy 	Group
Suppliers & Sub-contractors	<ul style="list-style-type: none"> Statement of Policies and Business Ethics 	Construction & Engineering

In FY 2022, we conducted ABAC training for 18 new employees from Salcon Berhad, Salcon Engineering Berhad and Envitech Sdn. Bhd.. It is in the pipeline to train more employees on ABAC in the coming financial year. There is also zero reported incidents of corruption, zero fines in relation with corruption and bribery as well as zero employee disciplined or dismissed due to non-compliance with ABAC Policy.

In the same financial year, we have incorporated anti-corruption as part of the assessment criteria for our manufacturing suppliers and key sub-contractors for our construction & engineering businesses, which will take effect in FY 2023.

Sustainability Statement

H Human Capital



Building a thriving workplace for employees

Invested

RM187,000

for employee training, an increase of 83% from FY 2021

Achieved

1,081.5

training hours

Workforce diversity

♀ 278 Male

♂ 160 Female

Our employees are critical to Salcon's long-term success and sustainability. As such, our human capital strategy is focused on attracting, developing and retaining the diverse talent we need to advance our business today and into the future. This includes creating a healthy, safe and thriving workplace which encourages the enrichment of our employee's capabilities and competencies to ensure a strong and capable workforce that can innovate and adapt in an ever-changing business environment.


MI6

Occupational Health & Safety

The Group has in place a systematic health, safety and environment management system which aims to create a safe and healthy workplace by actively fostering and promoting a strong culture of safety year-round. Both the Engineering & Construction Division and Healthcare Division are certified under the ISO 45001:2018, ISO 9001:2015 and ISO 14001:2015 and are subject to periodic external audits by third parties.

Under the Engineering & Construction Division, our safety and health practices are spearheaded by the Quality, Safety, Health & Environment ("QSHE") department and Safety, Health and Environment ("SHE") committee which is led and chaired by the Chief Operating Officer ("COO") with representatives from each department. The SHE committee reviews safety and health policies and recommend preventive and corrective measures. All of the project sites monitored by the QSHE department is certified under the ISO 45001:2015 and audited by Bureau Veritas.

By prioritizing health, safety and sustainability, we not only protect the well-being of our team and the environment, but also ensure the success and integrity of our projects and safety at our manufacturing facility.

 The QSHE policy is available on Salcon's website at <https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment>

The SHE committee conducts regular inspections and initiates the following programmes to monitor health and safety issues, targets to prevent accidents and injuries:-

No.	Initiatives	Key Actions Undertaken	Division
1	Quarterly SHE committee meeting	<ol style="list-style-type: none"> Regular workplace inspections to identify hazards at workplace Conducted Emergency Response Preparedness Drill 	<ul style="list-style-type: none"> Engineering & construction Healthcare

Sustainability Statement

No.	Initiatives	Key Actions Undertaken	Division
2	Annual Safety & Health Campaign	<ol style="list-style-type: none"> 1. Encourage our people to take responsibility and adopt a healthy lifestyle through various activities: <ul style="list-style-type: none"> - Nutrition talk - Fitness assessment & talk - Living well with Arthritis talk - Health screening 2. 134 pints of blood collected through the 13th Salcon blood donation drive 2022 in collaboration with Pusat Darah Negara 3. Safety & health day in Telibong to raise awareness among the workers at project sites 	<ul style="list-style-type: none"> • Engineering & construction
3	Regular Safety & Health Training	<ol style="list-style-type: none"> 1. S.H.E. induction training for new workers to set standards, raise awareness of hazards, explain how health and safety is managed and awareness on the Group's procedures Total of 35 new employees attending S.H.E induction training 2. Renew and reskills employees with basic occupational first aid, CPR & AED training 34 staffs have successfully licensed as first aider in HQ & project sites 3. Toolbox briefing conducted by Safety & Health Officer on daily and weekly basis on sites 	<ul style="list-style-type: none"> • Engineering & construction • Healthcare
4	Hazard Identification, Risk Assessment and Risk Control ("HIRARC")	<ol style="list-style-type: none"> 1. Identifying the potential risks and opportunities before commencement of project 	<ul style="list-style-type: none"> • Engineering & construction
5	COVID Measurement Guidelines	<ol style="list-style-type: none"> 1. Revised COVID measurement guidelines for infected and close contact individuals in line with Ministry of Health Malaysia guidelines 	<ul style="list-style-type: none"> • Group
6	Emergency Response Preparedness & House Keeping	<ol style="list-style-type: none"> 1. 2 fire evacuation drills & housekeeping have been conducted at 2 of our project sites, with the collaboration with Fire Department. The evacuation time was on average 10.6 minutes 	<ul style="list-style-type: none"> • Engineering & construction
7	Yearly SHE Audit & inspection	<ol style="list-style-type: none"> 1. Conducted safety and health risk assessment at project sites to identify potential risks and mitigate it accordingly 2. As at 31 December 2022, 100% of our project sites have undergone the assessment 	<ul style="list-style-type: none"> • Group

Sustainability Statement

No.	Initiatives	Key Actions Undertaken	Division
8	External Audit & Inspection	<ol style="list-style-type: none"> 1. Recertification of ISO 45001:2018 for our OSH management system 2. Passed the audit by international independent third-party audit – SEDEX Members Ethical Trade Audit (“SMETA”) 3. Percentage of finding of inspection to be taken action: 100% 	<ul style="list-style-type: none"> • Engineering & construction • Healthcare
9	Monthly Machinery Inspection	<ol style="list-style-type: none"> 1. Monthly machinery inspection conducted by Safety & Health Officer 	<ul style="list-style-type: none"> • Engineering & construction • Healthcare

Towards Zero LTI

In FY 2022, the Group achieved zero cases for employee fatality and contractor fatality. This reflects our capability in operating our business and services in a safe manner and has reinforced our relationship of trust with our clients. The achieved manhours without lost time injury (“LTI”) for each business division is as shown below:

Safety Data	HQ & Water Engineering	Wastewater Engineering	Healthcare
Total number of working hours in 2022	1,154,468	265,512	462,724
Total cumulative manhours with zero LTI	4,707,610	3,357,816	1,581,790
Target manhours with zero LTI	4,500,000	3,500,000	3,000,000

Transportation (ECT and GF) and technology division (VBT) track manhours but do not set targets. In FY 2022, total manhours with zero LTI for ECT, GF and VBT was 2,064 hours, 690 hours and 2,080 hours respectively.

Safety & Health Training

To drive a positive culture of occupational health and safety at the workplace, we equip our employees and contractors with the latest safety & health guidelines and responsibilities as well as the risks involved in their daily jobs through regular series of trainings throughout the year.

In FY 2022, 94 of the Safety & Health committee members underwent safety trainings on various Safety & Health topics to ensure they remain updated on these issues and trends. The topics include basic first aid, awareness on safety, health and environment, hazard identification, risk assessment and risk control, as well as legal requirements and regulations.

Health and Safety Trainings & Initiatives in 2022:



Total of safety & health training hours for employees:

667 hrs



Total of licensed first aiders:

34



Safety & Health Committee members have attended safety & health related training:

94

MI7

Talent Attraction & Engagement

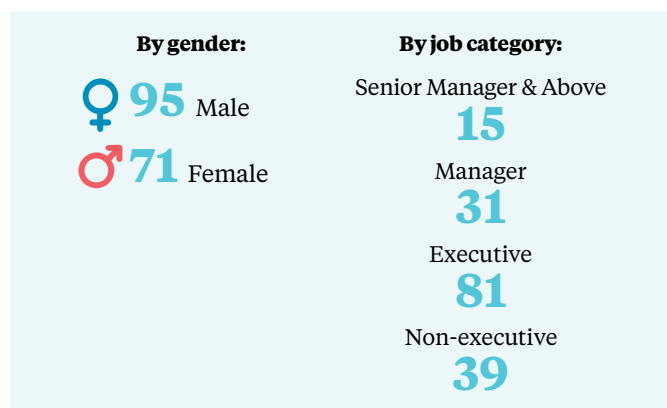
Talent attraction and engagement is an on-going process and a critical cornerstone to sustaining our ambitious business plan. In order to build a performance-driven culture and an engaging and inclusive workforce, the Group adopts two (2) approaches as our talent management strategy which are (i) Talent attraction & retention and (ii) Engagement & Inclusion. Our goal is to offer a quality working life and positive employee well-being, in a safe, creative, collaborative, diverse and inclusive environment.

Talent Attraction & Retention

The Group is committed to recruit a diverse talent pool to build a collaborative, inclusive workforce that shares knowledge and experience. We offer a wide range of talent attraction and retention programme including competitive salary structure & rewards and benefits based on performance.

The performance, motivation and overall workplace satisfaction of employees are driven by their expectation for fair rewards and benefits. At Salcon, we continuously strive to be the preferred employer in the industry by compensating our employees with competitive benefits. It is also the Group's policy to fairly compensate and reward its employees based on merit and competence via a performance management system which measures an employee based on the Key Performance Indicators (KPIs) and core competencies. Through this process, employees will have a two-way communication and discussion with their direct supervisor. This process also gives opportunity for managers to understand employees' career goals and enable employees to perform regular self-evaluation which is then translated to performance-based incentives scheme.

Total number of employees who received a regular performance and career development review:



In FY 2022, we have incorporated ESG-related KPIs in the Group KPI which reflects our commitment to develop and drive compelling ESG values to generate sustainable and superior long-term results.

Training & Development

Our talent training & development agenda is geared towards upskilling programmes throughout our workforce, including technical and soft skills, to empower people to perform effectively in their designated roles and deliver on the Group's strategic priorities. In FY 2022, a total of RM187,000 was invested to upskill our talents through a total of 81 trainings, conducted both internal and externally in soft skills, leadership & management, technical training, safety health & environment training.

In line with one of our core values, our employees are encouraged to assume personal ownership of their development by upgrading their skills and taking on stretch assignments as well as expanded responsibilities. Each employee is given equal opportunity to propose desired learning programmes or training to pursue which suit their interest and job requirement.



AVERAGE TRAINING HOURS per Employee:

3.10 hours



TOTAL PARTICIPANTS by Gender:

Male: 202
Female: 147



TOTAL PARTICIPANTS per Employee Category:

Senior Management
57

Executive
162

Manager & Senior Executive
125

Non-executive
5

TOTAL TRAINING INVESTMENT:
RM187,000

Category of Trainings	Total Number of Training
Soft Skills	2
Technical Skills	23
Safety, Health & Environment	24
Leadership & Management	10

* The categories of trainings refer to the trainings conducted for Engineering & Construction Division only

Sustainability Statement

Engagement & Inclusion

We aim to foster a culture of respect, diversity and inclusion where employees feel safe, valued and included, and where every employee can offer their unique contribution.



12 March 2022

Water for Orang Asli at Kampung Gemi, Hulu Langat



21 May 2022

Salcon Bowling Tournament



19 May 2022

Raya Luncheon



13 April 2022

Ramadhan Giveaway



4 June 2022

Annual Dinner



24 June 2022

Fitness Day



28 June 2022

Nutrition Talk



1 July 2022

13th Annual Blood Donation Drive & Health Check



29 June 2022

Safety & Health Day in Telibong



29 June 2022

Living Well with Arthritis Talk by Assunta Hospital

Sustainability Statement



27 August 2022
Salcon Badminton Tournament



13 September 2022
Malaysia Day Celebration with IMC



7 October 2022
Salcon Mini Gathering Celebrating Project Win



29 November 2022
Talk Conducted by Department of Environment ("DOE")



10 November 2022
Annual Company Trip to Sabah



19 October 2022
Deepavali Giveaway



6 December 2022
Recycling Competition & Book Donation



13 December 2022
Tree Planting at Taman Botani



14 December 2022
Christmas Wish Project with Children of Klang Utama Caring Home

Sustainability Statement

During the year under review, the Group Human Resource Policy & Procedure (“HRPP”) was revised to be in line with the Employment (Amendment) Act 2022 whilst additional benefits were accorded to staff such as improved medical & dental benefit and staggered working hours. Other benefits include paid time off, replacement leave claim, executive health screening, subsistence and site allowance, site vehicles, overseas allowance, mobile phone subsidy, training bond, education assistance scheme.

Benefits & Well-being		FY 2022 Initiatives
Medical Benefits	<ul style="list-style-type: none"> Executive health screening Outpatient & Hospitalization Medical Benefits Dental treatment 	<ul style="list-style-type: none"> RM8,376 spend for executive health screening Total of RM199,721.25 spend for outpatient medical benefits for 204 employees Total of RM118,607.33 spend for hospitalization and surgical insurance for 13 employees
Supporting Working Mothers	<ul style="list-style-type: none"> Extended maternity leave Support and promote importance of breastfeeding among nursing mothers 	<ul style="list-style-type: none"> Extending the maternity leave from 60 days to 98 days in line with the amended Employment Act 1955 Designated a breastfeeding room at Salcon HQ
Salcon Recreational Club	<ul style="list-style-type: none"> A social club for Salcon employees with various recreational activities 	<ul style="list-style-type: none"> Among the activities: <ul style="list-style-type: none"> Annual dinner Sport tournaments ie bowling & badminton tournament Company trip to Sabah
Rewards & Recognition	<ul style="list-style-type: none"> A monetary recognition programme for employees whom work for a very long period of time Incentive scheme 	<ul style="list-style-type: none"> A total 19 staffs received long services award in 2022 An incentive scheme introduced to be based on Key Performance Indicators (“KPIs”) and ESG performance

Parental leave:


	Female	Male
Total number of employees that were entitled to parental leave	55	99
Total number of employees that took parental leave	5	12
Total number of employees that returned to work in the reporting period after parental leave ended	5	12
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	5	10
Return to work and retention rates of employees that took parental leave	100%	91%

Sustainability Statement

MIIIO


Labour Rights & Practices

The Group conducts its business in a fair manner which respects the rights & well-being of our employees. We adhere to all international agreements preventing child labour, forced labour and are committed to providing freedom in political views, best labour practices on living & working conditions and fair compensation across our operations.

 Refer Equal Opportunity Employment Policy on Salcon's website, <https://www.salcon.com.my/sites/default/files/Equal%20Opp%20Employment%20Policy.pdf>

In 2022, we established a new anti-sexual harassment policy, reflecting our serious commitment in creating a workplace free from discrimination or harassment at work including sexual harassment.

- Total number of incidents of discrimination: 0
- Total number of workplace bullying cases: 0
- Total number of sexual harassment cases: 0
- Total number of security personnel who have received formal training on human rights policies or relevant procedures: 0
- Total number of identified incidents of violations involving the rights of indigenous people: 0

 Sexual Harassment Policy https://www.salcon.com.my/sites/default/files/Salcon_Sexual%20Harassment%20Policy.pdf

Grievance Mechanism

The Group Whistleblowing Policy and Procedures encapsulate the governance and standards to promote an ethical, responsible and secure whistleblowing practice in Salcon and its subsidiaries. The whistleblowing channels provide proper and secured avenues for employees to report any knowledge of improper conduct in good faith, without fearing any adverse consequences. Access to whistleblowing information is governed by the strictest confidentiality under the oversight of an Independent Non-Executive Director of the Board.

ZERO report

on grievance or non-compliance
on human rights issues in FY 2022.

Percentage of total employees
covered by collective bargaining
agreements:

ZERO

Number of substantiated
complaints concerning human
rights violation:

ZERO

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

Description	2020	2021	2022
Total employees	326	383	438
Total employees by gender			
- Male	198	206	278
- Female	128	177	160
Total employees by region			
- Malaysia	303	368	425
- Thailand	1	1	1
- Sri Lanka	15	8	6
- Vietnam	7	6	6
Total employees by age group			
- <30 years old	65	99	128
- 30-49 years old	179	199	228
- >50 years old	82	85	82

Sustainability Statement

Description	2020	2021	2022
Total employees by employment type			
- Permanent	222	210	259
- Contract/Temporary	104	173	179
- Protege	8	9	6
Ethnicity (Malaysia only)			
- Malay	163	171	167
- Chinese	92	82	78
- Indian	26	90	131
- Others	22	25	62
New employees recruited by employment type			
- Permanent employee	7	149	83
- Non-permanent employee	20	8	76
- Interns/protege	NIL	NIL	4
Employee Turnover Rate	8.0%	21.4%	25.8
Total Training Investment (RM)	94,128.3	102,185.63	186,999.90
Average Training hours per employee**	2.11 hrs	1.79 hrs	3.10 hrs

* Employee turnover as per GRI standards = employees who leave the company voluntarily/due to dismissal/retirement/death in service

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

Employee Demographic Description	2022
Permanent employees by gender	
Male	128
Female	131
Permanent employees by country	
Malaysia	254
Thailand	0
Sri Lanka	0
Vietnam	5
Contract employees by gender	
Male	150
Female	28
Contract employees by country	
Malaysia	171
Thailand	1
Sri Lanka	6
Vietnam	1
Interns/protege by gender	
Male	1
Female	6

Employee Demographic Description	2022
Intern/protege by country	
Malaysia	7
Thailand	0
Sri Lanka	0
Vietnam	0
Full time employees by gender	
Male	278
Female	160
Full time employees by country	
Malaysia	379
Thailand	1
Sri Lanka	6
Vietnam	6
Age group by employment level	
Non-executive	
<30 years old	98
30-49 years old	98
> 50 years old	20

Sustainability Statement

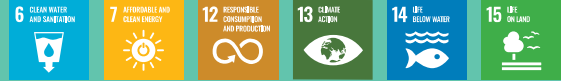
Employee Demographic Description	2022
Age group by employment level	
Executive	
<30 years old	30
30-49 years old	82
>50 years old	24
Manager	
<30 years old	0
30-49 years old	36
>50 years old	16
Senior Manager & above	
<30 years old	0
30-49 years old	12
>50 years old	22
Gender by employment level	
Non-executive	
Female	62
Male	154
Executive	
Female	71
Male	65
Manager	
Female	17
Male	35
Senior Manager & above	
Female	10
Male	24
Age group by employment function	
Technical & Engineering	
<30 years old	104
30-49 years old	156
>50 years old	39
Corporate & Admin	
<30 years old	23
30-49 years old	74
>50 years old	43
Gender by employment function	
Technical & Engineering	
Female	66
Male	232
Corporate & Admin	
Female	95
Male	45

Employee Demographic Description	2022
New employees recruited by gender	
Female	66
Male	94
New employees recruited by age group	
<30 years old	102
30-49 years old	58
>50 years old	3
New employees recruited by country	
Malaysia	163
Thailand	0
Sri Lanka	0
Vietnam	0
Employee turnover by employment category*	
Non-executive	67
Executive	35
Manager	13
Senior Manager & above	1
Employee turnover by employment function	
Technical & engineering	78
Corporate & admin	35
Employee turnover by gender	
Female	61
Male	52
Employee turnover by age group	
<30 years old	56
30-49 years old	45
>50 years old	7
Employee turnover by country	
Malaysia	107
Thailand	0
Sri Lanka	1
Vietnam	0
Senior management's locality	
Malaysian	30
Non-Malaysian	2
Disability	
Disability	1

* Employee turnover as per GRI standards = employees who leave the company voluntarily/due to dismissal/retirement/death in service. The Company commenced to track the above data from FY 2022. We will continue to disclose the data in the following years

Sustainability Statement

E Environment



Protecting the Environment


- Committed to **HALVE** carbon emission intensity by 2030 and **NET ZERO** by 2050
- **EXTEND** environmental **TARGET AND SCOPE** to operational sites
- Inclusion of **SCOPE 3** emission targets and calculations
- **2,838 KG** total waste was recycled in FY 2022

We are committed to safeguard the environment and minimizing the Group's environmental impact by reducing waste and emissions, conserving resources and promoting sustainable consumption throughout our business operations and value chain.

Salcon supports the UN Sustainable Development Goals and the Paris Climate Agreement and is also a Corporate Friend in the Climate Governance Malaysia ("CGM"), the Malaysian chapter of the World Economic Forum's ("WEF") climate governance initiative.

Key developments during the year under review include:-

- 1) Pledge to achieve net zero greenhouse gas emissions by 2050 and to halve emissions by 2030.
- 2) Setting of short-term yearly targets for each business division in order to track and measure immediate improvements while evaluating progress toward our long-term goals and targets.
- 3) Extending the scope of reporting and targets for the Group's energy, water and emission data to include operational sites to better reflect each division's consumption intensity.

 Please refer to <https://www.salcon.com.my/sustainability/Climate-Change-for-the-Group's-environmental-commitments>

MI8

Environmental Impact Management


The Group's environment impact management efforts are guided by the Salcon Green Policy which outlines our commitments to minimize our environmental footprint, conserve resources and promote sustainable practices throughout our business operations.

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

Under MI8, we focus on 4 main areas, namely Water & Wastewater Management, Energy Management, Pollution & Resources Management and Ecology Impacts.

Water & Wastewater Management

Salcon's water conservation efforts are guided by the Company's Water Management Plan ("WMP"), which aims to ensure efficient water resource management, and setting long-term targets to reduce water usage as well as incorporating water conservation elements into our operations.

 The WMP is available at <https://www.salcon.com.my/sustainability/Climate-Change>

Sustainability Statement

Over the years, 100% of the Group's wastewater were discharged to an off-site wastewater treatment plant, while 100% of the water usage are withdrawn from surface water, such as dams or rivers. Salcon is pleased to report that there have been zero incidents of noncompliance with water quality/quantity permits, standards, or regulations as of FY 2022.

Water Consumption Initiatives

Key Initiatives	Business Units
Application of water conservation signages toilet walls	Group
Non-Revenue Water ("NRW") reduction projects in Marang & Sandakan	Malaysia
Partnership with Non-Government Organization – Water Watch Penang for holistic educational approaches 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 Consumption Data

Group's Long-Term Target	To reduce Group water consumption intensity by 10% per unit basis by 2026	
Division Yearly Reduction Targets	Engineering & Construction	To reduce water consumption by 10% per RM1 million revenue
	Transportation	To reduce water consumption by 19% per RM1 million revenue
	Healthcare	To reduce water consumption by 2% per 1,000 gloves produced

The water consumption intensity data presented below were derived from the water bills generated by the water supply authority in the respective operating areas for each business division.

Division	Engineering & Construction			
Yearly Target	To reduce water consumption by 10% per RM1 million revenue per annum			
Year	FY 2016 (Base Year)	FY 2020	FY 2021	FY 2022
Total Water Consumption (m ³)	549.00	4,882.00	4,297.00	1,865.00
Revenue (RM million)	35.40	153.59	136.30	134.76
Water Consumption Intensity (per RM million)	15.51m ³	31.79m ³	31.53m ³	13.84m ³
Office & Sites Included	Office: Envitech	Office: Envitech Project Sites: KTU WTP, Langat Package 15 (4), Telibong WTP, Ambathale Storm Water Pumping Station	Office: Envitech Project Sites: KTU WTP, Langat Package 15 (4), Telibong WTP	
Yearly Trend	N/A	-25.92%	-0.81%	-56.10%
Progress	Achieved short term target of 10% per annum for FY 2022. Achieved 10.8% reduction from base year.			

Remarks:

- Engineering & Construction division has achieved its long-term reduction target of 10%
- Ambathale water data is not available since 2021 as the project has been completed and handed over to client
- Data from Langat 2 & Langat CSTP are not reported as revenue from these projects were not included as part of the Group's total revenue

Sustainability Statement

Division	Transportation			
Short-Term Target	To reduce water consumption by 19% per RM1 million revenue per annum			
Yearly Target	FY 2016 (Base Year)	FY 2020	FY 2021	FY 2022
Total Water Consumption (m³)	16.80	149.00	766.29	942.00
Revenue (RM million)	13.68	15.63	13.98	14.97
Water Consumption Intensity (per RM million)	1.23 m ³	9.53 m ³	54.81 m ³	62.92 m ³
Office Included	ECT			
Yearly Trend	N/A	-48.23%	475.06%	14.79%
Progress	Short term target of 19% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.			

Remarks:

- GF water bill is included in office rental
- Water consumption skyrocketed in FY2021/22 due to vehicle self-washing at ECT premises instead of outsourcing to third parties

Division	Healthcare	
Yearly Term Target	To reduce water consumption by 2% per 1,000 gloves produced per annum	
Year	FY 2021 (Base Year)	FY 2022
Total Water Consumption (m³)	47,624.00	91,723.00
No. of gloves produced (unit)	176,969,367	125,059,556
Water Consumption Intensity (per 1,000 gloves produced)	0.27 m ³	0.73m ³
Office & Plants Included	JREMT	
Yearly Trend	N/A	172.54%
Progress	Short term target of 2% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.	

Remarks:

- 2021 is base year for Healthcare segment as this business was acquired in 2021
- As JREMT was using bore-well in FY 2021, which is not metered, this has resulted in an increase in water consumption intensity in FY 2022 whereby water from local authorities ie Syabas was fully utilised to ensure that the quality of glove produced are maintained

Sustainability Statement

Energy Management

Energy management and consumption is one of the main contributors to greenhouse gas (“GHG”) emissions. As part of the Group's commitment to reducing environmental impacts from energy consumption, Salcon is committed to maximise energy efficiency and reduce energy usage across all business divisions.

Energy Management Initiatives

Key Initiatives	Business Units
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	Engineering & construction
Educating employees on energy saving through posters and email	Engineering & construction
Clear Perspex roofing to reduce electricity usage at ECT in Penang	Transportation
Diversification into Renewable Energy sector (Solar Power)	Renewable energy

Energy Consumption Data

Group's Long-Term Target	To reduce Group energy consumption intensity by 50% per unit basis by 2026	
Division Yearly Reduction Targets	Engineering & Construction	To reduce energy consumption by 9% per RM1 million revenue
	Transportation	To reduce energy consumption by 12% per RM1 million revenue
	Technology	To reduce energy consumption by 8% per full time employee
	Healthcare	To reduce energy consumption by 13% per 1,000 gloves produced

Division	Engineering & Construction			
Short-Term Target	To reduce energy consumption by 9% per RM1 million revenue per annum			
Year	FY 2016 (Base Year)	FY 2020	FY 2021	FY 2022
Total Energy Consumption (kWh)	226,608	329,999	303,738	310,570
Revenue (RM million)	83.10	153.59	136.30	134.76
Energy Consumption Intensity (per RM million)	2,726.90 kWh	2,148.53 kWh	2,228.48 kWh	2,304.60 kWh
Office & Sites Included	Office: Salcon Berhad HQ, Envitech	Office: Salcon Berhad HQ, Envitech Project Sites: KTU WTP, Langat Package 15, Telibong WTP, Ambathale Storm Water Pumping Station		Office: Salcon Berhad HQ, Envitech Project Sites: KTU WTP, Langat Package 15 (4), Telibong WTP Sandakan
Yearly Trend	N/A	10.99%	3.72%	3.42%
Progress	Short term target of 9% per annum for FY 2022 was not achieved. However, compared to base year of FY 2016, a reduction of 15.5% was achieved. To intensify efforts in achieving long term target.			

Remark: Data from Langat 2 & Langat CSTP are not reported as revenue from these projects were not included as part of the Group's total revenue

Sustainability Statement

Division	Transportation			
Short-Term Target	To reduce energy consumption by 12% per RM1 million revenue per annum			
Year	FY 2016 (Base Year)	FY 2020	FY 2021	FY 2022
Total Energy Consumption (kWh)	57,073	85,518	54,097	50,496
Revenue (RM million)	13.68	15.63	13.98	14.97
Energy Consumption Intensity (per RM million)	4,171.68 kWh	5,470.70 kWh	3,869.60 kWh	3,372.75 kWh
Office & Sites Included	Office: ECT	Office: ECT, GF		
Yearly Trend	N/A	48.95%	-29.27%	-12.84
Progress	Achieved short term target of 12% per annum for FY 2022. Achieved 19.2% reduction from base year. On track to achieve long term target of 50%.			

Remarks:

- GF's energy data in 2021 is taken at new container office at Lumut from Jul-Dec 2021 (lower consumption)
- GF's energy consumption in 2022 was reported 0kWh due to working-from-home mode was carried out throughout the year

Division	Technology Services			
Short-Term Target	To reduce energy consumption by 8% per full time employee per annum			
Year	FY 2016 (Base Year)	FY 2020	FY 2021	FY 2022
Total Energy Consumption (kWh)	47,096	45,993	36,352	39,196
No. of Employees	16	16	16	16
Energy Consumption Intensity (per headcount)	2,943.50 kWh	2,874.56 kWh	2,272.00 kWh	2449.75 kWh
Office & Sites Included	VBT			
Yearly Trend	N/A	7.47%	-20.96%	7.82%
Progress	Short term target of 8% per annum for FY 2022 was not achieved. However, compared to base year of FY 2016, a reduction of 16.8% was achieved. To intensify efforts in achieving long term target.			

Sustainability Statement

Division	Healthcare	
Short-Term Target	To reduce 13% energy consumption per 1,000 gloves produced per annum	
Year	FY 2021 (Base Year)	FY 2022
Total Energy Consumption (kWh)	3,005,052	2,906,919
Total gloves produced	176,369,367	125,059,556
Energy Consumption Intensity (per 1,000 gloves produced)	16.98 kWh	23.24 kWh
Office & Sites Included	JREMT	
Yearly Trend (kWh per 1,000 gloves produced)	N/A	36.89%
Progress	Short term target of 13% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.	

Remarks:

- Base year starting in 2021 due to the newly acquired business segment in the same year
- Energy consumption remained at similar level to FY 2021 although total gloves produced has reduced in FY 2022, resulting in higher energy consumption intensity. This is because JREMT has to keep 4 production lines running although utilization is only at 50%, due to interconnectivity of the entire plant

Pollution & Resources Management

The Group, under its Engineering & Construction Division is certified for the ISO 14001 Environmental Management System, and ensures 100% compliance across all our business operations with the Malaysia's Department of Environment ("DoE") as well as all local government regulations.

Salcon's focus in addressing pollution & resource management include:

- 1) Waste management,
- 2) Raw material used,
- 3) Air quality and noise management.

Target in driving the success of pollution & resources management:-

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 Materials Used

- Prudent & responsible consumption to reduce raw material wastage

Air Quality & Noise Management

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

Sustainability Statement

Waste management

Guided by the Group's QSHE policy, Salcon adheres strictly to all applicable environmental laws and regulations across all of our operations to ensure all construction waste and scheduled waste is managed responsibly and ethically.

Initiatives in Waste Management

Initiatives	Company/Operation Country
- Scheduled/hazardous waste to be stored in designated container for onward disposal by Department of Environment ("DOE") licensed contractor to licensed location	Engineering & construction
- Salcon engages licensed waste management contractors to ensure proper collection and disposal of the scheduled waste generated by the Group	
- Recycle practice at all offices	Group level
- Recycling campaign/competition	HQ
- Monitoring paper consumption in office	HQ
- Introduction of e-waste bin at office for employees to dispose household or office e-waste properly	HQ
- Fabric/textile recycling bin placed in office	HQ

Scheduled Waste Data

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

Project Site	FY 2020 (tonnes)	FY 2021 (tonnes)	FY 2022 (tonnes)	Total waste diverted from landfill in FY 2022 (tonnes)
KTU WTP	0.01	0.01	0.00	0.00
Telibong WTP	0.07	4.58	0.02	6.94
JREMT	n/a	243	0.00	0.00

Note: Data for JREMT not available in FY 2020 as the acquisition was only completed in March 2021

Recycled Waste Data

Recycled Items	FY 2020 (kg)	FY 2021 (kg)	FY 2022 (kg)
a) Paper	3,032.30	5,164.80	2,537.00
b) Plastic	63.50	9.10	3.00
c) Metal	64.70	20.20	146.00
d) Glass	12.40	0.00	0.00
e) Reusable Items	134.10	301.10	152.00
f) Electronic Items	141.00	27.60	0.00

Sustainability Statement

Raw Material Used

Salcon holds suppliers accountability for ethical procurement practises to ensure effective and sustainable management of the supply chain for raw materials and building projects. The procurement process is governed by the Salcon Green Policy, which describes the company's commitment to an Environmental Purchasing Program that encompasses the acquisition of ecologically sound products. The Group monitors the consumption of raw materials to maintain an appropriate supply and prevent waste.

 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 2020	FY 2021	FY 2022
KTU WTP Project (tonnes)			
- Reinforcement Bar	669.81	-	33.79
- Concrete	10,012.80	2,593.20	153.60
ECT (litres)			
- Diesel	929,517.00	692,120.20	860,845.89
GF (litres)			
- Diesel	231,960.40	147,125.90	154,040.49
JREMT (tonnes)			
- Nitrile & Latex	3,113.75	3,349.34	3,159.77
- Carton & Inner	-	-	1,275,674

Air Quality & Noise Management

To prevent air and noise pollution on project sites, the Group ensures full compliance with local laws and regulations on the allowed ranges by the respective environmental authorities. The following initiatives are carried out:

Categories	Key Initiatives in Pollution & Resources Management	Business Unit
Air Quality	- Regular watering of access roads at project sites to reduce dust pollution around the neighbourhood.	Construction & Engineering
Noise	- Noise monitoring devices are installed at prime locations and the monthly monitoring reports are highlighted during site progress meetings.	Construction & Engineering

Sustainability Statement

Ecological Impact

Salcon acknowledges the significance of preserving the ecosystem and biodiversity on all project sites by minimising acts that have negative impacts on environmental health. Guided by the Group's Green Policy, we are committed to apply biodiversity conservation techniques to reduce biodiversity loss and generate a net positive impact on biodiversity.

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

Key Initiatives in Ecology 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.	Engineering & Construction
Strictly zero burning and zero hunting at project site.	Engineering & Construction
A signatory with World Wild Life ("WWF") to support No- Shark Fin for all our corporate functions.	Engineering & Construction
Yearly oil spillage drill to avoid soil contamination.	Engineering & Construction
Yearly tree planting day with NGO.	Engineering & Construction

MI9

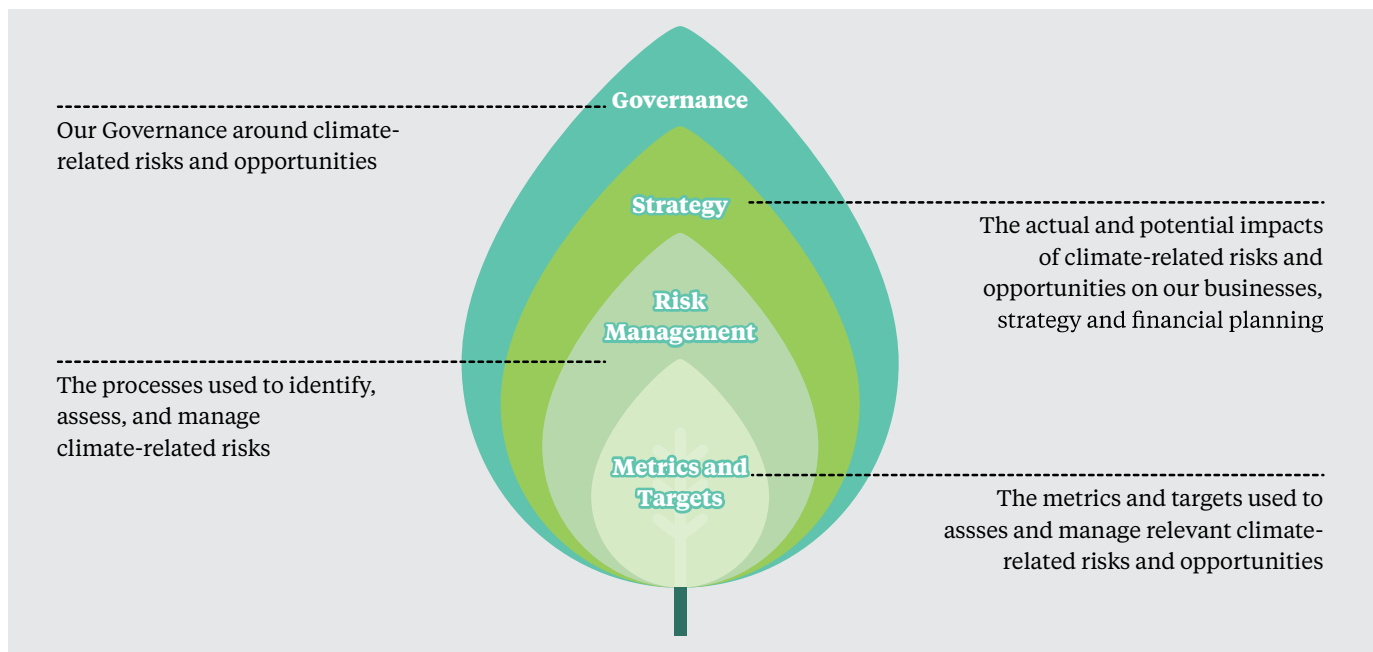
Climate Change

Commitment to Halve Emissions by 2030 and Net Zero by 2050

Salcon has committed to achieve 50% reduction of Group's carbon emission intensity by 2030 and targets to achieve Net Zero Carbon Emission by 2050.

Salcon is signatory to and supports the Task Force on Climate-Related Financial Disclosures ("TCFD") Recommendations, and we are committed to developing our climate and environmental disclosures in compliance with the TCFD's requirements.

Core Elements of Recommended Climate-Related Financial Disclosure



Sustainability Statement

Climate Governance

Climate governance is placed under the purview of the Sustainability Committee (“SC”) with the Chairman of the SC appointed as the Advisor – Climate Change to oversee climate risks and mitigation plans. Supported by the SC, the Board provides guidance and oversight of the Group’s climate change strategies to ensure alignment to our overall business strategy and goals.

 Please refer to page 57 for Sustainability Governance Structure

The SWG is responsible for implementing the Group’s climate strategy and ensuring that our targets and goals in reducing our carbon emissions are met. The SWG works closely with various business segments to implement environmental initiatives, review environmental data, manage risks and mitigations measures to ensure that the Group is prepared for any potential impacts of climate change.

Climate Strategy

As a diversified company, our climate strategy is designed to address the unique challenges and opportunities that arise from our operations in different sectors. We recognize that each of our business divisions have different emission profiles, and therefore require different approaches to reduce their carbon footprints.

Our climate strategy includes the following key elements:-

- Alignment with the Paris Agreement to limit global warming to below 2 degrees Celcius.
- Invest in low-carbon technologies and innovations to reduce emissions in our operations such as biogas.
- Support transition to low-carbon economy.
- Communicating our climate strategy and progress to stakeholders including shareholders, customers and employees to promote awareness and understanding of climate change issues.

During the year under review, Salcon conducted a Climate Change Scenario Planning, which involves analysing the impact of a 2°C increase on our business operations. Subsequently, we outlined our Climate Change Adaptation strategies, which included strategic partnerships and collaboration, diversification, and ensuring full compliance with environmental regulations over the short, medium, and long-term.

Scenario Analysis

In general, stricter climate regulations are associated with a rise in transition risks, while a failure to fulfil climate-targets and an unregulated level of emissions are associated with greater physical dangers.

Scenario	Description	Impact on Salcon Business
RCP 2.6	The RCP 2.6 emission and concentration pathway is typical of the research on mitigation scenarios aimed at limiting global mean temperature rise to 1°C. Carbon dioxide (“CO ₂ ”) emissions decline by 2020 and reach zero by 2100, according to RCP 2.6. This scenario is maybe an ideal scenario for limiting anthropogenic climate change.	High operational cost as more stringent environmental policy has to be complied. As business operation expands, the need of development of carbon neutral and carbon capture facilities arises. Salcon would require to invest in more energy efficient system in order to achieve the stated requirements.
RCP 4.5	RCP 4.5 is referred to as "Intermediate emissions". In RCP 4.5, emissions peak at 2040 and subsequently fall. Taking into account the exhaustibility of non-renewable fuels, RCP 4.5 is regarded as the most likely baseline scenario in the absence of a specific climate strategy.	Salcon would incur extra operational expenses under the RCP 4.5 scenario, mostly due to the rise in carbon prices and other policy interventions.

Sustainability Statement

Scenario	Description	Impact on Salcon Business
RCP 6.0	The RCP 6.0 scenario employs a high rate of greenhouse gas emissions and is a stabilisation scenario in which the total radiative forcing is stabilised after 2100 by employing a variety of technologies and tactics to reduce greenhouse gas emissions.	Salcon would see an increase in R&D expenses. Despite the sustained dominance of fossil fuels in global energy consumption, nuclear and renewable energy will rise significantly under the RCP 6.0 scenario.
RCP 8.5	Under RCP 8.5, emissions increase throughout the 21 st century. This scenario includes: a rapid increase in methane emissions, a high reliance on fossil fuels, high energy intensity, high global population, and increased usage of croplands and grassland due to population growth, which lead to the long run of high energy demand and GHG emissions in absence of climate change measures.	Under RCP 8.5 scenario, Salcon would incur additional operating costs, but in this case, these would more likely arise from increased cost of operational disruption due to increased frequency of extreme weather events.

By analysing these scenarios, we identified the potential risks and opportunities and to prepare for its potential impacts on our operations and stakeholder.

Climate Risk Management

Environmental and climate change risks and opportunities are identified and mitigated through Salcon's Enterprise Risk Management ("ERM") framework which is based on the international risk management standard ISO 31000.

 Refer to Statement of Risk Management & Internal Control on pages 114 to 118


Salcon utilizes the externally certified ISO 14001:2015 Environmental Management System ("EMS") to manage and mitigate its climate related operational issues such as carbon emissions, energy efficiency, water consumption and raw material resources management.

 Refer to <https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment>

Climate-related Risks, Impacts and Our Responses

Risk Type	Description	Potential Financial Impact	Opportunities & Our Responses
Physical Risks	Extreme weather	- Damage to buildings, infrastructure, assets resulting in financial losses and decrease in revenue	<ul style="list-style-type: none"> - Emergency preparedness and response & adaption initiatives in the community - Supporting and committing to international and local climate action advocacy - Implement energy efficiency measures
	Time Horizon Medium/Long Term	<ul style="list-style-type: none"> - Increase in logistic cost - Increase in supply chain (raw material) cost 	
	Changing global temperature patterns	<ul style="list-style-type: none"> - Increase in energy consumption resulting in higher operational costs - Increase in carbon credits pricing due to higher emissions 	
	Time Horizon Medium/Long Term		

Sustainability Statement

Risk Type	Description	Potential Financial Impact	Opportunities & Our Responses
Transitional Risks	Legislative		
	Increased carbon pricing mechanisms Time Horizon Long Term	<ul style="list-style-type: none"> - Increase in direct cost ie carbon taxes - Increasing operational costs 	<ul style="list-style-type: none"> - Evaluation of the carbon emission intensities of diverse business segments. Please refer to “Metrics and targets” section.  page 86 - Integration of internal practices for emission reductions and improvement of energy efficiency into operations
	Legal action on non-compliances Time Horizon Long Term	<ul style="list-style-type: none"> - Increase in fines/penalties 	<ul style="list-style-type: none"> - Keep abreast on latest climate change legislations and ensure strict adherence
	Technology & Market		
	Adoption of new technologies to transition to low carbon economy Time Horizon Medium Term	<ul style="list-style-type: none"> - Increase in R&D cost to meet the low-carbon/energy-efficient market demand - Increase in operational cost 	<ul style="list-style-type: none"> - Market diversification into renewable energy - Identify strategic technology partners in engineering & construction division - Research and development for innovative product solutions in healthcare division - Participation in seminars pertaining to the future road map for high efficiency technologies - Commitment to government’s target to increase the overall percentage of renewable energy capacity in Malaysia. (From 7.6 GW in 2018 to 18.4 GW in 2040) - Opportunity to utilise Voluntary Carbon Trading scheme to establish a competitive advantage by reducing the group’s carbon emissions
Reputation			
Damage to company reputation and brand Time Horizon Short/Medium Term	<ul style="list-style-type: none"> - Damage to brand value; income loss; increased costs - Lower investor confidence on the Group’s ability to transit into low carbon economy 	<ul style="list-style-type: none"> - Commitment to halve emissions by 50% by 2030 and net-zero by 2050 - Consider climate risks and possibilities while designing, developing, and operating assets - Development of key performance indicators for the Climate Change Strategy - Transparency and openness on strategies, targets & progress - Establishment of Internal Carbon Pricing (“ICP”) that encourages the internal stakeholders to cut the Group’s emission - Promoting resource efficiency by reducing waste, recycling, and taking other measures 	

Sustainability Statement

Metrics & Targets

The Group's carbon emission is analysed using the carbon intensity method due to the diverse nature of our businesses. The Group continues to measure and report direct carbon emissions (Scope 1) and location-based energy-indirect GHG emissions (Scope 2) from its business operations. Enhancements made to metrics and targets reporting in this financial year include:

1. Expanded emission intensity coverage to include operational/project offices data, instead of merely administrative office data.
2. Reviewed all raw data and recalculated all previous carbon emissions based on updated emission data on GHG emission factors published by US Environmental Protection Agency ("US EPA") (For Scope 1 emissions) and Combined Margin emission factor based on fuel consumption in Malaysia (For Scope 2 emissions).
3. Revised the use of tabulated units for carbon emissions to "tonne" instead of "metric tonnes, MT".
4. Include Scope 3 emissions (Category 6: Business Travel, Category 7: Employee Commuting & Category 15: Investment).
5. As ECT & Green Fleet, VBT and JREMT are not wholly-owned subsidiaries or controlled by the Company, the respective percentage of emissions from combustion fuels & electricity are calculated as Scope 3 emissions (Category 15: Investment).
6. All emission data are audited by Internal Audit team.

Group's Long-Term Target	To reduce Group's carbon emission intensity by 50% per unit basis by 2030 and achieve Net Zero carbon emission by 2050	
	Engineering & Construction	To reduce carbon emission by 11% per RM1 million revenue per annum
Division Yearly Reduction Targets	Transportation	To reduce carbon emission by 9% per RM1 million revenue per annum
	Technology	To reduce carbon emission by 10% per full time employee per annum
	Healthcare	To reduce carbon emission by 11% per 1,000 gloves produced per annum

Notes:

- (1) *Scope 1 (Direct) Greenhouse Gas Emissions: Emissions that occur from energy sources that are owned or controlled by the company. Emission factors for Scope 1 calculation are available at <https://www.epa.gov/climateleadership/ghg-emission-factors-hub>*
- (2) *Scope 2 (Indirect) Greenhouse Gas Emissions: Emissions that occur from the generation of purchased electricity consumed by the company. Scope 2 emissions physically occur at the facility where electricity is generated. Emission factors for Scope 1 calculation are available at <https://www.mgta.gov.my/wp-content/uploads/2019/12/2017-CDM-Electricity-Baseline-Final-Report-Publication-Version.pdf>*
- (3) *Scope 3 emissions are the result of activities from assets not wholly-owned or controlled by the Company, where the emissions include the consumption of fuels and electricity of the subsidiaries. Emission factors used for the calculations for both combustion fuels and electricity are available at the references stated in above Scope 1 & 2 emissions descriptions*

Sustainability Statement

Division	Engineering & Construction			
Short-Term Target	To reduce carbon emission by 11% per RM1 million revenue per annum			
Year	FY 2019 (Base Year)	FY 2020	FY 2021	FY 2022
Scope 1 Absolute Emission (tonne CO₂)	354.33	285.26	236.49	174.95
Scope 2 Absolute Emission (tonne CO₂)	142.68	144.18	133.07	134.27
Scope 3 Absolute Emission (tonne CO₂)	211.47	176.01	164.84	180.96
Total Absolute Emission (Scope 1+2+3), tonne CO₂	708.48	605.45	534.40	490.18
Revenue (RM million)	163.46	153.60	136.30	134.76
Total Emission Intensity (tonne CO₂ per RM million)	4.33	3.94	3.92	3.64
Equity Shares	100% for Salcon HQ, 60% for Envitech			
Emission Intensity based on Equity Shares (tonne CO₂ per RM million)	3.82	3.48	3.44	3.10
Office & Sites Included	Office : Salcon HQ, Envitech Project Sites : KTU WTP, Langat Package 15 (4), Telibong WTP, Ambathale Storm Water Pumping Station			Office: Salcon HQ, Envitech Project Sites: KTU WTP, Langat Package 15 (4), Telibong WTP
Yearly Trend	N/A	-8.73%	-1.33%	-9.80%
Progress	Short term target of 11% per annum for FY 2022 was nearly achieved. However, compared to base year of FY 2016, a reduction of 18.8% was achieved. To intensify efforts to achieve long term target.			

Remark: SEB which operates from Salcon HQ is a wholly-owned subsidiary of the Company and therefore, its emissions are accounted under Scope 1. However, Envitech which is 60% owned subsidiary, only accounts for its respective percentage of emissions under Scope 3 category 15 (Investment) based on operational control approach

Sustainability Statement

Division	Transportation			
Short-Term Target	To reduce 9% of carbon emission per RM1 million revenue per annum			
Year	FY 2019 (Base Year)	FY 2020	FY 2021	FY 2022
Scope 3 Absolute Emission (tonne CO₂) (Category 15)	3,718.85	3,183.10	2,295.50	2,767.19
Revenue (RM million)	17.87	15.63	13.98	14.97
Total Emission Intensity (tonne CO₂ per RM million)	208.13	203.63	164.2	184.83
Equity Shares	51.3%			
Emission Intensity based on Equity Shares (tonne CO₂ per RM million)	106.77	104.46	84.23	94.82
Office & Sites Included	ECT, GF			
Yearly Trend	N/A	-2.16%	-19.36%	12.56%
Progress	Short term target of 9% per annum for FY 2022 was not achieved. However, compared to base year of FY 2019, a reduction of 11.2% was achieved. To intensify efforts in achieving long term target.			
<i>Remark: Significant drop in FY 2022 Scope 3 data (electricity consumed) was due to the relocation of GF office from an office building in Subang Jaya, Selangor to lower consumption container building in Lumut, Perak</i>				
Division	Technology Services			
Short-Term Target	To reduce carbon emission by 10% per full time employee per annum			
Year	FY 2019 (Base Year)	FY 2020	FY 2021	FY 2022
Scope 3 Absolute Emission (tonne CO₂)	26.60	26.91	21.27	22.93
Full Time Employee	17	16	16	16
Emission Intensity (tonne CO₂ per headcount)	1.56	1.68	1.33	1.43
Equity Shares	50%			
Emission Intensity based on Equity Shares (tonne CO₂ per headcount)	0.78	0.84	0.66	0.72
Office & Sites Included	VBT			
Yearly Trend	N/A	7.47%	-20.96%	7.82%
Progress	Short term target of 10% per annum for FY 2022 was not achieved. However, compared to base year of FY 2019, a reduction of 8.4% was achieved. To intensify efforts in achieving long term target.			

Sustainability Statement

Division	Healthcare	
Short-Term Target	To reduce carbon emission by 11% per 1,000 gloves produced per annum	
Year	FY 2021 (Base Year)	FY 2022
Scope 3 Absolute Emission (tonne CO₂)	1,879.45	1,850.30
No. of gloves produced	176,969,367	125,059,556
Emission Intensity (tonne CO ₂ per 1,000 gloves produced)	0.0106	0.0148
Equity Shares	51%	
Emission Intensity based on Equity Shares (tonne CO ₂ per 1,000 gloves produced)	0.0054	0.0075
Office & Sites Included	JREMT	
Yearly Trend	N/A	39.31%
Progress	Short term target of 11% per annum for FY 2022 was not achieved. To intensify efforts to achieve long term target.	

Remarks:

- JREMT takes 2021 as base year due to the newly acquired business segment in 2021
- Absolute emission remained at similar level to FY 2021 although total gloves produced has reduced in FY 2022, resulting in higher emission intensity. This is because JREMT has to keep 4 production lines running although utilization is only at 50%, due to interconnectivity of the entire plant

In 2022, Salcon started to monitor and report on its carbon emission according to Scope 3 emissions (Category 6: Business Travel & Category 7: Employee Commuting). Business travel includes travelling through flight and on-road vehicles for our engineering and construction unit. In our employee commuting, we adopt a sampling method in data collection across our various business units. Whilst the absolute Scope 3 emissions tabulated are not accounted in the emission reduction target reported, we are committed to reducing emissions from employee commuting and business travel to reduce our overall carbon footprint.

	CO ₂ emission (tonne CO ₂)
Scope 3 Categories	FY 2022
Category 6: Business Travel	26.12
Category 7: Employee Commuting	226.15
Total emission (tonne CO₂)	252.27

Sustainability Statement

Creating Sustainable Value through Partnerships

Sustainability is about producing sustainable value through collaborations. Internally, posters placed at printing stations in the offices serve as a reminder to reduce paper consumption. Monthly printed paper consumption by department are analysed and shared including digitizing in-house workflow.


Externally, in order to advance the Group's sustainability activities and engagement with stakeholders, Salcon works to build relationships with external organisations that are in line with its sustainability agenda.



Salcon Smart Water Programme with Water Watch Penang ("WWP")



After a long hiatus from COVID-19, Salcon resumed its flagship programme – Salcon Smart Water Programme ("SSWP") at Sungai Penchala in Bukit Kiara Park with its long-term collaborative partner – Water Watch Penang ("WWP"), reiterating its commitment on water conservation awareness and education.

 For more information about the programme, please refer to the Social – Community section of this report



Annual Recycling Initiatives with SZ Slim Scrap Metal



In 2022, Salcon has organised an interdepartmental spring cleaning and recycling competition in collaboration with SZ Slim Scrap Metal Enterprise to motivate Salcon workers to recycle, reduce, and reuse the goods from their homes and offices. Throughout the campaign, 1,218 kg of paper, plastic, glass, reusable items, metal, and electrical devices were collected. Please see the environmental data monitoring section on page 80 of this report for more details regarding the recycling statistics.



Supporting Biodiversity through Salcon Tree Planting Programme with Shah Alam Botanical Garden



Salcon and Shah Alam National Botanical Garden worked together to plant 100 plants around the botanical garden. Salcon staffs and their family members took part in this biodiversity and eco-system conservation project and volunteered to strengthen ecosystem resilience and assist lessen the consequences of climate change.



Sustainability Statement

S Social Capital



Engaging and uplifting the community

- > Total community investment: **RM124,793**
- > Total collaboration: **10**
- > Total beneficiaries: **1,527** persons benefitted
- > Total employee volunteering hours: **160 HOURS**

MI1 Community Engagement

At Salcon, we are committed to creating positive impacts to uplift the lives of the communities where we work in. Our community engagement focuses at 4 key areas targeted at various groups including youths and teachers, vulnerable communities and those in need as well as the general public.

Communications and engagement with the community are crucial as this would enable us to understand the communities' needs and expectations. In this regard, whistleblowing channels with anonymous reporting is available in the company website for stakeholders to report on any suspected wrongdoings.

Guided by *SDG 17: Partnership For The Goals*, we collaborate with various parties to create positive impacts together.

Salcon's community engagement approaches:

EMPOWERING EDUCATION

Collaborating with NGOs to educate school children on sustainability topics

COMMUNITY OUTREACH

Engaging and uplifting the local community through activities/ conversations

PHILANTHROPIC GIVING

Supporting the less fortunate in terms of monetary & in-kind support

LOCAL EMPLOYMENT

Providing job opportunities to local communities through employment or internship/protégé programme

Sustainability Statement

EMPOWERING EDUCATION

Salcon Smart Water Program (“SSWP”)

In the area of empowering education, Salcon partnered with NGO, Water Watch Penang to educate school children on sustainability topics through our flagship Salcon Smart Water Program (“SSWP”).

During SSWP sessions held at Lembah Kiara, Taman Tun Dr. Ismail, Kuala Lumpur, the students are guided by facilitators to conduct hands-on physical, chemical, and biological river water testing to raise their awareness on water conservation and to empower them to take action creatively in reducing water consumption in schools and at home.

Five programmes were conducted in 2022, benefitting 185 students from SMK Damansara Damai 1, SMK Methodist, SMK Convent Sentul, SMK Lembah Subang and SMK Bukit Gading. The SSWP has been conducted since 2010, where a total of 85 programs have been conducted, benefitting 3,182 students.



The SSWP facilitator conducted biological water monitoring with students to identify aquatic organisms in the river

Recycling Talk and Competition with SK USJ 12

Salcon also collaborated with SW Corp to conduct a recycling talk and competition with 493 students from Sekolah Kebangsaan USJ 12, collecting and identifying recyclable items and passing them to Pertubuhan Amal Seri Sinar for further recycling/reuse purposes.



The habit of recycling and waste management was instilled through a fun and interactive talk and competition with the students of SK USJ 12

COMMUNITY OUTREACH

Malaysia Day Celebration with Special Needs Children from Pusat Jagaan Dan Latihan Insan Istimewa IMC Puchong

Under our “Salcon Cares” community outreach programme, 19 volunteers from Salcon spent quality time with over 30 special needs children from Pusat Jagaan Dan Latihan Insan Istimewa IMC Puchong in conjunction with the Malaysia Day celebrations. Through generous donations from Salcon employees which were matched by the Company, Salcon contribute more than RM7,000 in cash and in kind.



Salcon volunteers spent a meaningful day with children with special needs at Pusat Jagaan & Latihan Insan Istimewa IMC

Sustainability Statement

13th Annual Blood Donation Drive

In conjunction with World Blood Donor Day 2022, Salcon held a two-day blood donation drive in collaboration with Pusat Darah Negara, PDN (or Malaysia National Blood Centre) to propel blood donation amongst employees and Subang Jaya community.

A total of 134 pints of blood was collected during the event from Salcon employees and the general public.

Besides this, we also collaborated with Hospital Assunta to provide health screening to the public, including blood pressure, Body Mass Index (“BMI”), blood glucose and cholesterol test, benefitting more than 400 people in the Subang Jaya community.



Salcon held its 13th annual blood donation drive in collaboration with Pusat Darah Negara

Dialogue with Jalan Enggang residents

Together with our client, Pengurusan Aset Air Berhad (“PAAB”), Salcon engaged with residents at the Langat 2 Package 15 (4) project to brief them on project planning as well as to listen and address their concerns.



Community engagement helps to increase the visibility and understanding of issues and concerns of residents within Salcon’s project operation

Book Donation

In collaboration with NGO, Budimas Charitable Foundation, Salcon employees donated children’s book to the Budimas Children’s Library, to support the welfare and well-being of orang asli communities by providing a community centre and education space for them.



Salcon employees donated children’s books to the Budimas Children’s Library with the objective of providing educational opportunities to underprivileged children

PHILANTHROPIC GIVING

Christmas Gifts Giving & Donation to Orphanage

We brought festive joy and cheers to 30 children from Pertubuhan Kebajikan Kanak-Kanak Selangor, Klang, spending more than RM4,500 on grocery items and fulfilling the children’s Christmas wish list.



Handing over Christmas gifts to orphanage at Pertubuhan Kebajikan Kanak-kanak Selangor

Sustainability Statement

Back to School Programme

We also provided back-to-school essentials to 50 orphans and children from B40 families in Sekolah Kebangsaan Sri Subang Jaya through our Salcon Back to School Campaign.




50 children from SK Sri Subang Jaya benefited from the Salcon Back-to-School Programme with school essentials

LOCAL EMPLOYMENT

Local Employment

Salcon has resumed recruitment of talents to support our business development and expansion as economic activities normalize after two years of the COVID-19 pandemic. The company is committed to providing employment opportunities to local communities in line with *SDG 8: Decent work and economic growth*. To fulfill this commitment, Salcon has prioritized the recruitment of local talents, and in FY 2022, 100% of our new recruits were local. In total, 41 individuals have benefited from this local employment initiative.

 For more details of our recruitment diversity, please refer to *Human Capital* section at page 64

Internship & Protégé Programme

Salcon also supports the Malaysian Government's initiative to create a pool of competent, well-trained, knowledgeable, and skilled graduates through industrial attachment. We provide job opportunities via internship and protégé programmes in various fields across our diversified businesses. In FY 2022, a total of seven protégé were recruited under our engineering & construction division.

MOVING FORWARD

As we progress toward embedding sustainability considerations throughout our value chain, we look to engage, collaborate and work together with our stakeholders to promote sustainable practices which create value for the Company through improving efficiency, reducing costs and enhancing our reputation. Through these efforts, we aim to promote the sustainable growth and long-term success of our business.



Our Board of Directors & Key Senior Management

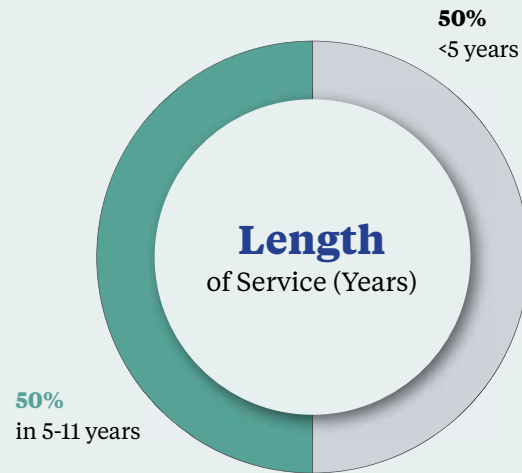
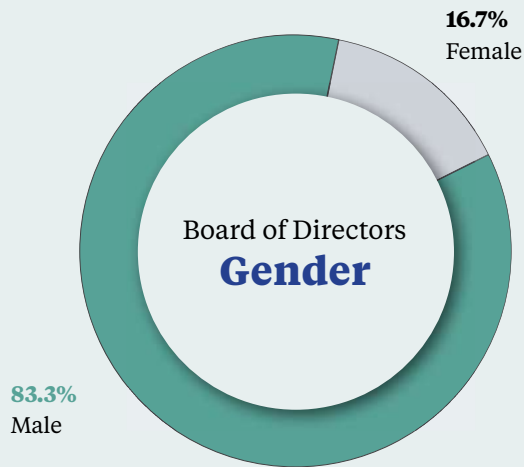


From **dedicated** and **strong board members** to experienced senior management team, strength in diverse experiences and a wide breadth of knowledge in the industries we are invested in.

Board of Directors

DIRECTORS STATISTICS

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 performance.



TAN SRI ABDUL RASHID BIN ABDUL MANAF
Chairman,
Independent
Non-Executive Director

Male | 76 | Malaysian

Appointed to the Board:
2 January 2019

Number of Board Meeting Attended during FY 2022:

5/5



TAN SRI DATO' TEE TIAM LEE
Executive Deputy Chairman

Male | 65 | Malaysian

Appointed to the Board:
1 January 2010

Number of Board Meeting Attended during FY 2022:

5/5

Board of Directors



DATO' LEONG KOK WAH
Executive Director

Male | 69 | Malaysian

Appointed to the Board:
1 January 2010

Number of Board Meeting Attended during FY 2022:
5/5



CHAN SENG FATT
Senior Independent
Non-Executive Director

Male | 59 | Malaysian

Appointed to the Board:
17 December 2014

Number of Board Meeting Attended during FY 2022:
5/5



DATIN GOH PHAIK LYNN
Non-Independent
Non-Executive Director

Female | 62 | Malaysian

Appointed to the Board:
30 December 2019

Number of Board Meeting Attended during FY 2022:
5/5



DATO' ROSLI BIN MOHAMED NOR
Independent
Non-Executive Director

Male | 64 | Malaysian

Appointed to the Board:
2 July 2018

Number of Board Meeting Attended during FY 2022:
5/5

Board of Directors' Profile

TAN SRI ABDUL RASHID BIN ABDUL MANAF

Chairman, Independent
Non-Executive Director

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 76, 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 and Chairman, Independent Non-Executive Director of Perak Corporation Berhad from 6 July 2020 until 1 August 2022.

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

TAN SRI DATO' TEE TIAM LEE

Executive Deputy Chairman

Tan Sri Dato' Tee Tiam Lee, aged 65, 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 industry 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 69, 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 (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 SP Setia Berhad.

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

Dato' Leong is also a member of Risk Management Committee and Sustainability Committee 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 any 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 2022.

Board of Directors' Profile

DATIN GOH PHAIK LYNN

Non-Independent
Non-Executive Director

Datin Goh Phaik Lynn, aged 62, 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. She was appointed as a member of Nomination Committee and Remuneration Committee of the Company on 1 March 2023.

DATO' ROSLI BIN MOHAMED NOR

Independent
Non-Executive Director

Dato' Rosli Bin Mohamed Nor, aged 64, 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 for a period of nine (9) years from 2009 to 2018, longest on record for a developmental financial institution.

Dato' Rosli after having served 9 years at Econpile Bhd as an Independent Non-Executive Director has been redesignated as Non-Independent Non-Executive Director. 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 is also the Advisor-Climat Change to oversee climate risks and mitigation plans for the Group.

CHAN SENG FATT

Senior Independent
Non-Executive Director

Chan Seng Fatt, aged 59, male, a Chartered Accountant of The Malaysian Institute of Accountants was appointed to the Board of Salcon on 17 December 2014.

Mr. Chan Seng Fatt 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 was 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 formerly an Independent Non-Executive Director of Comfort Gloves Berhad from 16 March 2020 until 31 March 2021 and Fitters Diversified Berhad from 20 June 2014 until 1 May 2022.

Mr Chan is currently an Independent Non-Executive Director of Star Media Group Bhd, Skyworld Development Berhad and OMS 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.

Key Senior Management's Profile

LEONG YI SHEN

Chief Financial Officer

Male | 32 | 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 at 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 other 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 year.

NIL

JAMILUDDIN AMINI BIN SULAIMAN

Chief Operating Officer

Male | 55 | 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 32 years, which include project management, design, procurement, construction, commissioning, operation and maintenance.

After graduation, he started his career as an 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 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 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 year.

NIL

Key Senior Management's Profile

LEE THIM LOY

Managing Director

Male | 74 | 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):

Ir. Lee Thim Loy has more than 49 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.

Ir. 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.

Ir. 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.

Ir. 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 caters 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 year.

NIL

LOW BENG PEOW

Executive Director

Male | 76 | 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.

Working Experience (s):

Ir. Low Beng Peow, has been in the environmental engineering industry for more than 42 years. His experience covered the study, design, construction, implementation and management of sewerage system including sewage treatment plants, pumping stations and sewer networks.

Ir. 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 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 year.

NIL

Key Senior Management's Profile

DATO' MOHAMMAD HAKIM LOW BIN ABDULLAH

Chief Executive Officer

Male | 59 | Malaysian

Date of first appointment to key senior management position:

May 2014

Name of Company:

Volsbahn 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 22 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 Volsbahn 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 year.

NIL

VERGIS MATHEWS A/L V V MATHEW

Chief Executive Officer

Male | 62 | 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 22 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 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 year.

NIL

Key Senior Management's Profile

GANESAN A/L SUBRAMANIAM

Managing Director

Male | 60 | 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 31 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 since 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 year.

NIL

Corporate Governance Overview Statement

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 2022 (“FY 2022”). This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance (“MCCG”) issued by Securities Commission Malaysia and is prepared in accordance with Practice Note 9 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

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 2022, except:

- Practice 5.9 (The Board comprises at least 30% women directors)
- Practice 5.10 (The Board discloses 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 senior management’s remuneration component including, salary, bonus, benefits in-kind and other emoluments in bands of RM50,000)

The Corporate Governance Report (“CG Report”) provides detailed disclosures on whether and how the Company has applied the Practices, as set out in the MCCG, for the FY 2022.



The CG report is available at <https://www.salcon.com.my/About-Us/corporate-governance>

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

i. Board Responsibilities

The Board is the highest level governing body of the Company and the primary role of the Board is to protect and enhance shareholders’ value. In discharging its fiduciary duties and leadership functions, the board is charged with the responsibility to direct and/or oversight the organizations activities/decisions and hold Management accountable.

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:

Corporate Governance Overview Statement



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 Director (“ED”) 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 ensure consistency with the Board objectives, and relevant rules and regulations of the various authorities.

The latest review was conducted in 2021 and the updated versions of the Board Charter and TORs for the respective Board Committees are available for viewing on the Company’s website, <https://www.salcon.com.my/About-Us/corporate-governance>.


There is a clear division of responsibilities to ensure a balance of authority and power, as the roles of the Chairman and the ED 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 ED are clearly established and set out in the Board Charter.

The Chairman of the Board is not a member of the Audit Committee (“AC”), Nomination Committee (“NC”), Remuneration Committee (“RC”), Sustainability Committee (“SC”) and Risk Management Committee (“RMC”). Thus, there is a clear and distinct division of responsibilities between the Chairman of the Board and the Committees. This is to ensure an appropriate balance of power, division of roles, responsibilities and accountability as well as objective review by the Board while deliberating on the observations and recommendations tabled by the Board Committees.

The Board is supported by two 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 discharging 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.


Corporate Governance Overview Statement

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 emphasizes 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, discrimination, sexual harassment, etc.

 *The COEC is available for viewing on the Company’s website, <https://www.salcon.com.my/About-Us/corporate-governance>*

The Board is committed to and supports 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”) had been adopted and implemented by the Group since 2020. This is to ensure the Group has in placed adequate procedure to prevent and detect bribery and corruption. The Board formed a Sub-Board Integrity Committee in 2021 with meetings held periodically, and any outcomes are report directly to the Risk Management Committee.


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/About-Us/corporate-governance>*

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 for 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.

For FY 2022, the Company did not receive any report or complaint of misconduct from employees, management, public or stakeholders.

 *The WBP can be viewed on the Company’s website, https://www.salcon.com.my/sites/default/files/corporate-governance/pdf/Whistle_Blowing_Policy.pdf*

Sustainability Matters

Dedication and Commitment

The Board takes responsibilities for the governance of sustainability to manage the Company’s sustainability risks and opportunities including setting strategies priorities and targets. To embrace and cultivate the sustainability culture, Salcon has formed a Sustainability Committee (“SC”) which hold meeting at minimum once a year, and any outcomes are reported directly to the Board of Directors. Furthermore, a Sustainability Working Group Committee (“SWG”) comprises Head of Departments (Corporate Affairs, Finance and Account, Human Resource and Internal Audit and Risk Department) that report to SC has been formed to assist the coordination of sustainability matters on a lower communication ground. The five (5) main core Sustainability Framework that the Company embraced are:

- i. Business Model & Innovation;
- ii. Leadership and Governance;
- iii. Human Capital;
- iv. Environment; and
- v. Social Capital.

As the Board and Heads of Departments are responsible in addressing material sustainability risks and opportunities, the NC in its annual assessment on the performance of the Board and Heads of Department also consider how well the Board and Heads of Department have addressed the Company’s material sustainability risks and opportunities.

Corporate Governance Overview Statement

The Sustainability Statement are set out on pages 54 to 94 of this Annual Report and the Company activities carried out in FY 2022.

ii. 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 fully complied with the Bursa Securities Listing Requirements for INED to make up at least one third (1/3) of the Board membership. With this existing composition, the Board has further fulfilled MCCG Practice 5.2, whereby at least half of the Board's composition comprises Independent Directors.

On 31 December 2022, Dato' Choong Moh Kheng, an INED who served the Company for more than 11 years, resigned from the Company. This is to comply with the amended definition of an Independent Director under Listing Requirements which will be effective from 1 June 2023 onwards, whereby an Independent Director who has served for more than twelve (12) years must resign or be re-designated as a Non-Independent Non-Executive Director.

In relation to gender diversity for Board and Senior Management, the Board does not have a specific policy on gender diversity for Board and Senior Management as the Group practices equal employment opportunity based on objective criteria and merits, and without discrimination. The Board endeavour to consider both male and female candidates based on objective criteria, merit, contribution and with due regards for diversity in skills, experience and knowledge, the size of the Board and the needs of the Company.

The Company's Constitution provides that one-third 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 as Directors.

For the forthcoming AGM, Tan Sri Dato' Tee Tiam Lee and Datin Goh Phaik Lynn will retire as Directors pursuant to Clause 76(3) of the Company's Constitution, and being eligible, offer themselves for re-election.

The profile of the above Directors and their respective attendance in Board Meetings are presented in this Annual Report. Meanwhile, the Board's recommendation statement for the re-election of both Directors is included in the Notice of AGM dated 28 April 2023.

iii. Nomination Committee ("NC")

The selection and appointment of a new member of the Board and Board Committees are decided by the Board based on the recommendations from the NC.

The Board through the NC had on 26 May 2022, established and implemented a Fit and Proper Policy for the appointment and re-election of Directors of the Group. This Policy will enhance the governance of the Company in relation to the Board's quality and integrity, as well as ensure that each of its Directors has the character, experience, integrity, competence, time and commitment to effectively discharge his role as a Director.

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 28 February 2023 conducted the Board and Board Committees performance evaluation for FY 2022, with the assistance from the internal secretarial team. The areas reviewed covered; 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 result will be summarized and recommended to the Board for review and notation.

Based on the results of assessment, the Board was 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.

Corporate Governance Overview Statement

The Board has also via the NC on 28 February 2023, conducted an assessment on the fit and proper on the retiring directors who seek for re-election at the forthcoming AGM namely, Tan Sri Dato' Tee Tiam Lee and Datin Goh Phaik Lynn pursuant to the Fit and Proper Policy adopted by the Company. The NC agreed that they met the criteria as prescribed in the Fit and Proper Policy as well as Paragraph 2.20A of the Listing Requirements on character, experience, integrity, competence and time commitment to effectively discharge their duties as Directors. The NC and in turn, the Board recommended to shareholders, their re-election at the forthcoming AGM of the Company.

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 FY 2022 are set out under "Additional Compliance Information" under pages 119 to 120 of this Annual Report.

iv. Remuneration Committee ("RC")

The Board via the RC, established and implemented 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 2022 on a named basis, are disclosed under Practice 8.1 of the CG Report.

The Company has, for FY 2022, departed from Practice 8.2 of the MCCG 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

i. Audit Committee ("AC")

The AC takes on the role of assisting the Board in discharging its fiduciary duties in Company's Governance structure, 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 Paragraphs 15.09 and 15.10 of the Listing Requirements. Besides, the Board also adopted Practice 9.1 of the MCCG 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 2022, are set out on pages 111 to 113 of this Annual Report.

The AC had on 27 February 2022, assessed the suitability, audit quality, competency and independence of the External Auditor ("EA") i.e. Messrs. KPMG PLT ("KPMG"). In addition, KPMG has provided 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 FY 2022.

The AC was satisfied with the above assessment and recommended to the Board to table the re-appointment of KPMG, as EA of the Company for the following financial year at the 19th AGM for shareholders' approval. During the financial year, KPMG attended three (3) out of six (6) AC meetings; to discuss their audit plan and findings. KPMG also highlighted key audit matters that required the AC's attention, inclusive of remedial actions to be undertaken within an appropriate timeframe.

Corporate Governance Overview Statement

During the FY 2022, 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 not significant. The audit and non-audit fees incurred for service rendered by the EA to the Group for the FY 2022 was RM577,000 and RM35,000 respectively.

The AC has also further reviewed the related party transactions within the Group to ensure that transactions were transacted at arms-length, not detrimental to the interest of the minority shareholders and were in the best interests to the Company and its subsidiaries.

ii. Risk Management Committee (“RMC”)

The Board, is assisted by the RMC and sub-committee, Risk Management Working Group (“RMWG”) to identify and evaluate potential risks, and to assess the Group’s level of risk tolerance and actions to mitigate the identified risks, in order to safeguard the Group’s shareholders’ investments and assets.

The established risk management framework which includes processes, procedures and controls for financial, operation, compliances and risk management, is to assist the Group to achieve its business objectives within the tolerable limits set.

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 pages 114 to 118 of this Annual Report.

Internal Audit and Risk Assessment Function

The Group’s internal audit and risk assessment function is performed in-house by the Internal Audit and Risk Management Department (“IARMD”), which reports directly to the AC and RMC. IARMD provides reasonable assurance after evaluating the effectiveness and efficiency on the Governance Process, Risk Management and Compliance Control.

During FY 2022, IARMD was spearheaded by Mr. Lee Chien Hean and Ms. Leong Mei Jean. On 04 January 2023, Mr. Lee Jian Xun was recruited as Head of Department for IARMD and reports functionally to the AC and administratively to the Executive Director. He is a Certified Practising Accountant (CPA Aust.) and a member of both MIA and ASEAN CPA, and a Professional Member of the Institute of the Internal Auditors Malaysia (“IIAM”). He has over 11 years of combine experienced in external audit in Mid-tier accounting firms and Internal Auditing for Government-Linked Companies and Public Listed Companies. Salcon Berhad is a registered corporate member of the IIAM.

The purpose, authority and responsibility of the internal audit activity is formally defined in the Audit Charter and periodically reviewed by the Head of IARMD and present for AC endorsement. All internal audit activities are conducted via risk based reviews, and in adherence to the guidance practices and standards of International Professional Practices Framework and ISO 19011:2018. The Risk Management assessment are in general compliance to ISO 31000 Risk Management – Guidelines.

Corporate Governance Overview Statement

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

i. Engagement with stakeholders

Communication

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 and/or the Company's website, by the Company Secretaries or Corporate Affairs Department ("CAD"). Alternate platforms such as social media (i.e. Facebook, Instagram and LinkedIn) is utilized by the Company to reach out to a broader range of public, shareholders, investors and interested parties.

The notice of general meetings, proxy form, Annual Report, Circular to shareholders and minutes of the general meetings are also published on the Company's website.

Corporate Disclosures

The Company has high commitment to circulate information such as corporate announcements, circular/notice to shareholders, and annual/quarterly financial results to general public in a timely and precise manner. The quarterly interim financial results are published for view, within two (2) months from end of each quarter of financial year and the financial results are presented in a clear, understandable and accurate assertion.

The disclosures provides shareholders and investors with comprehensive, accurate and quality information while promotes and maintains the Company's credibility and shareholders confidence. All disclosures complied with the Listed Issuers Corporate Disclosure Guide ("CD Guide").



Information relating to investor relations can be viewed on the Company's website, <https://www.salcon.com.my/investor-relations/investor-relations.html>

ii. Conduct of General Meetings

The AGM is an avenue for shareholders to participate and communicate with the Board and encourages shareholders to engage in discussions particularly on issues relating to business and affairs of the Company.

For the second consecutive year, the AGM was facilitated on a virtual basis through live streaming from the broadcast venue, with remote participation and voting facilities. The virtual platform is a continuous effort by the BOD to safeguard the safety of the Company's shareholders, employees and directors during the period of COVID-19 pandemic, while inspiring shareholders to attend the AGM and raise questions and submit votes within the prescribe timeframe.

The Chairman of the Board chaired the 19th AGM held on 23 June 2022. The Chairman encouraged shareholders to raise questions during the AGM, before putting the resolutions to vote. All the Directors, along with the Chief Operating Officer, Chief Financial Officer, Company Secretaries and EA were present to respond to the shareholders' questions, where 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 on the Company's website, www.salcon.com.my.

The Company appointed a poll administrator and a scrutineer for the poll voting process of the AGM. Pursuant to the Listing Requirements, the Board put all resolutions to vote by poll at the meeting and announced the polling results to Bursa Securities on the same day.

The minutes of the AGM were uploaded on the Company's website within 30 business days from the date of the AGM.

This Corporate Governance Overview Statement was approved by the Board on 28 February 2023.

Audit Committee Report

The Audit Committee (“AC”) presents its report that provides insights into the manner in which the AC discharges its duties for the Group in 2022.

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 Mr. Chan Seng Fatt (Chairman)	Senior Independent Non-Executive Director	6/6
2 Dato’ Rosli bin Mohamed Nor	Independent Non-Executive Director	6/6
3 Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	6/6

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://www.salcon.com.my/About-Us/corporate-governance>

Meetings

The AC held six (6) meetings in Financial Year 2022 (“FY 2022”). The Executive Director (“ED”), Chief Financial Officer (“CFO”) and Head of Internal Audit were invited to the meetings to facilitate their direct communications and provide clarifications on identified audit issues pertaining to the Group’s activities.

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.

Among 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 (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act 2016 in Malaysia. The CFO conducts 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 2022, the EA confirmed that they were provided unfettered access to information and enjoyed full cooperation 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 determine whether there are any inappropriate scope or resource limitations in financial reporting functions.

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

Audit Committee Report

Summary of Activities of AC

The AC's activities during the FY 2022 comprised the following:-

- On 27 February 2022, the AC reviewed and recommended to the Board, the payment of final dividend for the FY 2021. 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; recommend to the BOD, the reappointment of Messrs KPMG PLT, as the EA for the FY ending 2022. The AC also reviewed adequacy scope, functions, competency and resources of the internal audit function.
- On 7 April 2022, the AC reviewed the Audited Financial Statements of the Company and the Group for the FY 2021, and subsequently recommended them to the BOD for approval.
- On 24 November 2022, the AC reviewed the Annual Audit Plan for the FY 2022 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 including annual review of the Statement on Risk Management and Internal Control ("SORMIC"). The AC having considered the nature and scope of non-audit 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 2021 was conducted on 27 February 2022; and the reviews of the quarterly results of first, second and third quarters for FY 2022, were conducted on 26 May 2022, 25 August 2022 and 24 November 2022 respectively.
- The AC reviewed and discussed the Internal Audit ("IA") reports in every meeting held.
- The AC had reviewed the related party transactions within the Group and provided opinion on whether they are in the best interest of the Group at arm's length, 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 reviewed AC Report, Corporate Governance Overview Statement, Corporate Governance Report and SORMIC.

Internal Audit Function

The Group's internal audit functions are to evaluate and provide an independent, risk based and objective assurance, while adding value and improve the efficiency and effectiveness of the Group's operation. Internal audit activities are performed in-house by IARMD, which reports directly to the AC and adheres with the International Professional Practices Framework ("IPPF") and ISO 31000 standards on Risk Management Process. All internal audit activities for the FY 2022 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 RM458,000. The details pertaining to the person responsible and number of resources for the department is available in the CG Report, Practice 11.2.

Audit Committee Report

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

- IARMD conducted audit review activities as per the 2022 Audit Plan which was approved by the AC on 27 February 2022.
- IARMD presented 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, Value-adding proposition, Management responses to IARMD's findings and corrective recommendations;
 - Follow up on previous years' issues and status of remedial actions taken;
 - The Key Risk Profile and comparison of risk assessment result for the audited risk factors; and
 - 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 2022 covered the following:-
 - Compliance auditing on laws, standards, regulations, policies and plan;
 - Financial auditing on economic activity of an entity as measured and reported by accounting methods;
 - Operational auditing on safeguarding of assets, product quality, safety etc.;
 - Compliance with FTSE4Good Bursa Malaysia Index requirements;
 - Attainment and alliance to Company objectives; and
 - Efficiency and economy implication.

Statement of Risk Management and Internal Control

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 the financial year ended 31 December 2022 (“FY 2022”).

The Statement of Risk Management and Internal Control was prepared pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (“MMLR”) and guided by Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers (“the Guidelines”).

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 FY 2022, 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, value added propositions, 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 ISO 31000 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.

Statement of Risk Management and Internal Control

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 Standardization ("ISO") certifications:

- Salcon Engineering Berhad ("SEB"), a wholly owned subsidiary of Salcon Berhad, is certified to ISO 9001:2015 - Quality Management System ("QMS"), ISO 14001:2015 - Environmental Management System ("EMS") and ISO 45001:2018 - 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 a Safety and Health Committee to assist in the implementation of applicable inspections and reviews of OHSMS while emphasizing the Group's commitment to ensure and maintain a safe working environment.
- Under ISO 9001, ISO 14001 and ISO 45001 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.

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/About-Us/corporate-governance>

- The authority limit and signatory document is reviewed periodically to reflect the authority and authorization 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 performs financial, operational and compliance audit. IARMD discharges its responsibilities with the guidance of terms and principles as stated in the Audit Charter. Audit activities are carried out in adherence to the Standard and Guidelines of International Professional Practices Framework ("IPPF") and ISO 19011: 2018 - Guidelines for Auditing Management Systems. IARMD reports its findings to the AC via internal audit reports. Internal audit reports will include audit findings, value added propositions, areas for improvement, audit recommendations, management replies and action plans.

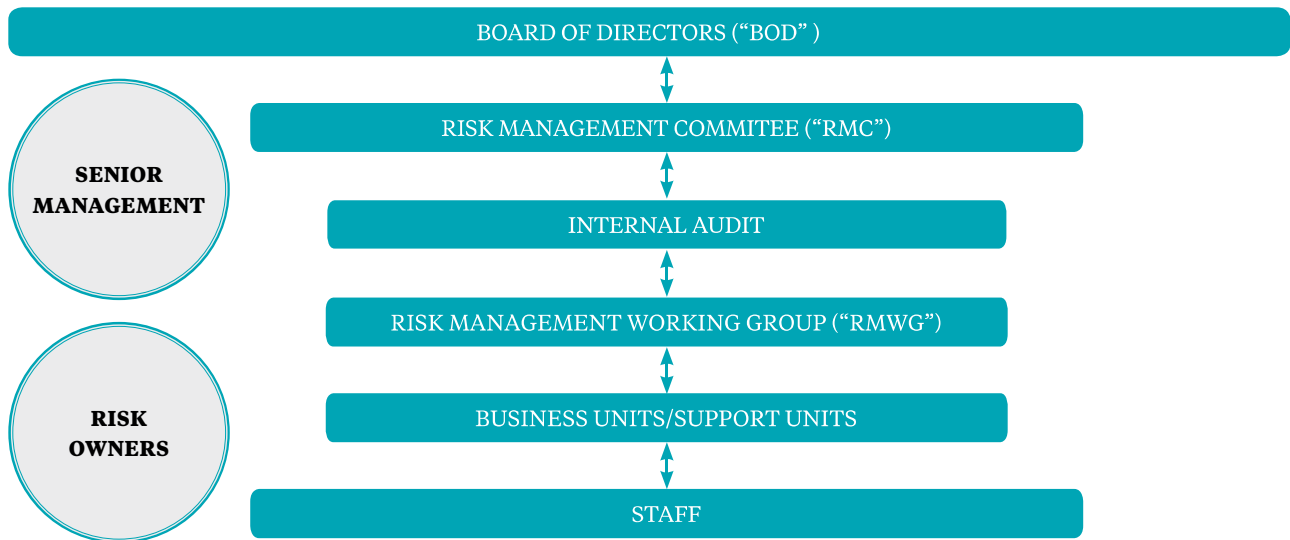
Statement of Risk Management and Internal Control

- The surveillance and re-certification audits for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 are conducted by Bureau Veritas.
- External Auditors have been engaged to provide audit and non-audit services to the Group for the FY 2022. 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 ERM Reporting structure below illustrates how the Company ensures the efficiency and effectiveness of coordinating and integrating Company’s all risk management activities.



- 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.

Statement of Risk Management and Internal Control

- 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.
- The Group ERM Framework is regularly reviewed and risk register are presented to the RMWG and RMC for deliberation at minimum once per financial year.

7. Performance Measurement

- Annual employees' performance appraisals are conducted to review the contributions or achievements by employees. The Company would reward the employees based on the result of the appraisals.
- QSHE department conducts customer satisfaction surveys 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 vendors/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. Corporate Governance

- The Group embraces high integrity culture throughout the entire organizations by establishing an Integrity Committee, that reports to RMC in 2020.
- A Code of Ethics and Conducts ("COEC") is established for the Group and is applicable to all employees, senior management and directors. Employees of the Company were required to acknowledge COEC on the first (1) day of employment work. The COEC defines the ethical standards and work conduct required from all the applicable categories of staffs towards the Group.
- Annual Code of Ethics and Conflict of Interest Declaration Form issued by the IPPF has been acknowledged by IARMD on annual basis.
- 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, victimization, 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.
- Salcon has an Anti-Bribery and Corruption Policy to provide information and guidance to those working for or with Salcon on how to recognize and deal with potential bribery and corruption issues as well as understanding their roles and responsibilities.

Statement of Risk Management and Internal Control

- During 2022, 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 in 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 FY 2022, 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:

- (a) 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
- (b) is factually inaccurate.

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 6 April 2023.

Additional Compliance Information

1. ATTENDANCE/MEETING RECORDS OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 2022 “FY 2022”

No	Name	Designation	Number of Meetings Attended During FY 2022				
			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 (Resigned on 31/12/2022)	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	6/6	1/1	1/1	1/1
6	Chan Seng Fatt	Senior Independent Non-Executive Director	5/5	6/6	1/1	1/1	N/A
7	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	5/5	6/6	N/A	N/A	N/A

Notes:

BOD - Board of Directors

AC - Audit Committee

NC - Nomination Committee

RC - Remuneration Committee

RMC - Risk Management Committee

N/A - Not Applicable

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FY 2022

Name	Training	Date
Tan Sri Abdul Rashid bin Abdul Manaf	Sustainability and Its Impact on Organisations: What Directors and Senior Management Need to Know	4 Jul 2022
	Values as a Source of Competitive Advantage	28 Jul 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Tan Sri Dato’ Tee Tiam Lee	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Dato’ Leong Kok Wah	TCFD 101: Getting started with climate-related financial reporting	2 Mar 2022
	TCFD 102: Building experience in climate-related financial reporting	9 Mar 2022
	Sustainability and Its Impact on Organisations: What Directors and Senior Management Need to Know	4 Jul 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022

Additional Compliance Information

Name	Training	Date
Dato' Choong Moh Kheng (Resigned on 31/12/2022)	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Dato' Rosli Bin Mohamed Nor	Revised Malaysian Code of Corporate Governance & Amendments to Listing Requirements	23 Feb 2022
	TCFD Climate Disclosure Training Programme	2 Mar 2022
	Insights into Task Force on Climate-Related Financial Disclosures ("TFCD") and Sustainable Finance	21 Apr 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Chan Seng Fatt	AOB's Conversation with Audit Committees	7 Apr 2022
	ESG Training	19 Jul 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
Datin Goh Phaik Lynn	TCFD 101: Getting started with climate-related financial reporting	2 Mar 2022
	TCFD 102: Building experience in climate-related financial reporting	9 Mar 2022
	AOB's Conversation with Audit Committees	7 Apr 2022
	Workshop on Integrated Reporting with Special Focus Areas	27 Sep 2022
	AOB's Conversation with Audit Committees	17 Nov 2022

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving Directors and major shareholders for FY 2022.

4. AUDIT AND NON-AUDIT FEE

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 2022 are as follows:

	Company (RM)	Group (RM)
Audit Fees	193,000	577,000
Non-Audit Fees	35,000	35,000
Total Fees	228,000	612,000

5. UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposal during FY 2022.

6. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

The Company did not seek any mandate from its shareholders pertaining to RRPT during FY 2022.

Additional Compliance Information

7. EMPLOYEE SHARE SCHEME

The Company did not establish any employee share scheme and does not have any subsisting employee share scheme during FY 2022.

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 2022, 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.