



**WATER AND
WASTEWATER**

**RENEWABLE
ENERGY**



**PROPERTY
DEVELOPMENT**



**TECHNOLOGY
SERVICES**



TRANSPORTATION



STRATEGIC DIVERSIFICATION

Annual Report 2020

OUR VISION

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

OUR MISSION

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

CORE VALUES

COMMITMENT

RESPECT

OWNERSHIP

RESULT ORIENTED

TEAMWORK



COMMITMENT

We deliver consistent and high quality products and services through the most efficient use of resources



OWNERSHIP

We take full responsibility and accountability for all our actions



TEAMWORK

We believe that unified efforts bring about greater synergy and productivity in our pursuit of excellence



RESULT ORIENTED

We strive towards maximising stakeholders' values and returns



RESPECT

We respect our employees regardless of gender, race or religion and inspire them to be their best

18TH

Annual General Meeting

DATE

Wednesday, 23 June 2021

TIME

10.30 a.m.

VENUE

Victorian Ballroom, Level 1,
Holiday Villa Hotel & Conference Centre,
9 Jalan SS12/1, 47500 Subang Jaya,
Selangor Darul Ehsan

COVER RATIONALE

The use of circular motion in this cover illustrates Salcon's fortitude to deliver operational excellence and sustainability to transform lives for the better. Salcon's latest acquisition is well-aligned with our strategy of growth and diversification, and will deliver significant synergies, economies of scale and enlarged market presence to bring greater long-term value to Salcon's stakeholders.



Scan the QR Code or view our Annual Report PDF online version at <https://www.salcon.com.my/investor-relations/Company-Report/annual-report.html>

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Overview of the group, our businesses and the values created by our key business portfolios.

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ABOUT THIS REPORT

This is Salcon Berhad's inaugural integrated Annual Report 2020, prepared in accordance with the principles prescribed by the International Integrated Reporting Council ("IIRC"). Embarking on the Integrated Reporting ("IR") journey is a stepping stone for us towards more forward looking corporate reporting, in terms of our value creation approach in managing and operating our input capitals. This report serves to communicate to our stakeholders regarding the Group's performance, growth and strategies in a transparent and accountable manner.

SCOPE AND BOUNDARY

This report covers our financial and non-financial performance from 1 January to 31 December 2020. All financial statements have been prepared in accordance with the requirements of the Companies Act 2016 ("CA 2016") and Malaysian Financial Reporting Standards ("MFRSs").

Our reporting coverage is based on group-level disclosure unless otherwise stated.

REPORTING FRAMEWORK

The reporting framework of this report is prepared in accordance with the followings:

- <IR> Framework by International Integrated Reporting Council ("IIRC")
- Main Market Listing Requirement ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities")
- Companies Act 2016 ("CA 2016")
- Malaysian Code on Corporate Governance 2017
- The Malaysian Financial Reporting Standards ("MFRS")
- Bursa Malaysia Sustainability Reporting Guidelines 2nd Edition
- Bursa Malaysia Corporate Governance Guide 3rd Edition
- FTSE4Good Bursa Malaysia Index Rating Guide
- Global Reporting Initiatives ("GRI") Standards
- AA1000 Stakeholder Engagement Standards 2015 Stakeholder Engagement Standards 2015
- Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations

MATERIALITY

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

FORWARD-LOOKING STATEMENTS

The forward-looking statements in this report is written based on current information and expectation at the time of preparing this report and are subject to risks and uncertainties and other factors. The actual implementation and results may differ from our expectations depending on a number of emerging risks, market uncertainties and other important matters that beyond management's control that could adversely affect our business and financial performance.

APPROVAL BY THE BOARD

The Board, supported by the Sustainability Committee and Sustainability Working Group, have applied its collective mind to assess the content of this report to ensure fair and balanced disclosures of matters deemed material in the Group's value creation process. The Board acknowledges its responsibility to ensure the integrity of the Annual Report. In the Board's opinion, the report addresses all material issues and matters and fairly presents the Group's performance for the year 2020.

This report was approved by Salcon Group's of Board of Directors on 23 February 2021.

NAVIGATION ICONS

Our Capitals



FINANCIAL CAPITAL



HUMAN CAPITAL



MANUFACTURED CAPITAL



INTELLECTUAL CAPITAL



NATURAL CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL

Our Focus Areas



BUSINESS MODEL & INNOVATION
Maximising Shareholders' Value



LEADERSHIP & GOVERNANCE
Becoming a Trusted & Reliable Working Partner



HUMAN CAPITAL
Building a Thriving Workplace for Employees



ENVIRONMENT
Protecting the Environment



SOCIAL CAPITAL
Engage & Uplift the Community

Our Key Material Issues

MI 1

BUSINESS MODEL & FINANCIAL MANAGEMENT

MI 2

PROJECT MANAGEMENT & DELIVERY

MI 3

SUPPLY CHAIN MANAGEMENT

MI 4

CRITICAL INCIDENT RISK MANAGEMENT

MI 5

TALENT ATTRACTION, GROWTH & RETENTION

MI 6

TECHNOLOGY & INNOVATION

MI 7

BUSINESS ETHICS

MI 8

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Cross References



Tells you where you can find more information within the report.



Tells you where you can find more information online at www.salcon.com.my

ABOUT US

WHO WE ARE

Salcon Berhad is an investment holding company with core investments in water and wastewater engineering & construction, focusing on the investment, design, construction, commissioning, operation & maintenance of water and wastewater treatment plants and ancillary facilities across Asia. The Group's expertise and vast experience in water and wastewater solutions for over 40 years has crossed geographical borders to benefit communities in other countries such as Sri Lanka, Thailand and Vietnam.

Today, Salcon takes pride as a sustainable organisation with portfolio diversification into technology services, property development, transportation and other businesses with the objective of enhancing long-term shareholders' value.

OUR PURPOSE

Transforming lives for the better through sustainable business portfolios



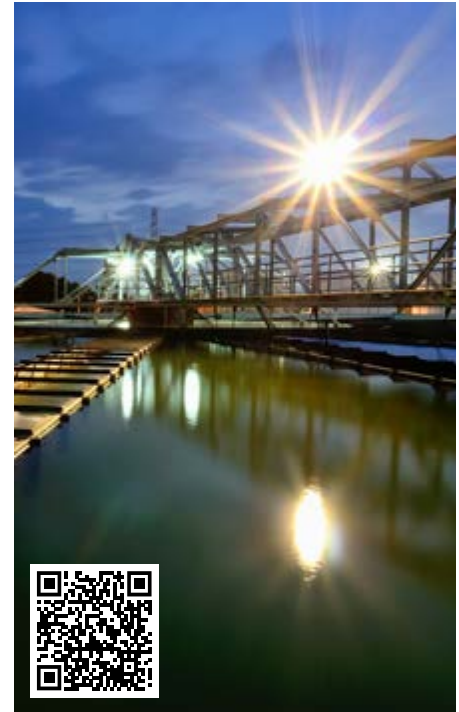
We **enrich people's lives** through our products and services whilst ensuring long-term, **sustainable value creation** for shareholders.



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



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



WATER AND WASTEWATER ENGINEERING

WHAT WE DO

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.

HOW WE CREATE VALUE

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

WHERE WE OPERATE



> **Business Overview**

- Leading The Way For Value Creation
- How We Create Value
- Governance Statement
- Financial Statements
- Other Information



PROPERTY DEVELOPMENT

WHAT WE DO

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

HOW WE CREATE VALUE

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

WHERE WE OPERATE



TECHNOLOGY SERVICES

WHAT WE DO

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.

HOW WE CREATE VALUE

- Pioneering **smart city solutions** which focus on **sustainable outcomes** for the people, municipal authorities and delivery partners
- Enabling **efficient** and **fast telecommunication networks**.

WHERE WE OPERATE



TRANSPORTATION

WHAT WE DO

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

HOW WE CREATE VALUE

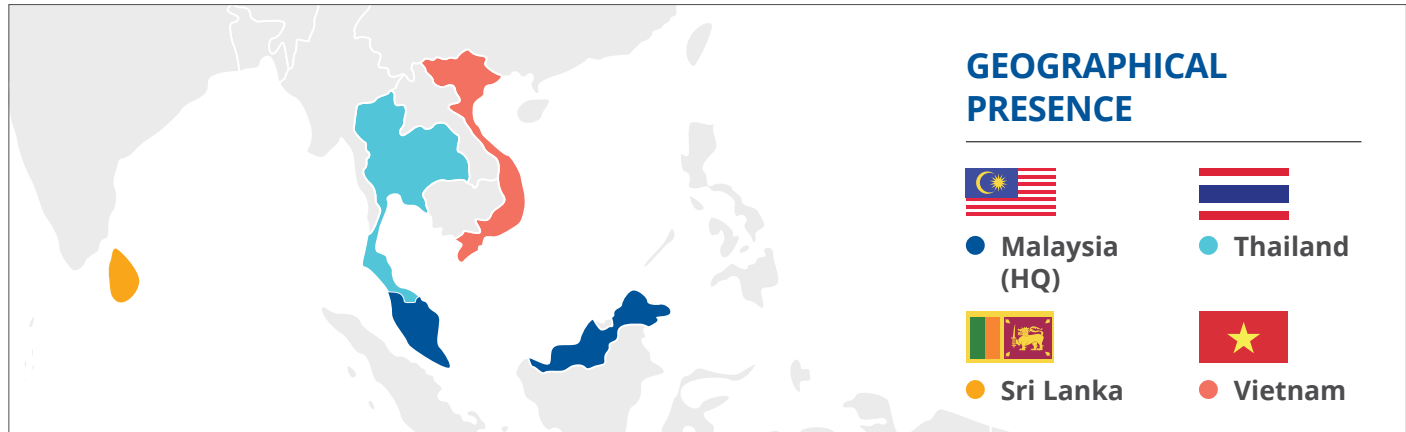
- Enabling a **safe & reliable** travel experience while **protecting & conserving** our environment
- Delivering goods/services **safely** and **minimising** our **carbon footprint**.

WHERE WE OPERATE





FACTS
AT A GLANCE



BUSINESS OPERATIONS

Established in

1974

More than

5,000 MLD

of water treatment capacity successfully delivered

More than

1,000

water and wastewater projects completed

326

Employees in all operations (as at 31 December 2020)

13

Branch/Subsidiary Offices

6th

Consecutive year recognised under FTSE4Good Bursa Malaysia Index



SEGMENTAL REVENUE

Engineering & Construction (RM'000)

153,593

Compared to FY2019: ▼6%

Trading & Services (RM'000)

16,792

Compared to FY2019: ▼12%

Property Development (RM'000)

23,763

Compared to FY2019: ▲206%

AWARDS WON

Asia Sustainability Reporting Awards (ASRA): Asia's Best Sustainability Report (SME) - Bronze



CORPORATE INFORMATION

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BOARD OF DIRECTORS

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

Tan Sri Dato' Tee Tiam Lee
Executive Deputy Chairman

Dato' Leong Kok Wah
Executive Director

Datin Goh Phaik Lynn
Non-Independent
Non-Executive Director

Dato' Choong Moh Kheng
Independent
Non-Executive Director

Chan Seng Fatt
Independent
Non-Executive Director

Dato' Rosli bin Mohamed Nor
Independent
Non-Executive Director

AUDIT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Rosli bin Mohamed Nor
Datin Goh Phaik Lynn
(Appointed on 30/06/2020)
Dato' Choong Moh Kheng
(Resigned on 30/06/2020)

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

Chan Seng Fatt (Chairman)
Dato' Leong Kok Wah
Law Woo Hock
Jamiluddin Amini Bin Sulaiman
Leong Yi Shen
(Appointed on 01/01/2021)
Ooi Cheng Swee @ Wee Kwee Swee
(Resigned on 31/12/2020)

SUSTAINABILITY COMMITTEE

Dato' Rosli bin Mohamed Nor
(Chairman)
Dato' Leong Kok Wah
Law Woo Hock
Jamiluddin Amini Bin Sulaiman
(Appointed on 01/01/2021)
Chern Meng Gaik
Ooi Cheng Swee @ Wee Kwee Swee
(Resigned on 31/12/2020)

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
Malaysia

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
Malaysia

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

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

SHARE REGISTRAR

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

Tel : 603-2783 9299
Fax : 603-2783 9222

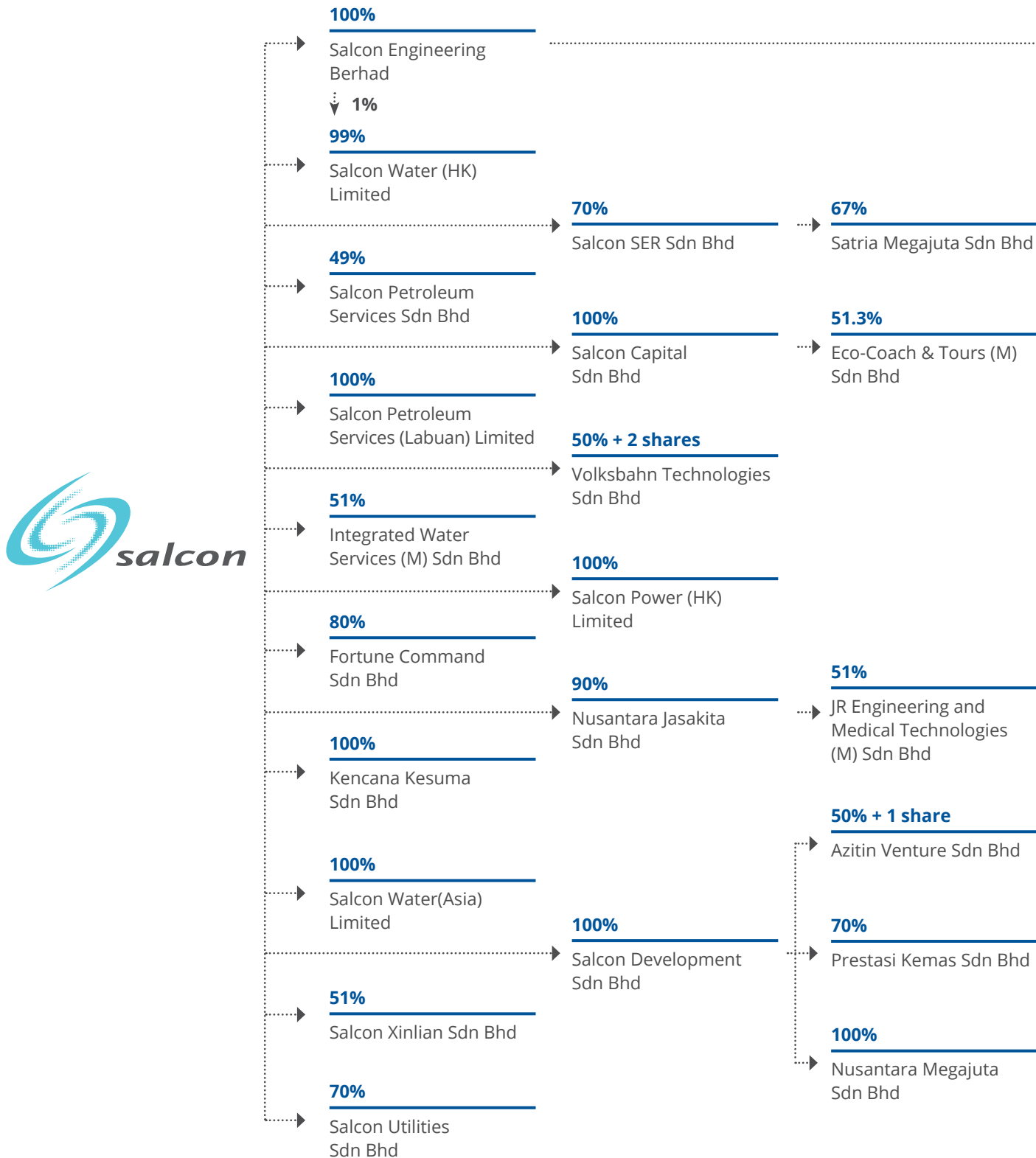
STOCK EXCHANGE LISTING

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

WEBSITE

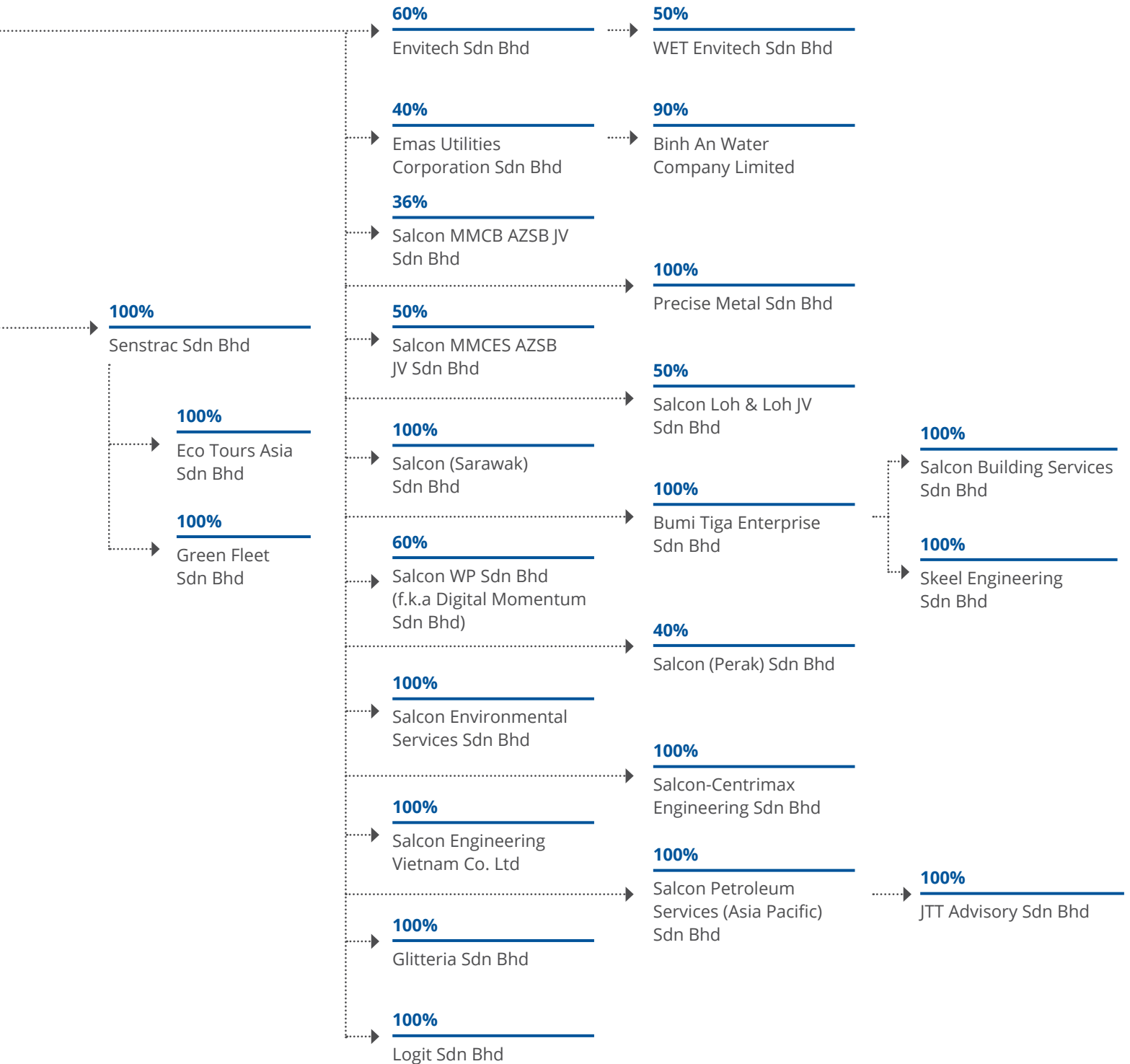
www.salcon.com.my

**CORPORATE
STRUCTURE** (AS AT 31 MARCH 2021)



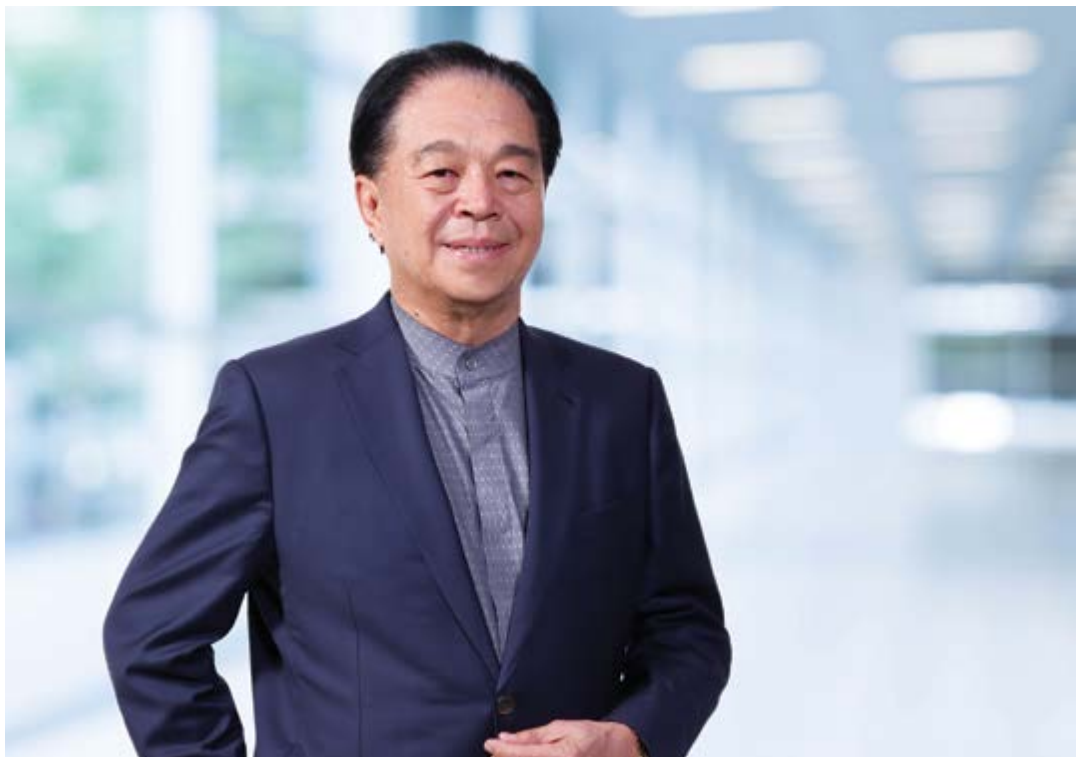
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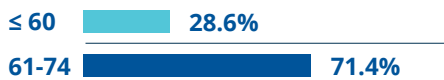


BOARD OF DIRECTORS' PROFILE

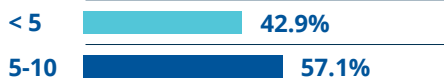
From dedicated and strong board members to experienced senior management team, strength in diverse experiences and a wide breadth of knowledge in the industries we are invested in. The team is accountable to our shareholders for the responsible conduct of our business and to sustain the long-term growth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



BOARD OF DIRECTORS AGE COMPOSITION



LENGTH OF SERVICE (YEARS)



TAN SRI ABDUL RASHID BIN ABDUL MANAF

CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR

 Male |  74 | Malaysian

Appointed to the Board:

2 January 2019

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 74, male, was appointed to the Board of Salcon Berhad (“Salcon”) as Chairman on 2 January 2019.

Tan Sri 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.

He was the Chairman of the Board of S P Setia Berhad from 1996 until 2012.

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

TAN SRI DATO’ TEE TIAM LEE

EXECUTIVE DEPUTY CHAIRMAN

 Male |  63 | Malaysian

Appointed to the Board:

1 January 2010

Tan Sri Dato’ Tee Tiam Lee, aged 63, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

Tan Sri Dato’ Tee is 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).

BOARD OF DIRECTORS' PROFILE



DATO' LEONG KOK WAH
EXECUTIVE DIRECTOR

 Male |  67 | Malaysian

Appointed to the Board:

1 January 2010

Dato' Leong Kok Wah, aged 67, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

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

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



DATO' CHOONG MOH KHENG
INDEPENDENT
NON-EXECUTIVE DIRECTOR

 Male |  65 | Malaysian

Appointed to the Board:

3 January 2011

Dato' Choong Moh Kheng, aged 65, male, was appointed to the Board of Salcon on 3 January 2011.

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

Dato' Choong has an extensive working experience in both Civil and Building works include Astrid Meadows luxurious Condominium Project, Singapore (S\$5.1

million), Gleneagles Hospital Extension, Singapore (\$150 million) and North-South Interurban Toll Expressway, Sungkai to Slim River, Perak (RM332 million).

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

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



DATIN GOH PHAIK LYNN
 NON-INDEPENDENT
 NON-EXECUTIVE DIRECTOR

Female | 60 | Malaysian

Appointed to the Board:
 30 December 2019

Datin Goh Phaik Lynn, aged 60, 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 illustrious career in 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 from 1983 to 2000. Ban Hin Lee Bank had merged with Southern Bank Berhad which was later acquired by CIMB Bank Berhad.

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

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



DATO' ROSLI BIN MOHAMED NOR
 INDEPENDENT
 NON-EXECUTIVE DIRECTOR

Male | 62 | Malaysian

Appointed to the Board:
 2 July 2018

Dato' Rosli Bin Mohamed Nor, aged 62, male, was appointed to the Board of Salcon on 2 July 2018.

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

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

water reservoirs and rail lines. He then moved on to other new businesses in property development and mining.

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

Dato' Rosli is currently an Independent Non-Executive Director, Chairman of Audit & Risk Management Committee and Remuneration Committee of Econpile Holdings Berhad. He also sits on the board of ADS Sentral Sdn Bhd, a subsidiary of TRC Synergy Berhad and KMK Plus Sdn Bhd, the later being his privately owned construction firm.

Dato' Rosli is the Chairman of the Sustainability Committee, a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.



CHAN SENG FATT
INDEPENDENT
NON-EXECUTIVE DIRECTOR



Male



57

Malaysian

Appointed to the Board:

17 December 2014

Chan Seng Fatt, aged 57, 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 Seng Fatt has held several senior positions in various private and public companies. He joined Multi-Purpose Holdings Berhad in 1998 as the Internal Auditors for 3 years before serving Asian Pac Holdings Berhad from 1991 to 1993 as the Group Accountant. From 1993 to 1997 he was the Financial Controller for Pengkalen Securities Sdn Bhd and later appointed as the General Manager of Halim Securities Sdn Bhd in 1997 before

joining K&N Kenanga Berhad in 1999 as a Remisier. Mr Chan Seng Fatt was the Chief Financial Officer for Johore Tenggara Oil Palm Berhad from 2001 to 2002. He then joined Tradewinds Group in 2003 as the Senior General Manager, Finance of Tradewinds (M) Berhad and was promoted to Chief Financial Officer in 2004. He was then posted to Tradewinds Plantation Berhad as the Acting Chief Executive Officer cum Chief Financial Officer in 2006. Thereafter, he was promoted to Chief Executive Officer of Tradewinds Plantation Bhd in October 2007 and held the position till December 2012. Mr Chan was formerly an Independent Non-Executive Director of Comfort Gloves Berhad from 16 March 2020 till 31 March 2021.

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

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

Notes:-

1. All Directors attended the five (5) Board of Directors' meetings held during the financial year ended 31 December 2020.
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 by virtue of her interest in Naga Muhibah Sdn Bhd, and her spouse (Dato' Leong Kok Wah) and children (Leong Yi Ping and Leong Yi Ming), is the spouse of Dato' Leong Kok Wah.
3. None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
4. None of the Directors has been convicted for offences (other than traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2020.

KEY SENIOR MANAGEMENT'S PROFILE

LAW WOO HOCK

DIRECTOR - CORPORATE AFFAIRS & FINANCE/CHIEF FINANCIAL OFFICER

 Male |  56 | Malaysian

Date of first appointment to key senior management position:

1 November 2005

Name of Company:

Salcon Berhad

Qualification (s):

- A qualified accountant and fellow member of The Association of Chartered Certified Accountants (ACCA), UK.
- A member of Malaysian Institute of Accountants (MIA).

Working Experience (s):

Prior to joining Salcon, **Law Woo Hock** held various senior management positions in large conglomerates and established group including Hong Leong Industries Bhd, Ireka Corporation Bhd and has gained more than 17 years of relevant experience in corporate finance, financial management and taxation.

JAMILUDDIN AMINI BIN SULAIMAN

CHIEF OPERATING OFFICER

 Male |  53 | 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 30 years, which include project management, design, procurement, construction, commissioning, operation and maintenance.

After graduation, he started his career as Environmental Analytical Chemist, followed by Project Engineer with environmental engineering companies in the United States and was 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 Stage 1 project. In 1999, he became Head of Engineering and subsequently moved up to become General Manager, Director of Project and Director of Engineering & Proposal. In January 2021, he assumes the present position and oversees the overall operation of various divisions and departments of the company in water and wastewater sectors.

KEY SENIOR MANAGEMENT'S PROFILE

LEE THIM LOY MANAGING DIRECTOR

 Male |  72 | 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 47 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 Master Plans and Feasibility Studies for Sewerage 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 experiences serve as one of the Project Director in the design, supply, installation, testing and commissioning of the mechanical and electrical equipment for the Langat Centralised Sewage Treatment Plant catering for a population equivalent of 920,000 persons or sewage flow rate of 207,000 m³/day.

LOW BENG PEOW EXECUTIVE 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 in the branch of Environmental Engineering with the Board of Engineers, Malaysia.
- Fellow of the Institution of Engineers Malaysia.
- A Qualified Person under Suruhanjaya Perkhidmatan Air Negara (SPAN)

Working Experience (s):

Ir. Low Beng Peow, has been in the environmental engineering industry for more than 40 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 year 1984.

DATO' MOHAMMAD HAKIM LOW BIN ABDULLAH

CHIEF EXECUTIVE OFFICER

 Male |  57 | Malaysian

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

Name of Company:
Volksbahn Technologies Sdn Bhd

Qualification (s):

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

Working Experience (s):

Dato' Mohammad Hakim Low Bin Abdullah has more than 20 years of Telco Industry experience in senior positions with Malaysian and International Companies such as Wembley Industries, Lucent Technologies, Sapura Digital, Commverge Solutions and KargoCard. In his various commercial roles, he spearheaded the introduction and boost of sales for new products and services for the telecommunication and consumer industry.

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

VERGIS MATHEWS A/L V V MATHEW

CHIEF EXECUTIVE OFFICER

 Male |  60 | 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 20 years, film production, advertising and marketing, and audit and corporate tax.

Vergis Mathews was an Associate partner in Paul Charles & Associates from 1 February 1980 to 30 June 1986 before leaving for Coopers & Lybrand, London, United Kingdom as Audit Senior from 1 July 1986 to end 1991. He

then joined the film production industry from 1 March 1992 to 30 March 2000 as Finance and Business Development Director.

In year 1997, he was appointed as Managing Director of Eco-Coach and 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.

Notes:-

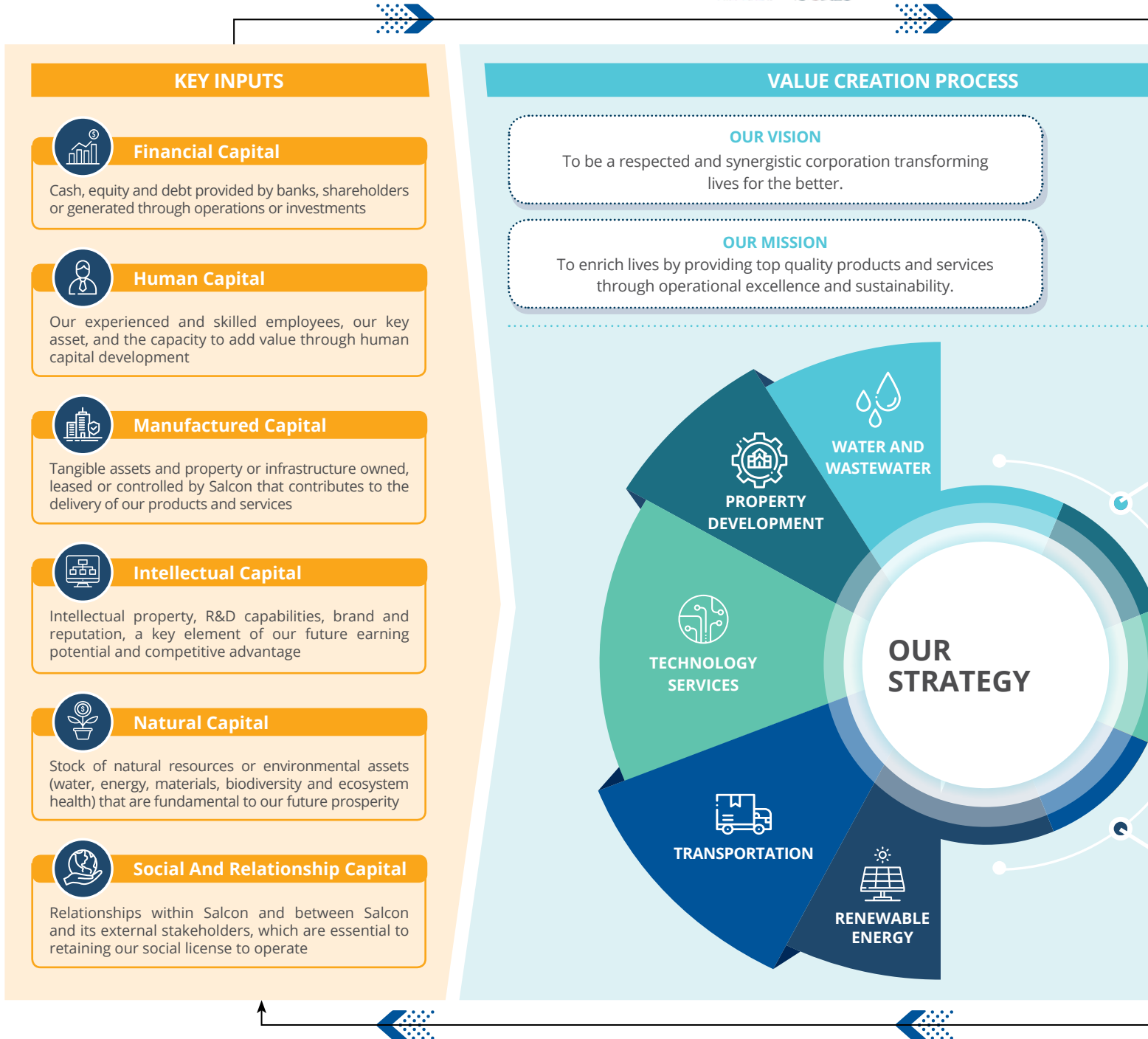
All key senior management do not have:

1. Directorship in other public companies.
2. Any family relationship with any director and/or major shareholder of Salcon Berhad.
3. Any conflict of interests with Salcon Berhad.
4. Other than traffic offences, none of the key senior management had been convicted for 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 2020.

VALUE CREATION MODEL

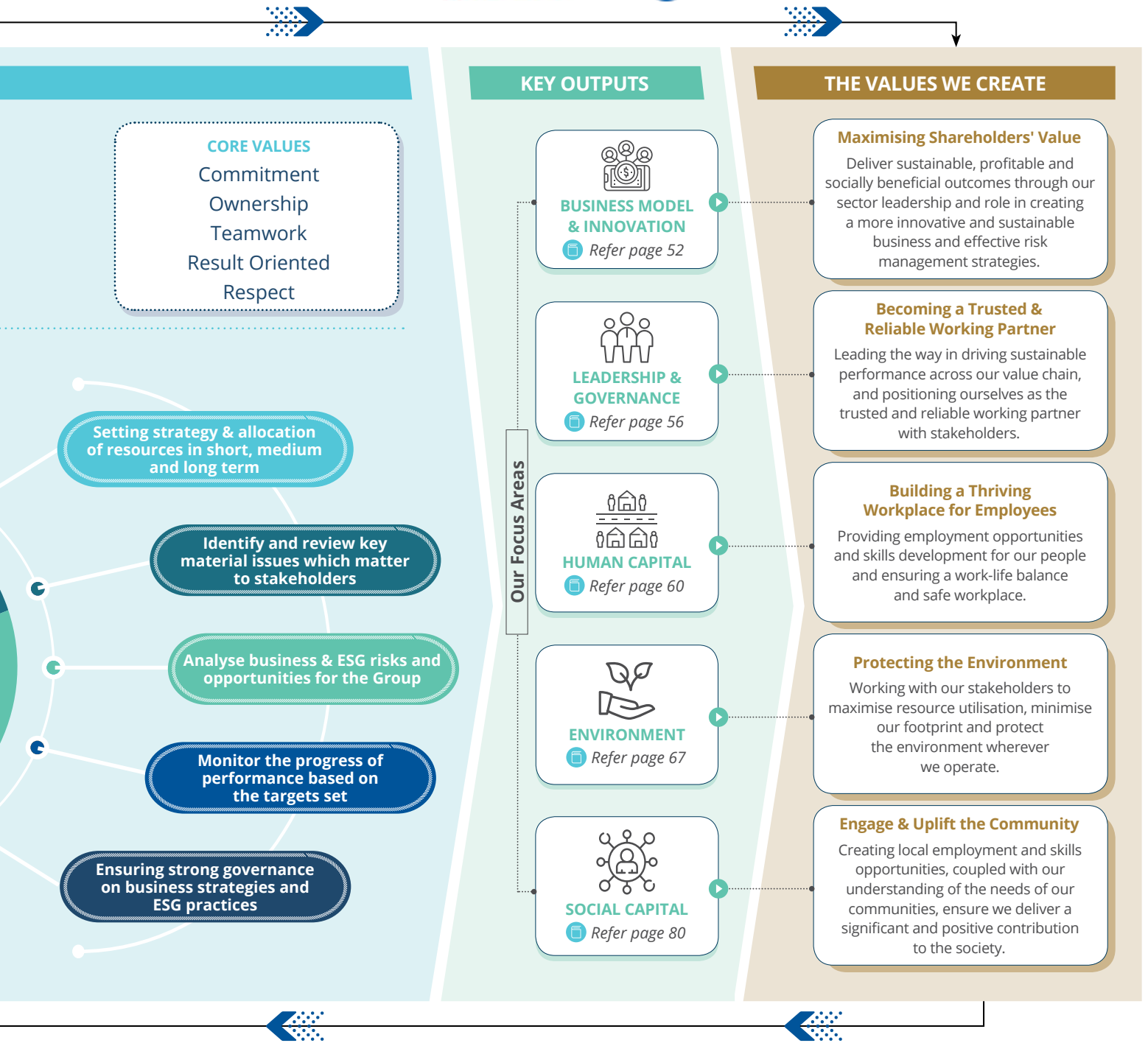
Salcon's value creation model shows how we use the resources, capabilities and expertise at our disposal to create value for our stakeholders. Our business model transforms these six input capitals into value outputs and outcomes that over the short, medium and long-term create value for the organisation, our stakeholders and society at large.

ALIGNED TO GLOBAL STANDARDS & GOALS



This integrated thought process guides us to consider the different factors that impact our business model and which the business in turn impacts upon in the process of achieving our vision and mission. It provides a structured and considered approach to enable integrated values creation across our businesses and consequently setting measurable targets towards achieving each goal in each performance outcome area as presented in this report.

INTEGRATED REPORTING <IR>



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors' of Salcon Berhad ("Company"), I am pleased to present the Annual Report & Audited Financial Statements of the Company and its subsidiaries ("Group"), for the financial year ended 31 December 2020 ("FYE2020").



The year under review was yet another highly challenging year for us as we continue to strive to create value amidst an increasingly demanding local economic and political environment. Globally, the COVID-19 pandemic has had a significant impact on people and economies worldwide; the Group included. In this economic environment, the Group exercised financial prudence and tightened operating costs whilst staying the course in executing our action plan to deliver sustainable, profitable and socially beneficial outcomes through our sector leadership. As a result, the Group strengthened its financial position in FYE2020 to narrow its losses compared to the previous year.



Please refer to the Performance Review in Management Discussion and Analysis on page 30.

MAXIMISING SHAREHOLDERS' VALUE

Despite the emergency declaration and Movement Control Order ("MCO") 2.0 enforcement, Malaysia's Gross Domestic Product is expected to grow between 6.0% and 7.5% in 2021, after a

5.6% contraction in 2020, driven by the anticipated improvement in global growth and international trade.

Notwithstanding the volatilities in the economy, the Group remains steadfast in our commitment to grow and maximise shareholder value through a resilient business model which builds on four (4) elements 1) Strong and effective Board and leadership team, 2) People - Attracting and retaining employees with alignment to the Company's values, purpose, and sustainability impacts 3) Process - Ensuring that Enterprise Risk Management (ERM) processes fully consider sustainability challenges such as climate resilience, natural resource availability, and social volatility and 4) Product - Generating revenue growth by developing products, services, and solutions that meet sustainability needs, and viewing the sustainability challenge not as a risk to be mitigated, but as a driver of innovation for new products, services, and technologies.



Please refer to page 52 for more information.

STRATEGIC EXPANSIONS

In line with our strategy to maximise shareholder value, the Group undertook the acquisition of a 51% stake in JR Engineering and Medical Technologies (M) Sdn Bhd ("JR"), a glove manufacturing company which comes with a Profit Guarantee of RM10 million per annum in JR for the financial year 1 January to 31 December for years ending 2021, 2022 and 2023. Besides this, the Group also inked three solar power purchase agreements with HeveaPac Sdn Bhd ("HeveaPac") through its subsidiary, Satria Megajuta Sdn Bhd. The project is expected to be fully operational by the first half of 2021 and will contribute an additional stream of sustainable recurring income to the Group.

In the water and wastewater landscape in Malaysia, following the easing of the MCO 1.0, the Group's constructions activities have picked up pace and prospects in the water and wastewater sector remains resilient as the federal government continues to make huge investments to improve the water quality and services in the country, especially the rural areas. Under the 12th Malaysia Plan which is to be tabled in 2021, Environment and Water Minister, Datuk Tuan Ibrahim Tuan Man has reported that RM10 billion will be set aside to improve the nation's water supply network.

The Group's investments and synergistic opportunities in technology services via Volksbahn Technologies Sdn Bhd and transportation services through Eco-Coach & Tours (M) Sdn Bhd have begun to bear fruits and have contributed positively during the year under review.

Both business expansions in JR and HeveaPac are well-aligned with Salcon's strategy of growth and diversification to build a resilient business model. The resulting significant synergies,

and enlarged market presence will strengthen the Group's growth profile and bring greater long-term value to our stakeholders. With these measures in place, we are confident that the Group's management team will be able to continue to steer our ship on an even keel.

CREATING VALUE THROUGH SUSTAINABILITY

The Group is committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment where we operate in whilst upholding our mission of providing top quality products and services.

Salcon's value creation model encapsulates our commitment to create inclusive and sustainable value over the long-term by thinking holistically about our strategy and plans, making informed decisions and managing key risks and opportunities to build investor and stakeholder confidence and improve future performance. The Group's value creation strategy integrates the Sustainable Development Goals (SDGs) in our business operations to uphold our vision of 'transforming lives for the better' and ensuring a more equitable future for all.



Please refer to value creation model on page 18.

I am pleased to announce that the Group has been included in the FTSE4Good Bursa Malaysia Index for the 6th consecutive year. Additionally, the Group's leadership in sustainability reporting and its commitment to creating long-term value for stakeholders was recognised at the 2019 Asia Sustainability Reporting Awards in the Asia Best Sustainability Report (SME) category.

DELIVERING VALUE TO SHAREHOLDERS

For FYE2020, we are pleased to announce that the Board of Directors has recommended a first and final single tier dividend comprising one (1) treasury share for every forty-five (45) existing ordinary shares held in Salcon in respect of the FYE2020.

GOING FORWARD

We acknowledge that the uncertainty in the economic environment that we are in have impacted our operations and financial performance. Nevertheless, the Group remains committed to deliver sustainable growth and building a stable earnings stream by diversifying our business portfolio. The Group expects to potentially benefit from a recovery in earnings prospects as it diversifies into a lucrative growth segment. We shall remain steadfast in overcoming the challenges and to remain competitive in the market by undertaking the relevant mitigation strategy and plans to bring sustainable values to our shareholders.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to express our deepest appreciation and gratitude to our capable and reliable management team and staff, for their continuous dedication, commitment and support in executing our business objectives throughout the year, and remaining resolute especially during the MCO period where various austerity measures had to be introduced to preserve business continuity. My gratitude also goes to our customers, business partners, suppliers, government authorities and regulators for their confidence and continued co-operation in furthering our business growth.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OUTLOOK AND STRATEGIC REVIEW

Global and Malaysia Market Outlook 2021

FY2020 was a highly volatile year with an unprecedented health crisis which has inflicted high and rising human costs worldwide. Nevertheless, with the start of the first rollout of COVID-19 vaccines in December 2020, global economic recovery is expected to pick up pace from mid-2021. According to the IMF World Economic Outlook Update (April 2021), the global economy is projected to grow 6.0% in 2021 (-3.3% in 2020). On the local front, Bank Negara Malaysia ("BNM") had projected Malaysia's Gross Domestic Product growth forecast to be between 6.0% - 7.5% in 2021. Malaysia is expected to have gradual recovery in domestic economic activities in 2021 on the effective roll out and distribution of COVID-19 vaccines, which would see continuous improvements in exports and a greater momentum in consumption and investment.

Strategic Growth Drivers

Four (4) strategic drivers chart the Group's path to achieve our vision to be a respected and synergistic corporation transforming lives for the better. These strategies focus on building resilience and driving sustainable growth to maximise shareholders' value whilst uplifting the lives of the communities and protecting the environment within our business operations. These strategies will enable us to weather upcoming challenges, take advantage of ensuing opportunities and execute our growth strategy over the long-term.



Strategic Diversification

As an integrated services provider with focus on our core business of water and wastewater engineering construction, the Group recognises the importance of diversification to enhance long-term business growth, competitiveness and profitability.

In pursuing a conglomerate diversification strategy, the Group has enhanced our portfolio diversification into technology services, transportation, property development and other businesses with the objective of broadening our income stream and enhance long-term shareholders' value. During the year under review, we continue to build our profile in the market to position ourselves to successfully seize opportunities as they arise.

FY2020 DEVELOPMENTS

- ⇒ Diversified into **glove manufacturing** to acquire 51% stake in JR Engineering and Medical Technologies Sdn Bhd with a profit guarantee of RM10 million per annum for the financial year 2021, 2022 and 2023.
- ⇒ Entered into Solar Power Purchase Agreements with HeveaPac Sdn Bhd for the installation of Solar PV system to strengthen our position in **Renewable Energy ("RE") sector**.

FY2021 PRIORITIES

- ⇒ Embark on **catalytic partnership** with **healthcare providers** both locally and overseas.
- ⇒ Establish **strategic collaboration** with **government, partners and stakeholder**.



> Salcon diversifies into glove manufacturing in partnership with JR Engineering and Medical Technologies (M) Sdn Bhd



Driving Technology & Innovation

As the business grow and processes become more complex, the Group is cognizant of the need to transform and adopt technology and innovation to stay ahead. Our collaboration with Wide Plus Smart City Sdn Bhd marks an important milestone to embark on smart meter technology implementation to deliver better customer service experience. The Group also seeks to enhance its operational and performance efficiency through technology advancement within the management and operation system.

The Group, via its joint-venture company, Volksbahn Technologies Sdn Bhd ("VBT") provides enhanced connectivity and digital services in the Klang Valley through the laying of fibre optic cables along the LRT and monorail lines. The Group will continue to explore with other telecommunication operators to leverage its fiber network for the deployment of 5G coverage and establish a strategic collaboration for new developments along the LRT lines.

FY2020 DEVELOPMENTS

- ⇒ Joint-venture with Hong Kong's The One Smart City Development Ltd (TOSC) via its subsidiary Wide Plus Smart City Sdn Bhd (WP) to market and deploy **smart water systems** in Malaysia.
- ⇒ Embarked on technology & innovation to provide end-to-end water management solutions throughout a smart water system supported by **Internet of Things (IoT) solutions** for remote meter reading, water quality, pressure and level monitoring and leakage detection.

FY2021 PRIORITIES

- ⇒ Improve **internal processes** and **operational efficiencies**.
- ⇒ Set up **technology and innovation committee**.
- ⇒ Enhancement of **process control** in business operation.



Cost & Operational Efficiency

We improved operational efficiencies by reducing our operating expenses, improving the delivery and monitoring of our procurement & supply chain and strengthening our project management practices to ensure cost optimisation. Recognising the direct impact of COVID-19 pandemic on our business, the Group also undertook various austerity measures including salary reduction across the board ranging between 10% to 35%.

FY2020 DEVELOPMENTS

- ⇒ Reduced operating expenses by **RM16 million**.
- ⇒ Increased cash and cash equivalents by **RM21.5 million**.

FY2021 PRIORITIES

- ⇒ Optimise **working capital**.
- ⇒ Improve procurement to drive sustainable savings, including **strategic sourcing** and **negotiations for secured projects/products**.
- ⇒ Review **overhead cost management**.



Improve Organisational Effectiveness

An organisation is only as effective as the people who run them. As such, the Group is committed to create a workplace that values diversity and attracts and retains the right people to help grow our business.

The Group also recognises the importance of embedding sustainability within the organisation. Our value creation model takes into consideration all resources, capitals and relationships to achieve our goals of creating long term value for all our stakeholders.

FY2020 DEVELOPMENTS

- ⇒ **Improved staff benefits package** under Salcon's Employee Handbook (HRPP).
- ⇒ **Shared value creation model** to guide and optimise the opportunities and create sustainable growth for our stakeholders.
- ⇒ **6th consecutive year** recognised under FTSE4Good Bursa Malaysia Index with improved ratings.

FY2021 PRIORITIES

- ⇒ Enhance **people management & working culture**.
- ⇒ Improve talent attraction, talent retention and career development by developing a **performance-driven culture**.
- ⇒ Embedding a **culture of sustainability** into our business planning and operation.

OPERATIONS REVIEW

A review of the Group's business operations for the FY2020 is reported below.

Engineering & Construction Division

KEY DEVELOPMENTS IN FY2020:

Water

⇒ Completion Stream A & B of Langat 2 Water Treatment Plant (Package 2A), with a production capacity of **1,130 MLD for distribution to residents in the Klang Valley.**

⇒ Completion of **rehabilitation and upgrading system project** of Haiphong Water Supply System in Vietnam.

Wastewater

⇒ Completion of the remedial work of existing vacuum sewerage system at **KXG 708 & KXG 722 catchments in Bandar Botanic, Klang** and handed over to Gamuda Land (Botanic) Sdn Bhd.



➤ The rehabilitation and upgrading project of Haiphong Water Supply System in Vietnam was successfully completed and handed over in November 2020

Operational Highlights

Under the Engineering & Construction division, the business activities of water and wastewater engineering and construction are driven by the Group's subsidiaries, Salcon Engineering Berhad ("SEB") and Envitech Sdn Bhd ("Envitech").

During the year under review, SEB together with its joint venture partners successfully completed the testing & commissioning ("T&C") of Section 2 (Stream A) of Langat 2 Water Treatment Plant on 21 August 2020 despite the work interruption with limited workforce due to the implementation of MCO by government on 18 March 2020. The project has been officially handed over to our client, Pengurusan Aset Air Berhad (PAAB). The successful completion of the Langat 2 Water Treatment plant benefits 1.8 million users and will provide an additional 1,130 million litres per day ("MLD") to residents in the Klang Valley.

In Vietnam, the rehabilitation and upgrading project of Haiphong Water Supply System was successfully completed and handed over to our client, Haiphong Water Joint Stock Company on 25 November 2020. The project encompass the rehabilitation/upgrading of An Duong Water Treatment Plant from 100 MLD to 200 MLD which will increase water supply to Hai Phong, the third largest city in Vietnam, located about 100km from capital Hanoi.



► Overview of Raw Water Intake at Pulau Bahagia, which forms part of Kuala Terengganu Utara Water Supply Scheme

Current major projects on hand are as follows:

Malaysia

- 1) Langat Centralised Sewage Treatment Plant has physically been completed. The T&C of liquid stream was successfully completed in November 2020 and Operation & Maintenance ("O&M") has commenced immediately and scheduled for handover in November 2022. The T&C of solid stream is underway and expected to be completed by May 2021.
- 2) Network Pumping Stations for Langat Centralised Sewage Treatment Plant and Sewage Network which achieved physical completion of 95%.
- 3) Kuala Terengganu Utara ("KTU") Water Supply Scheme, which achieved overall progress of 69% and is expected to be completed by 2022.
- 4) Capacity expansion for the Telibong II Water Treatment Plant in Tamparuli, Sabah, which achieved physical progress of 16%.

- 5) Langat 2 Package 15(4) pipeworks which achieved 10% completion.
- 6) O&M of Customer Call Center, Monitoring & Maintaining District Meter Zones, Meter Reading and Billing for Sandakan Water Department, Sabah with a contract period of 5 years ending in 2024.

Overseas

- 1) Design and building of Ambathale Stormwater Pumping Station in Sri Lanka, which achieved 80% completion and is expected to be completed in February 2021.

In terms of securing new water tenders, the performance of the division



► The design and building of Ambathale Stormwater Pumping Station is expected to be completed in 2021

in FY2020 was relatively lacklustre as there were minimal contracts tendered out or deferred in the wake of the COVID-19 pandemic. On the wastewater side, Envitech managed to secure more than RM38 million worth of new contracts locally. Some of the major projects are:

- 1) RM12 million contract bagged from 368 Segambut Sdn Bhd (IJM) for construction of integrated drainage network, upgrading network pumping stations and external infrastructure works.
- 2) RM7 million contract from Sinerjuta Sdn Bhd for external sewer reticulation and pipe jacking works in Bandar Tun Razak, Kuala Lumpur.
- 3) RM6 million contract from Medan Prestasi Sdn Bhd for proposed upgrading works (design, build, testing, commissioning and maintenance) of existing sewage treatment plant and network pumping station.

Looking Forward

The government, via Ministry of Environment and Water ("KASA"), continues to make huge investments in the water & wastewater sector. Under the 12 Malaysia Plan (12MP) which covers a period of 5 years from year 2021 to 2025, a total of RM15.6 billion is expected to be set aside to strengthen the country's water supply system and infrastructure, and for the exploration of new water resources in the country. Additionally, KASA targets to reduce the non-revenue water ("NRW") from the current 36.8% to 30% in 2025 and 25% by 2030.

In Selangor, Suruhanjaya Perkhidmatan Air Negara (SPAN) has approved Air

Selangor Sdn Bhd's business plan, which entails the state-controlled entity undertaking a capital expenditure of RM35.4 billion over the next 30 years. Approximately RM13.4 billion will be utilised to improve asset reliability and resilience, with a number of water treatment plants slated to be built including the RM4.33 billion, 700 MLD Rasau Stage 1, which will deliver water to the Klang region and is targeted to be operational by 2024.

In the wake of the COVID-19 vaccines roll-out, the Group looks to recommence travelling to its traditional markets overseas ie Sri Lanka, Vietnam and Thailand to engage and re-connect with our clients and to follow-up on projects tendered in the previous year in these countries.

Looking ahead, the Group is cautiously optimistic with water and wastewater market outlook, and will leverage on its track record and technological know-how to provide clean water and wastewater solutions. As at 31 December 2020, the Group's order book stood at RM1.4 billion, comprising water and wastewater projects, both locally and overseas with RM301 million balance of works to be carried out. This will keep the Group busy over the next 1-2 years.

Property Development Division

KEY DEVELOPMENTS IN FY2020:

All **280 units residential** & **24 commercial units** of rés280, Selayang was fully sold out.



Operational Highlights

Despite the subdued property market, the remaining units of the rés280 Selayang project was fully sold out in FY2020.

The Group is currently reviewing suitable development proposals for its other property development projects in Johor and Kuala Lumpur. In Johor, the impending implementation of Rapid Transit System Link (RTS Link) between Johor & Singapore will be a catalyst for further development and boost economic activities in the surrounding areas. With such positive sentiments, the division is looking to factor in and harness this opportunity into the planning development of the land in Johor which is strategically located within the Iskandar Malaysia. As for the land located in Belfield, Kuala Lumpur, the Group foresees high potential in this area due to its proximity to Kuala Lumpur 118 tower and will review a suitable development strategy to cater to market needs.

Looking Forward

The Group expects to see an improved property market when the vaccination for COVID-19 is substantially completed by the end of 2021 and the pandemic contained in the country. The government has also provided various stimulus initiatives such as reintroduction of the Home Ownership Campaign (HOC), which features stamp duty exemptions and the lifting of the margin of financing limit for the third housing loan onwards for property valued at RM600,000 and above. Additionally, real property gains tax exemption unveiled in the short-term Economic Recovery Plan (Penjana) and lower overnight policy rate from BNM will help to boost market confidence.

Trading & Services Division

Transportation

KEY DEVELOPMENTS IN FY2020:

Commencement of the **Senstrac Tracking Device System** rollout to Analogue Device ADI and Paramit in Penang.



Operational Highlights

The transportation division spearheaded by Eco-Coach & Tours (M) Sdn. Bhd (“ECT”), operates a total of 142 vans, 45 coaches, 39 MPV, 11 limo vehicles and employs 237 drivers to provide transportation services for its clients which include multinational companies such as Intel, Paramit and Analogue Device ADI.

Although there were delays in the implementation of the Senstrac tracking device system, ECT has since

commenced rolling out the system to Analogue Device ADI and Paramit in Penang.

The division through its subsidiary, Green Fleet Sdn Bhd (“GF”) provides inbound and outbound logistics for transporting palm oil and soy oil product to PGEO Edible Oils Sdn Bhd (Lumut), Soon Soon Oilmills Sdn Bhd (Westport) and Soon Soon Oilmills Sdn Bhd (Prai) in Central and Northern region of Peninsular Malaysia. GF currently operates 10 units of steel tankers.

Looking Forward

Moving forward, the division intends to focus on sales and marketing of its Passenger Transport & Tracking System (“PTTS”), a total transportation system for vehicle and driver rostering for the daily commute of targeted users such as company employees, students, hospital staff and tourists. PTTS is a unique transportation system which simplifies planning to enable a more efficient and cost savings operational model.



► Senstrac, an integrated management platform for real-time human resource mobility and transport tracking system

Technology Services

KEY DEVELOPMENTS IN FY2020:

Total **169 number of cell sites** have been identified and fiberized, an additional **21 cell sites and backhaul for mobile operator delivered in FY2020.**



Operational Highlights

During the year under review, the Technology Services Division, spearheaded by Volksbahn Technologies Sdn Bhd (“VBT”) delivered and fiberized an additional 21 cell sites at the LRT stations resulting in the increase of site rental income for shared infrastructure as well as bandwidth charges. Currently, the mobile operators which have already signed up with VBT include U Mobile Sdn Bhd, Celcom Axiata Berhad, Digi Telecommunications Sdn Bhd, Webe Digital Sdn Bhd, Maxis Berhad, NTT Ltd, X86, Symphonet Sdn Bhd, VC Telecoms and Fiberail Sdn Bhd. Two new mobile operators which are Fibrecomm Network (M) Sdn Bhd and Extreme Broadband Sdn. Bhd. signed up with VBT in FY2020.

Besides providing backhaul services to financial institutions, VBT also collaborates with service providers to provide their broadband services to retailers through VBT’s fibre optic backbone. As a carrier neutral party,

VBT enters into strategic partnerships to secure buildings and property developments along the LRT lines for retails services in order to generate additional income streams.

Looking Forward

VBT's performance is underpinned by strong demand from the various telecommunications companies to provide fast and reliable bandwidth services to their users. The demand will be boosted by the government's initiatives to strengthen telecommunication connectivity in the country. In February 2021, the Malaysian Communications and Multimedia Commission (MCMC) has announced its intention to speed up the deployment of the fifth generation technology standard for broadband cellular network (5G) through the government's special purpose vehicle (SPV) that will receive the 5G spectra, as well as build, operate and lease 5G infrastructure to new and existing telcos by the end of 2021.

VBT is well-positioned to leverage on its fiber optic network which runs through the most densely populated and highly commercial areas in the Klang valley for the deployment of 5G coverage through collaborations with mobile operators.

In continuing to explore and optimise the opportunity, the division is going the extra mile by looking into deployment of smart multi-functional poles across Klang Valley/Selangor to create a smarter and greener city in collaboration with the State Government and Local Authorities.



► A 30 meter cell site owned by VBT delivered at Cempaka LRT Station

Operational Highlights

One of the Group's subsidiary, Satria Megajuta Sdn Bhd (Satria) entered into three (3) Solar Power Purchase Agreements with HeveaPac Sdn Bhd ("HeveaPac"), a wholly-owned subsidiary of HeveaBoard Berhad, one of the largest laminated particleboard shelving furniture producer in Asia, to build, own and operate a combined capacity of 1.48 MWp rooftop solar photovoltaic ("Solar PV") systems on HeveaPac's roof.

It is expected to be fully operational by the first half of 2021, aiming to produce approximately 1.8 million kWh of green energy per year. This will reduce annual CO2 emissions by an average of 1,210 tonnes or 30,248 tonnes for the entire tenure of the Solar Power Purchase Agreements. This is equivalent to powering 654 households in Malaysia in a year.

In the UK, the Group, via Salcon Power (HK) Limited write off 50 units of Solar PV to ACP Solar Limited in FY2020 and continues to operate the balance 409 units of Solar PV generating systems with a capacity of 1,245.3 KW or approximately 1.2 MW.

Looking Forward

The Group looks to further expand into the green energy solutions sector by partnering with Multi-National Corporations (MNCs) and local leaders across various industries looking to reduce their electricity cost in their daily business operations.

Renewable Energy

KEY DEVELOPMENTS IN FY2020:

Signed **3 Solar Power Purchase Agreements** to design and install rooftop solar photovoltaic ("Solar PV") system with **capacity of 1.48 MWp** in Malaysia.



PERFORMANCE REVIEW

Group Financial Performance

RM'000	2020	2019	Var
REVENUE	194,148	191,292	1%
LOSS BEFORE TAX	(8,750)	(7,331)	-19%
NET LOSS	(8,057)	(8,967)	10%

The Group achieved a total revenue of RM194.1 million in FYE2020, compared to RM191.3 million in the preceding financial year, representing an increase of 1%. This was mainly due to higher revenue derived from Property Development Division as more units of rés280 were sold compared to FYE2019.

The Group recorded a higher pre-tax loss of RM8.8 million compared to RM7.3 million in the previous year due to losses and lower profit sharing of the joint ventures companies.

However, the Group reported a lower net loss of RM8.1 million in the current financial year, compared to the net loss of RM9.0 million reported in the previous year mainly due to the gain on disposal of 51% equity in Salcon Xinlian Group Limited which amounted to RM2 million.

Total Revenue

RM194.1
Million



Consolidated Cash Flow Analysis for FY2020

RM'000	2020	2019
Net cash (used in)/from operating activities	(5,852)	42,890
Net cash (used in)/generated from investing activities	(9,044)	8,225
Net cash generated from/(used in) financing activities	31,675	(35,103)
Effect of exchange rate fluctuations on cash held	5,413	(9,815)
Net increase in cash at year end	16,779	16,012
Cash and cash equivalents	142,836	121,344

Improved cash balance of RM142.8 million due to issuance of shares through private placement during FY2020, which has generated RM33.8 million for the company. It will serve as a strong foundation to fund the business operations as well as future investments.

Cash Balance

RM142.8
Million



Total Borrowings

RM'000	Borrowing due for repayment in		Total
	<1 year	>1 year	
Total borrowings	27,008	5,057	32,065

The Group has recorded borrowings of RM32.1 million as compared to RM24.1 million for corresponding period in the immediate preceding year. The increase in the borrowings was substantially attributed by receivable financing of a subsidiary amounting to RM17.81 million.

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

Capital Management

RM'000	2020	2019
Total borrowings	32,065	24,102
Lease liabilities	2,818	3,474
Less: Total cash and cash equivalents	(142,836)	(121,344)
Net borrowings	(107,953)	(93,768)
Owners' equity and non-controlling interests	467,763	449,225
Net gearing ratio (times)	0.07	0.06

The Group is committed to maintain a strong credit for its borrowings and healthy capital ratios in order to achieve optimal operation efficiency.

The net cash indicates that the Group is able to pay off its short and long term borrowings with more cash on hand than borrowings.

Consolidated Financial Position Analysis for FY2020

RM'000	2020	2019	Var
Non-current assets	134,253	137,776	-3%
Current assets	459,994	436,515	5%
Total assets	594,247	574,291	3%
Non-current liabilities	12,382	14,965	-17%
Current liabilities	114,102	110,101	4%
Total liability	126,484	125,066	1%
Owners' equity	445,514	428,236	4%
Current ratio (times)	4.03	3.96	2%
Net assets per share attributable to equity holders (RM)	0.44	0.51	-14%

Total assets

The Group's total assets recorded RM594.3 million, increased by 3% compared to RM574.3 million in FYE2019 mainly due to the higher cash balances at RM142.8 million.

Total liabilities

Total liabilities of the Group recorded RM126.5 million, increased by 1% compared to RM125.1 million mainly attributed to the increase in borrowings.

Owner's equity

Owner's equity increased by 4% to RM445.5 million as a result of share capital increased by RM33.8 million due to private placement of shares.

Current ratio

Current Ratio

4.03 TIMES



The Group's current ratio, a balance sheet performance measure of the Group's financial liquidity recorded at 4.03 times, increased by 2% compared to 3.96 times in FYE2019. The current ratio indicates that the Group has adequate liquidity to cover short-term obligations.

Dividend Payout

FY2020

The Company proposed 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.

FY2019

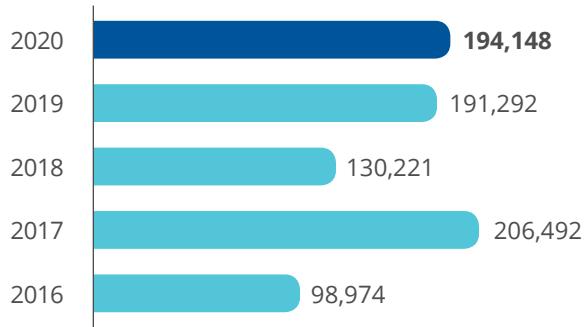
The Company paid the first and final dividend via distribution of treasury shares as share dividends on the basis of one (1) treasury share for every twenty-nine (29) existing ordinary shares held in Salcon in respect of the financial year ended 31 December 2019.

5-Year Financial Highlights

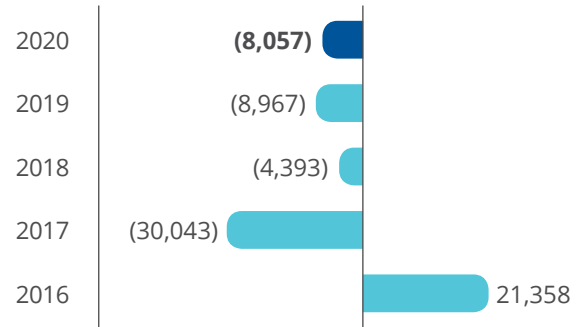
RM'000	Financial Year Ended December				
	2020	2019	2018	2017	2016
FINANCIAL RESULTS					
Revenue	194,148	191,292	130,221	206,492	98,974
Loss Before Tax	(8,750)	(7,331)	(1,562)	(34,785)	(11,687)
Net (Loss)/Profit	(8,057)	(8,967)	(4,393)	(30,043)	21,358
KEY INFORMATION OF FINANCIAL POSITION					
Total Cash and Cash Equivalents	142,836	121,344	115,147	133,811	215,941
Total Assets	594,247	574,291	609,410	628,905	727,377
Total Liabilities	126,484	125,066	136,399	143,777	204,269
Total Borrowings	32,065	24,102	48,381	66,628	73,050
Share Capital (No. of shares)	1,012,413	847,113	847,113	677,694	677,694
Owners' Equity	445,514	428,236	451,161	458,157	483,982
Total Equity	467,763	449,225	473,011	485,128	523,108
FINANCIAL RATIOS					
Basic Earnings Per Share (sen)	(0.70)	(1.03)	0.25	(3.52)	1.81
Share Price at Year End (RM)	0.260	0.245	0.235	0.352	0.444
Price Earnings Ratio (times)	(0.37)	(0.24)	0.94	(0.10)	0.25
Return on Owners' Equity (%)	(1.36)	(2.02)	0.47	(5.20)	2.45
Return on Total Assets (%)	(1.02)	(1.51)	0.35	(3.79)	1.63
Dividend Payout to Earning Ratio (%)	(106.08)	(88.06)	31.44	(108.79)	89.09
Net Gearing Ratio (times)	0.07	0.06	0.11	0.15	0.15

5-Year Financial Highlights

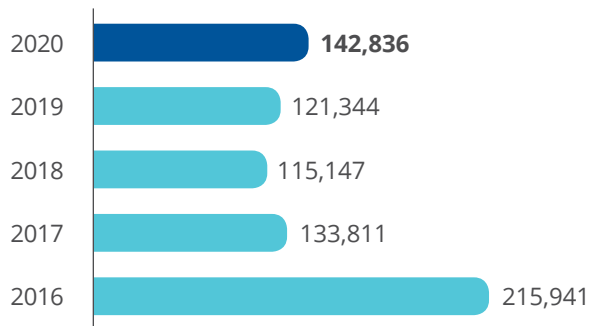
Revenue (RM'000)
194,148



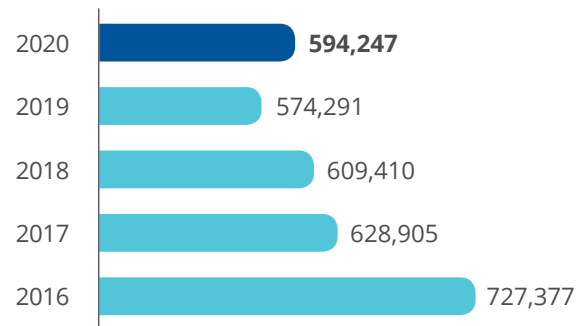
Net (Loss)/Profit (RM'000)
(8,057)



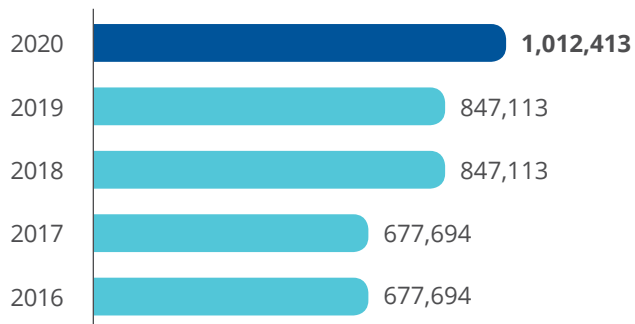
Total Cash & Cash Equivalents (RM'000)
142,836



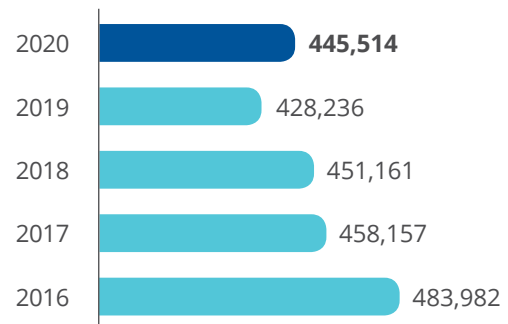
Total Assets (RM'000)
594,247



Share Capital (No. of shares) ('000)
1,012,413



Owners' Equity (RM'000)
445,514



Group Segmental Performance

RM'000	Financial Year Ended December				
	2020	2019	2018	2017	2016
GROUP REVENUE					
Engineering and Construction	153,593	163,455	103,125	83,860	83,101
Property Development	23,763	7,773	5,607	100,700	-
Trading & Services	16,792	19,181	20,008	20,361	14,348
Concessions	-	883	1,481	1,571	1,525
Revenue	194,148	191,292	130,221	206,492	98,974
GROUP (LOSS)/PROFIT BEFORE TAX					
Engineering and Construction	(3,778)	1,648	141	(11,366)	(444)
Property Development	(4,861)	(3,598)	(8,963)	(9,009)	(9,449)
Trading & Services	(478)	(7,719)	1,480	(20,680)	(7,619)
Concessions	367	2,338	5,780	6,270	5,825
Loss Before Tax	(8,750)	(7,331)	(1,562)	(34,785)	(11,687)
GROUP NET (LOSS)/PROFIT					
Engineering and Construction	(4,741)	(3)	(1,119)	(11,306)	(3,201)
Property Development	(4,486)	(3,857)	(8,970)	(5,746)	(11,483)
Trading & Services	(885)	(8,230)	523	(21,300)	(7,715)
Concessions	367	2,341	5,780	6,275	5,816
Discontinued Operations	1,688	782	(607)	2,034	37,941
Net (Loss)/Profit	(8,057)	(8,967)	(4,393)	(30,043)	21,358

Segmental Analysis

Engineering & Construction Division

During the financial year, the engineering and construction division delivered solid gains in revenue, remained the largest contributor in our operations, with a revenue of RM153.6 million which accounted for 79% of the Group's total revenue despite the widespread economic challenges and uncertainty due to the COVID-19 pandemic. However, there was a decrease in revenue by 6% from RM163.5 million in FYE2019 mainly due to the slower construction activities during the Recovery Movement Control Order (RMCO) imposed by the Government in FY2020.

Consequently, the division reported segmental loss before tax ("LBT") of RM3.8 million compared to profit before tax ("PBT") of RM1.6 million in the previous year due to higher cost incurred in delayed ongoing projects and losses from joint venture companies.

Engineering & Construction Division
 Revenue

RM153.6 Million



Property Development Division

The division recorded a higher revenue of RM23.8 million, representing a 206% increase from RM7.77 million recorded in the previous financial year. However, LBT increased by 35% to RM4.9 million compared to RM3.6 million in FYE2019.

The losses for this division was mainly due to higher cost of sales in the current financial year.

Property Development Division
 Revenue

RM23.8 Million



Trading and Services Division

Under the trading and services division, the Group highlighted the transportation and technology division which are the two key drivers of our business operations:-

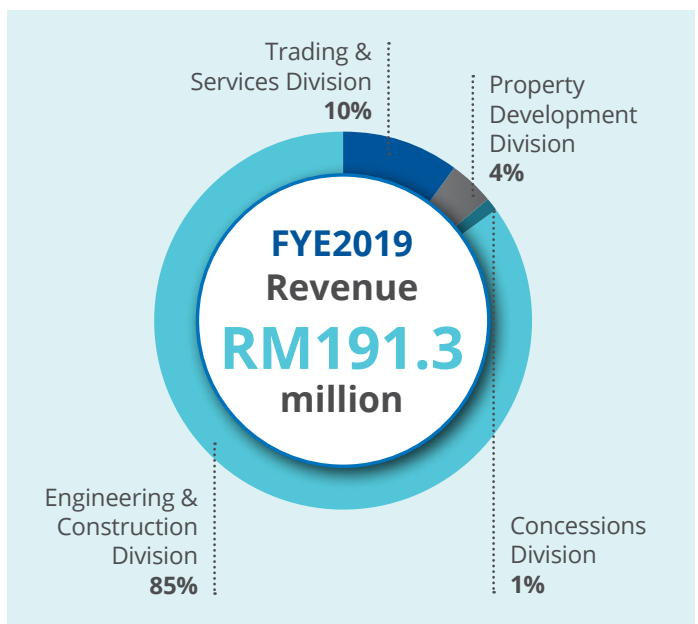
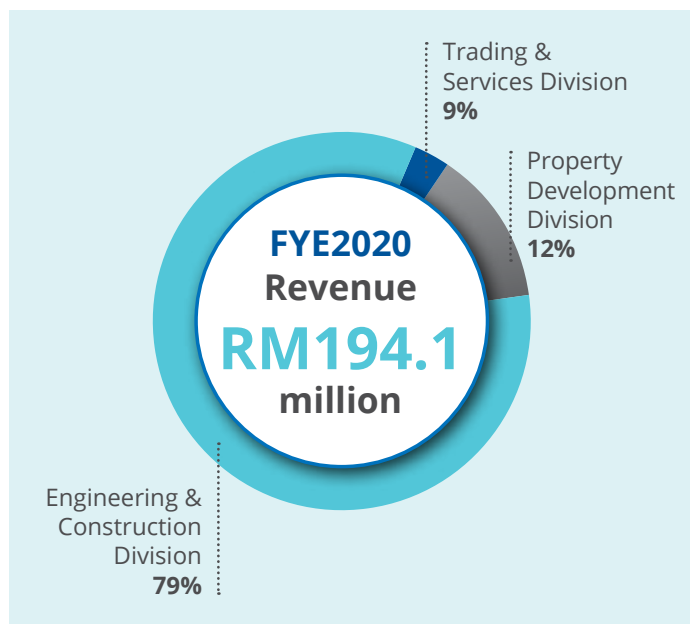
Transportation

The transportation division posted a lower revenue of RM15.7 million in FYE2020, representing a decrease of 10% compared to the revenues of RM17.4 million in preceding year.

The division recorded a PBT of RM224,726 compared to RM198,640 in preceding year mainly due to lower operating expenses in the current financial year.

Technology Services

The technology services division spearheaded by the Volksbahn Technologies Sdn Bhd ("VBT") recorded revenue of RM14.2 million, an increase of 27% compared to RM11.2 million in the preceding year. This was due to the additional 21 cell sites delivered and fiberized at the stations in FY2020 resulting in the increase of site rental income and bandwidth charges. Consequently, the PBT rose from RM1.5 million to RM2.0 million.



Note: No revenue was recorded for concessions divisions in FY2020 due to the cessation of the operation of Binh An Water Treatment Plant.

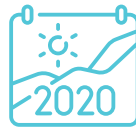
Statement of Value Added and Distribution

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	2020	2019
VALUE ADDED:		
Revenue	194,148	191,292
Purchases of goods & services	(165,712)	(174,342)
Value added by the Group	28,436	17,950
Share of (loss)/profit of associated companies and joint ventures	(1,439)	14,059
Total value added for distribution	26,997	32,009
DISTRIBUTION:		
To employees		
- Salaries & other staff costs	24,598	28,677
To Governments		
- Taxation	995	2,419
To Rakyat		
- Community Investment	143	71
To providers of capital		
- Dividends	6,436	7,618
- Finance cost	2,464	3,320
- Non-controlling interest	(1,990)	(316)
Retained for future reinvestment & growth		
- Depreciation and amortization	6,854	6,489
- Retained loss	(12,503)	(16,269)
Total Distributed	26,997	32,009
RECONCILIATION :		
Net Loss for the year attributable equity holders	(6,067)	(8,651)
Add: Depreciation and amortization	6,854	6,489
Finance cost	2,464	3,320
Staff costs	24,598	28,677
Community Investment	143	71
Taxation	995	2,419
Non-controlling interest	(1,990)	(316)
Total Value Added	26,997	32,009

FINANCIAL CALENDAR

(For the Financial Year Ended 31 December 2020)



Dividend

First and Final Dividend via distribution of treasury shares 1:29 for the financial year ended 31 December 2019

Entitlement Date: 07 August 2020 | **Payment Date: 19 August 2020**



Announcement of Quarterly Results



23 June 2020



25 August 2020



23 November 2020



23 February 2021

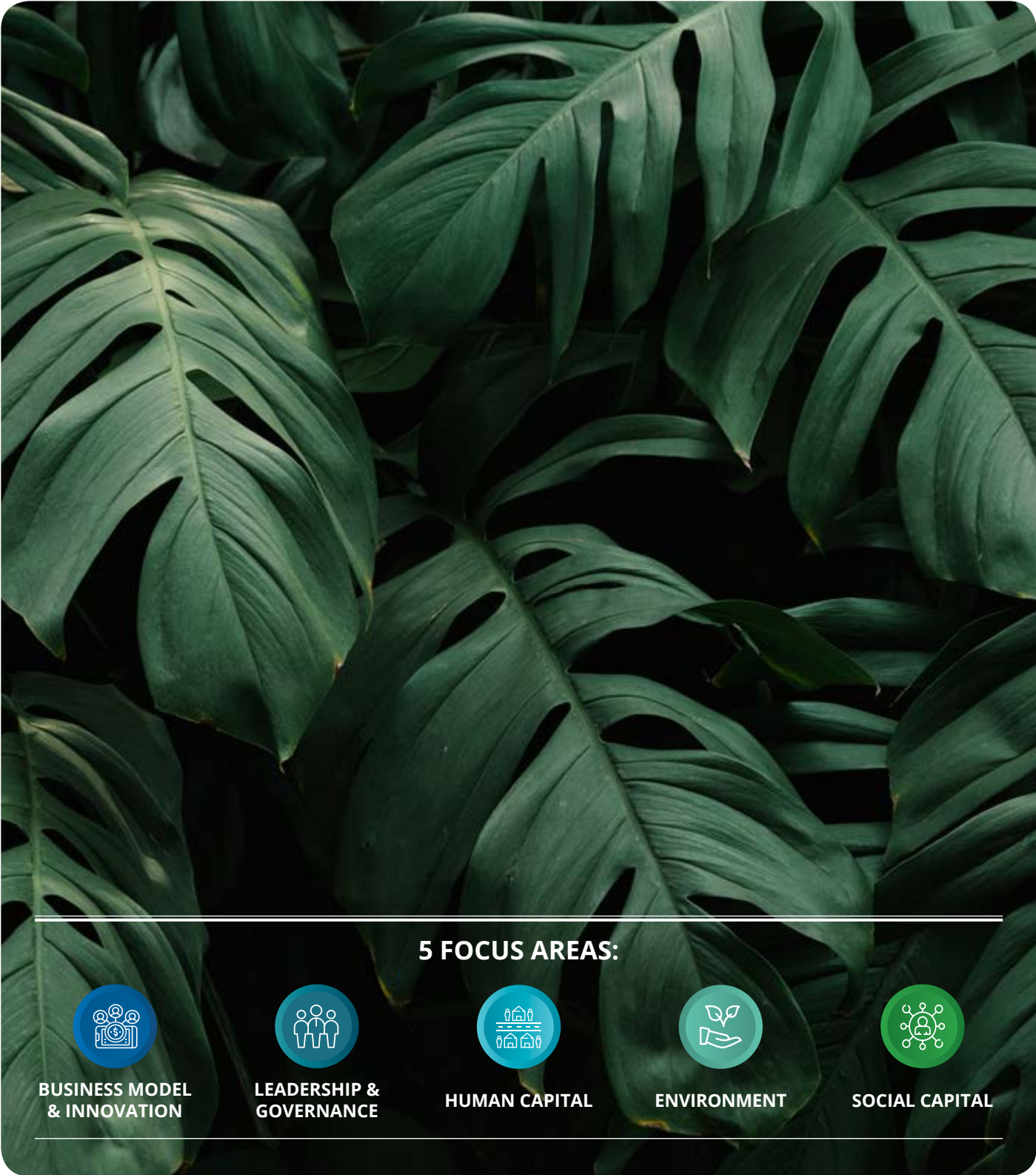


Annual General Meeting

Notice of Annual General Meeting
30 April 2021

18th Annual General Meeting
23 June 2021

SUSTAINABILITY STATEMENT



5 FOCUS AREAS:



BUSINESS MODEL & INNOVATION



LEADERSHIP & GOVERNANCE



HUMAN CAPITAL



ENVIRONMENT



SOCIAL CAPITAL

REPORT OVERVIEW

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

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

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

Reporting Period

Reporting period: 1 January 2020 – 31 December 2020

Reporting Scope

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

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

Guidelines & References

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

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

Accessibility & Feedback



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

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

SUSTAINABILITY STATEMENT

SUSTAINABILITY AT SALCON

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

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

Awards & Recognitions



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



FTSE4Good
Inclusion in FTSE4Good Bursa Malaysia Index
for the 6th consecutive year

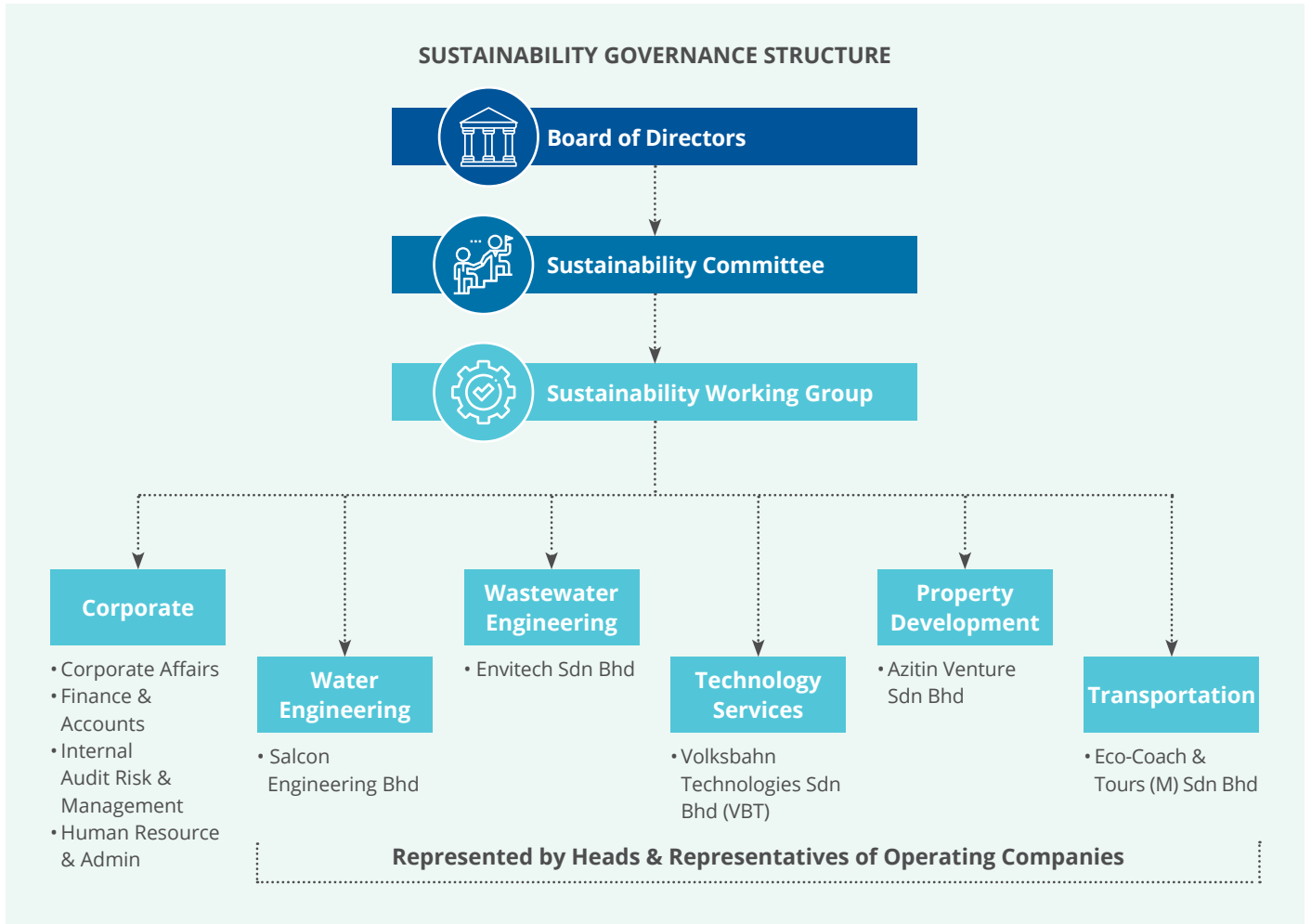
GOVERNANCE STRUCTURE

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

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

The sustainability operating model consists of 3 layers as below:







STAKEHOLDERS ENGAGEMENT




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



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

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

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

SUSTAINABILITY STATEMENT

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

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

MATERIALITY

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

Methodology

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



01

Identification & Review of Material Issues from Internal & External Sources

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

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



02

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

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

Meetings and consultations were held with the SWG and relevant committees to review the Group's material issues to ensure that they are relevant and reflective of our stakeholders' priorities and aspirations. The SWG collectively reviewed and gauged the material issues which are material to our business from both the Group and stakeholders' perspective. Based on this, 12 key material issues which emerged as the most material were mapped onto a matrix to help visualize their relative importance to the Group and our stakeholders.

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

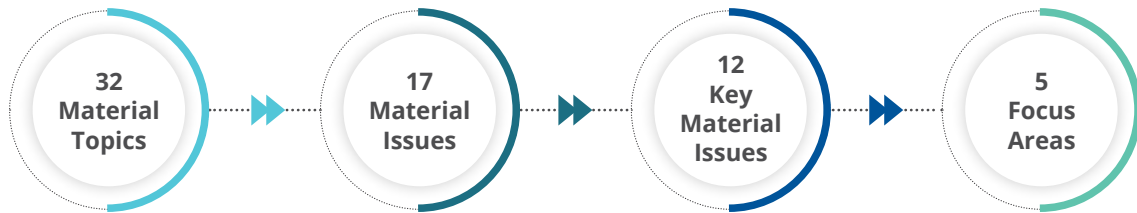


03

Validation – Presentation to the Sustainability Committee (SC)

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

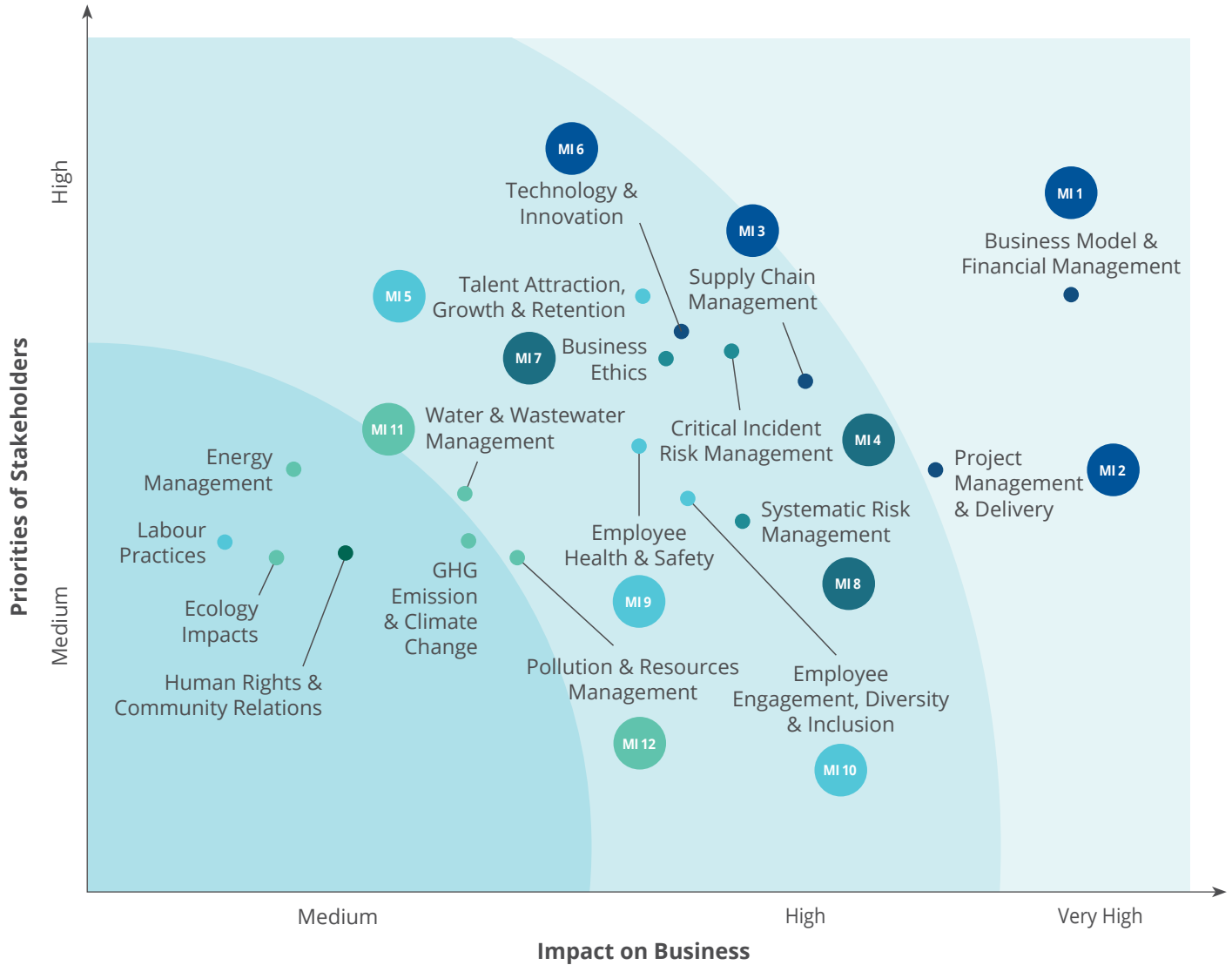
The process of our materiality analysis is shown in the diagram below:



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

Materiality Matrix

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



Focus Areas

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

Materiality Analysis

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

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



BUSINESS MODEL & INNOVATION



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



LEADERSHIP & GOVERNANCE

UNGC Principles 10



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



HUMAN CAPITAL

UNGC Principles 2, 4, 5, 6



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

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



ENVIRONMENT

UNGC Principles 7, 8

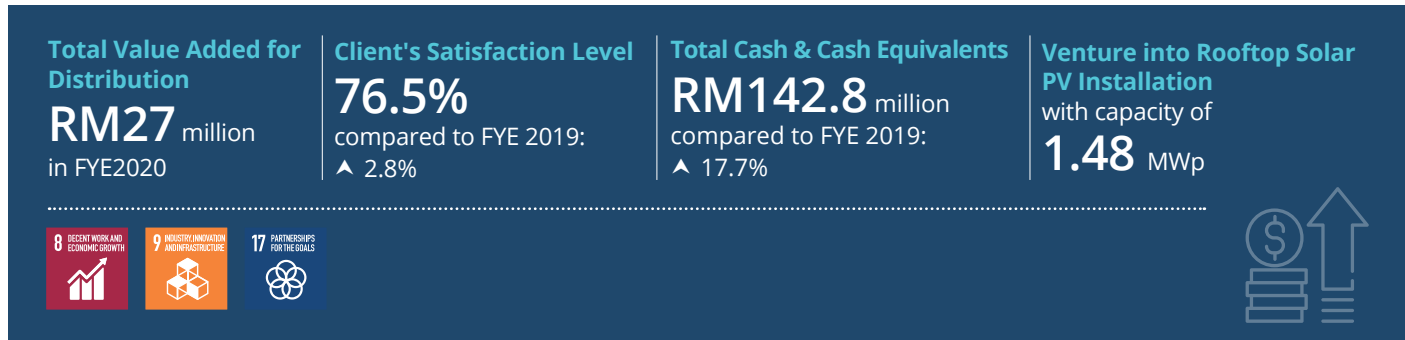


No.	Key Material Issues	Risks	Opportunities	Targets & Mitigation
MI11	Water & Wastewater Management	<ul style="list-style-type: none"> High costs, loss of biodiversity, degradation of the multitude of benefits from ecosystems, and an increasing prevalence of environmental hazards. 	<ul style="list-style-type: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



BUSINESS MODEL & INNOVATION

Maximising Shareholders' Value



Delivering profitability and maintaining a healthy financial performance is our foremost sustainability commitment and we aim to achieve this by providing innovative products & services through operational excellence.

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

1. Business Model & Financial Performance

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

2. Project Management

- a. Project Delivery
- b. Client Satisfaction

3. Supply Chain Management

4. Technology & Innovation

MI 1 BUSINESS MODEL & FINANCIAL MANAGEMENT

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

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

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

Business Model Resilience

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

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

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

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

Financial Management & Profitability

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

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



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

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

Branding & Reputation

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

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

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

2. **Analyst and fund managers briefing**

We meet with analysts and fund managers from time to time to keep them updated on Salcon's financial and operation performance.

3. **Membership participation**

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

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

4. **Online platform**

Currently, the Group's corporate website (www.salcon.com.my), corporate webmail (corporate@salcon.com.my) and Facebook page (www.facebook.com/SalconBerhad) are the main online communication tools with our stakeholders. Stakeholders may obtain the latest information from the corporate website and communicate directly with us through the webmail or Facebook page.

MI 2 PROJECT MANAGEMENT & DELIVERY

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

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

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

Client's Satisfaction

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

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

Through our continuing efforts over the years we have been able to maintain our scores in ensuring our clients' satisfaction. In FY2020, we conducted a client's satisfaction survey for 8 projects in Malaysia, namely Kuala Terengganu Utara Water Treatment Plant, NRW Sandakan, Langat 2 Water Treatment Plant, Langat 2 Package 15 (4), Telibong Water Treatment Plant, Langat CSTP , Langat NPS and Ambathale Stormwater Pumping Station. We were rated 76.5% on the average by our clients, compared with 73.7% in the previous year. Besides conducting client satisfaction surveys twice a year, we engage with our clients through regular project meetings and informal get-together activities in order to gauge our clients' satisfaction level and listen to their feedback from time to time.

Under our NRW division, we have been operating a Customer Service Centre in Sandakan by providing billing and collection services to consumers. We have 2 customer service officers at the centre to attend to walk-in and call-in customers. Average time of handling each customer call is 2 minutes, subject to the genre of calls.

Besides delivering the best services to our clients, we are committed to respect our clients' privacy and ensure that our clients' data is protected under the Personal Data Protection Act 2010. We do not disclose or use the clients' information for any other purposes without clients' consent. In FY2020, there are no incidents or complaints pertaining to breaches of clients' privacy.

2 minutes

call handling time at Sandakan customer service centre

88.8%

of suppliers ranked at excellent performance level

ISO 9001: 2015

Quality Management System in place



MI 3 SUPPLY CHAIN MANAGEMENT

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

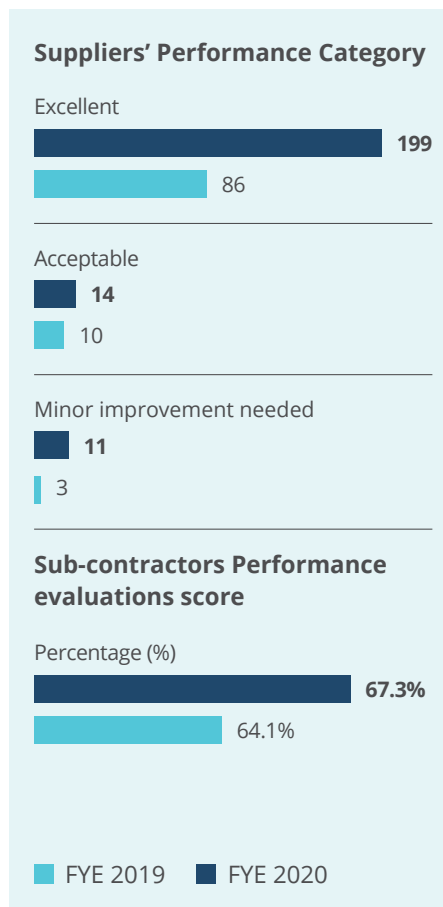
At Salcon, we are committed to working with suppliers, sub-contractors and other supply chain partners who share our values and work innovatively. Our suppliers and sub-contractors are vetted through stringent pre-selection criteria depending on the goods or services offered and they are only appointed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

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

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

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

Supplier & sub-contractors performance evaluations:



MI 6 TECHNOLOGY & INNOVATION

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

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

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

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

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

The technology services division is driven by our subsidiary Volksbahn Technologies Sdn Bhd (VBT) which provides enhanced connectivity and digital services in the Klang Valley through the laying of fibre optic cables along the LRT and monorail lines in the Klang Valley. Besides providing services to telecommunication operators to improve the capacity and quality of their network, we generated other business opportunities along the backbone of the fibre optics cable laying such as advertising, remitting, ticketing services etc through smart partnerships with other companies.



> Salcon in joint venture with HeveaPac Sdn Bhd to install rooftop solar PV systems at HeveaPac's premises



LEADERSHIP & GOVERNANCE

Becoming a Trusted & Reliable Working Partner

ZERO
case reported through
whistleblowing channel

Launching of
**Crisis Management
Plan** in FY2020

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

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

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




MI 4 CRITICAL INCIDENT RISK MANAGEMENT

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

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

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

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

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

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

MI 7 BUSINESS ETHICS

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

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

Corporate Governance

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

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

Ethics & Integrity

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

The COEC, which was recently reviewed by the Board in FY2020 to ensure alignment to best ethical practices, is available to all employees via the Company's intranet and official website. Notification of the recent amendments were sent out via email by the Group's Human Resource & Admin Department. New employees are also introduced and briefed on the COEC during the staff induction process and are expected to perform their roles and responsibilities in accordance with the highest ethical standards.

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

No cases were reported through the Whistleblowing channel in FY2020.

Anti-corruption

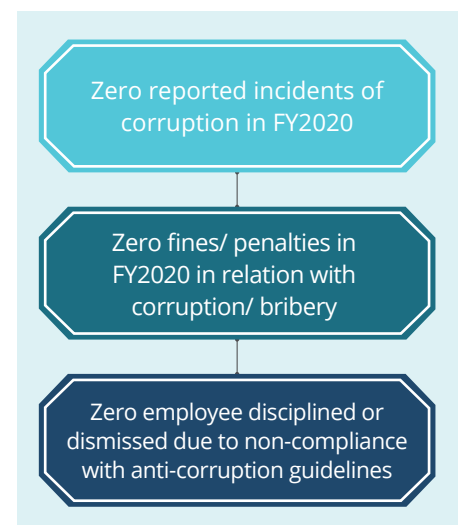
In line with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009) which takes effect in June 2020, the Group launched its Anti-Bribery and Anti-Corruption

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

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

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

In FY2020, we achieved:



MI 8 SYSTEMATIC RISK MANAGEMENT

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




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

Managing our Risks & Opportunities

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

Salcon Integrated Risk Management Policy is a comprehensive risk management methodology and system which is in compliance with ISO 31000. We use this policy as the framework to identify, assess, monitor, manage risks and report the operational risks, environmental risks, corruption risk on our operating companies. For more details on the composition of the RMC and our detailed risk management practices, please refer to the Corporate Governance Overview Statement and Statement of Risk Management and Internal Control on page 84 and 90.

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

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

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

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

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

4 QUALITY EDUCATION

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

10 REDUCED INEQUALITIES

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



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

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

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

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

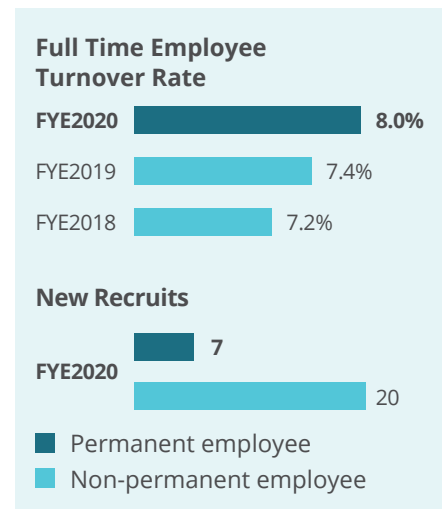
Talent Attraction & Retention

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

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

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

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





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

Training & Development

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

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

Total number of training hours:

687 hrs

Average training day per employee:

0.5 day

Average training hour per employee:

3.1 hrs

Total training investment:

RM94,128

Effectiveness of training:

97.7%



MI 10

EMPLOYEE ENGAGEMENT, DIVERSITY & INCLUSION

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

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

Equal Opportunities & Diversity

We strive to create an open and trusting work environment characterized by equal opportunity as well as diverse, inclusive, collaborative and learning culture by upholding the principles in treating our employees fairly and equally in terms of recruitment opportunities and career advancement. At Salcon, we do not practise discrimination in gender, age, race, religion, culture or nationality as set out in our Equal Employment

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

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

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

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

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

Workplace Well-being

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

How We Create Value

SUSTAINABILITY STATEMENT

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

Workplace Well-being Activities



Salcon Earth Hour
in office to create awareness on climate change



Staff participation in **Salcon new website contest**

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



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





Save Paper, Save Planet
awareness activity



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



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

Health Talk
on Eczema



Mental Health Talk
during the COVID-19 pandemic



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

Raya Goodies Giveaway
to all staff during Ramadhan month





Staff participation during **Salcon Blood Donation Campaign**



EMPLOYEE DEMOGRAPHY

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

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

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

LABOUR PRACTICES

Employee Rights

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

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



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

Grievance Mechanisms

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

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

MI 9 EMPLOYEE HEALTH & SAFETY

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

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

Occupational Safety & Health

Guided by the Group's Safety & Health policy and in line with the SDG 8: Decent Work & Economic Growth, the Quality, Safety, Health & Environment (Q.S.H.E.) Department and S.H.E. Committee monitors and implements safety and health initiatives throughout the Group's operations, with the oversight by the

Board. The S.H.E. Committee is chaired and led by the Group Chief Operating Officer (COO) with representatives from management and employees. The Committee is responsible for:

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

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



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



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

OUR RESPONSE TO COVID-19 PANDEMIC

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

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

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

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



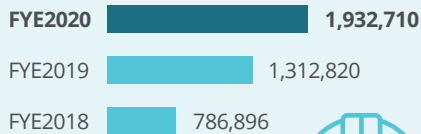
We monitor the safety and health progress, targets and its implementation periodically through the following initiatives:

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

Working towards zero LTI

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

Achieved man hours without LTI (hours)



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

Safety & Health Training

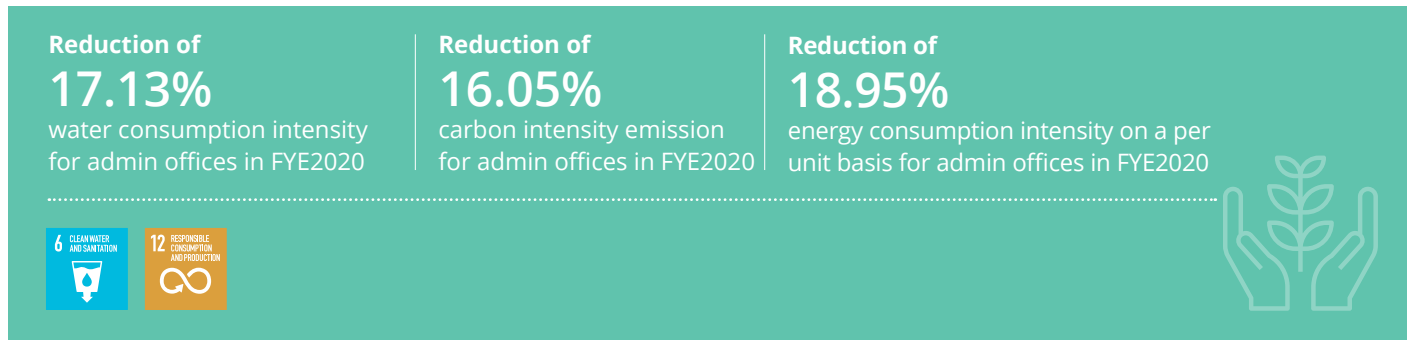
Inadequate health & safety training to site workers and employees might increase the risks of dangerous mistakes and incidents happening. Therefore, we conduct frequent health and safety training programmes to ensure that high-risk employees are up-to-date with the latest developments in health and safety.

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

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

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

 **ENVIRONMENT**
 Protecting the Environment

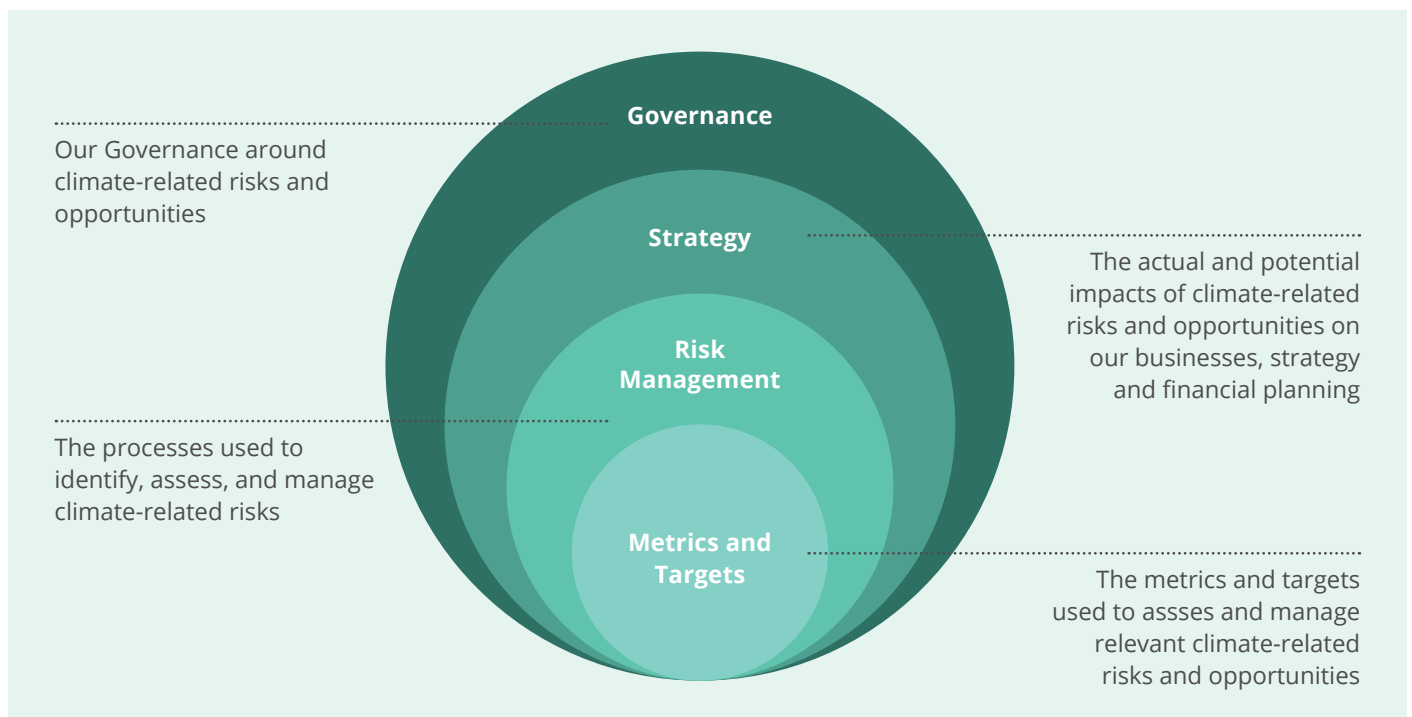








We are committed to protect the environment by minimising the environmental impacts of our business operations through the reduction of waste and pollution, optimizing water and energy use, minimizing our carbon emissions as well as protecting biodiversity.

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

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

Core Elements of Recommended Climate-Related Financial Disclosure



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

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

CLIMATE CHANGE SCENARIO ANALYSIS

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

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

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

Climate-related risks & opportunities and Impacts

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

Climate Change Adaptation Strategies & Initiatives

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

Minimising Our Carbon Footprint & Reducing Waste

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

1. Efficient energy consumption
2. Water conservation & quality water to the community
3. Effective waste management
4. Procurement of environmentally sound products
5. Reducing actions which will adversely impact the eco-system and biodiversity
6. Education to employees and intermediaries

Collaboration with External Stakeholders

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



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

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

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



Please refer to page 80 for more details on WGC.



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

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



Please refer to details of recycling data on page 74.



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

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



Please refer to details of recycling data on page 74.

MI 11 WATER & WASTEWATER MANAGEMENT

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

Water Management

Target:

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

Performance in 2020:

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



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

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

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

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

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



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

SUSTAINABILITY STATEMENT

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

Water Consumption at Data:

	FYE 2018		FYE 2019		FYE 2020	
	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees	Water consumption (m ³)	No. of employees
Administrative Offices						
Envitech	335	45	362	51	382	51
SPS	19	18	13	18	6	17
Eco-Coach	7	20	329	22	149	13
Total	361	83	704	91	537	81
Water consumption intensity per person (m³)	4.3		7.74		6.63	

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

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

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

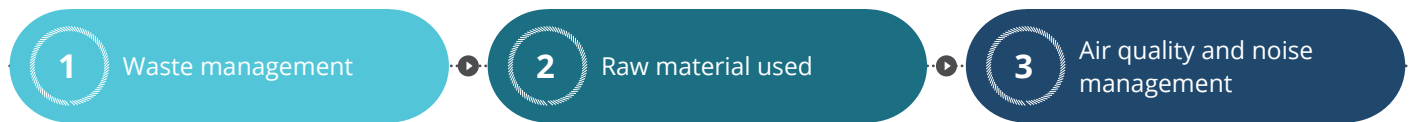
Wastewater/Sludge Management

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

MI 12 POLLUTION & RESOURCES MANAGEMENT

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

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



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

Waste Management

Target:

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



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

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

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

SUSTAINABILITY STATEMENT

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

Scheduled Waste Data:

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

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

Recycling Data:

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

Raw Material Used

We aim to minimize negative environmental impacts at all our project sites through effective management of our supply chain to ensure responsible procurement of raw materials and construction works. The data on raw material used is recorded to ensure adequate stock levels and monitored to prevent wastages.

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

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

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

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

Air Quality & Noise Management

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

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


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

SUSTAINABILITY STATEMENT

Green House Gas (GHG) Emission Management

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

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



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



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

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

This year, we continue to monitor the Direct (Scope 1) GHG emission and Energy Indirect (Scope 2) GHG emissions across our business units. The GHG emissions factor is based on the internationally recognised GHG protocol published by IPCC Guidelines for National Greenhouse Gas Inventories for Scope 1 emissions and Malaysian Green Technology Corporation for the Peninsular Grid for Scope 2 emissions.

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

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

<p>Scope 1</p> <p>Emission from company-owned vehicles by fuel type</p> <p>3,474,715.93 MT</p> 	+	<p>Scope 2</p> <p>Emission from electricity consumption</p> <p>235.26 MT</p> 
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Scope 1 - CO₂ Emissions (MT equivalent) from Company-owned Vehicles by Fuel Type:

Administrative Offices	CO ₂ emissions (MT equivalent) FYE 2019		CO ₂ emissions (MT equivalent) FYE 2020	
	Petrol	Diesel	Petrol	Diesel
HQ	217,756.11	131,891.12	159,837.24	121,453.46
Envitech	103,715.92	61,947.67	85,718.62	39,655.80
SPS	-	20,159.76	589.15	-
Eco-Coach	-	2,891,297.15	-	2,454,854.37
Green Fleet	-	712,086.73	-	612,607.29
Total	321,472.03	3,817,382.43	246,145.01	3,228,570.92
Total CO₂ emission (MT)	4,138,854.46		3,474,715.93	

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

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

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

Administrative Offices	CO ₂ emissions (MT equivalent)		
	FYE 2018	FYE 2019	FYE 2020
HQ	93.22	98.1	80.24
Envitech	48.23	51.71	58.2
SPS	10.12	6.39	5.55
VBT	29.48	31.56	31.92
Eco-Coach	31.4	3.18	51.78
Green Fleet	n/a	7.43	7.57
Total CO₂ emission (MT)	212.45	198.37	235.26

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

Projects Sites	CO ₂ emissions (MT equivalent)		
	FYE 2018	FYE 2019	FYE 2020
KTU WTP	35.59	72.74	32.84
Langat 2 WTP	191.65	259.39	149.65
Langat 2 Package 15 (4)	n/a	9.01	3.11
Telibong WTP	n/a	10.33	40.82
Langat CSTP	13.01	225.45	100.15
Ambathale Storm Water Pumping Station	n/a	7.68	13.81
Total CO₂ emission (MT)	240.25	584.60	340.38

Note:

- The CO₂ emission calculation is based on the protocol from Malaysian Green Technology Corporation for the Peninsular Grid.
- Data for Langat 2 Package 15 (4), Telibong WTP and Ambathale Water Project is not available in FYE 2018 as the projects were awarded in FY 2019.

Energy Management

Target:

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

Performance in 2020:

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



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

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

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

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

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

Energy Consumption Data:

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

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

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

Ecological Impacts

Biodiversity

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

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

Key Initiatives in Biodiversity Management	Company/ Operation Country
• Conducted Environmental Aspect Identification (EAI), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control (HIRARC) before commencing a project.	Malaysia
• Strictly zero burning and zero hunting at project site.	Malaysia
• We are a signatory with World Wild Life (WWF) to support No-Shark Fin for all our corporate functions.	Malaysia
• Yearly oil spillage drill to avoid soil contamination.	Malaysia
• Yearly tree planting day with NGO such as Malaysia Nature Society (MNS).	Malaysia

SOCIAL CAPITAL

Engage & Uplift the Community

Contributed
RM100,000
for COVID-19 pandemic

Virtual learning
platform benefitting
120 teachers & school children

Total of
71
pints of blood collected
for PDN



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

COMMUNITY RELATIONS

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

Community engagement

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



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

Salcon 11th Blood Donation Drive

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

Virtual learning - Water Genius Challenge

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

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

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

Local employment

In line with our commitment to **SDG 8: Decent work and economic growth**, we support local employment and prioritise the local community at our operation areas in terms of job opportunities to drive the local economy.

PROTÉGÉ & INTERNSHIP PROGRAMME

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



Total graduates
for Protégé
Programme
8

Community Rights

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

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

MOVING FORWARD

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