

About This Report

Salcon Berhad (“Salcon” or “the Company”) is pleased to present its fourth integrated annual report, offering stakeholders a comprehensive overview of the Company’s performance, our value creation process and guiding philosophy. This report outlines the effects and uses of our capitals as well as our commitment to effective governance practices whilst managing the impacts of our businesses on the economy, environment, and society in the short, medium and long term.

SCOPE & BOUNDARY

This report covers financial and non-financial information and initiatives from 1 January 2023 to 31 December 2023. The scope includes our operations in Malaysia, Vietnam, Sri Lanka, India and the United Kingdom.

All financial statements have been prepared in accordance with the requirements of the Companies Act (“CA 2016”) and Malaysian Financial Reporting Standards (“MFRS”).

MATERIALITY

This report presents information about our material matters that contribute to value creation over the short, medium and long term. In determining the material matters, we are guided by the principle of materiality, focusing on information that is relevant or of significant interest to our stakeholders, in accordance with the listing requirements of Bursa Malaysia. This year, we conducted our 3rd Materiality Survey & Assessment involving both internal and external stakeholders to ensure alignment with the current business environment and to stay up-to-date on emerging trends and evolving stakeholder expectations. The results of the survey were presented to the Sustainability Committee and subsequently to the Board of Directors for their validation and approval. Throughout this report, we disclose our strategies and initiatives pertaining to these material matters.

REPORTING FRAMEWORK

This report is prepared with reference to and guided by recognised local and international standards which include:

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

CD Corporate Disclosure SD Sustainability Disclosure FD Financial Disclosure

ASSURANCE STATEMENT

The Financial Statements in this report have been audited by KPMG. The Sustainability Statement and sustainability reporting processes have been reviewed by Salcon’s Internal Audit and Risk Management Department (“IARMD”). However, waste management and emissions management were excluded from audit, as it is only a requirement for Market Listed issuers to disclose these matters on or after the Financial Year End (“FYE”) of 31 December 2024.

IARMD has assured that adequate controls and processes are in place to guide the end-to-end Environmental, Social and Governance (“ESG”) information flow and integrity of the data produced and reported.

FORWARD-LOOKING STATEMENTS

This report may contain some forward-looking statements on the Company’s

goals, strategies and future plans. These statements have been written based on current information, assumptions, and expectations and are subject to change based on diverse factors beyond our control.

BOARD RESPONSIBILITY STATEMENT

The Board acknowledges its responsibility to ensure the integrity of this Integrated Annual Report which, in its opinion, addresses the Group’s key material issues and fairly presents the Company’s performance for 2023.

FEEDBACK

We are committed to continually improving our reporting quality and we welcome any feedback or inquiries about this report. Please direct your concerns to corporate@salcon.com.my.

About This Report

NAVIGATION ICONS

OUR CAPITALS



Financial Capital



Human Capital



Manufactured Capital



Intellectual Capital



Natural Capital



Social & Relationship Capital

5 FOCUS AREA



Business Model & Innovation



Leadership & Governance



Human Capital



Environment



Social Capital

KEY MATERIAL ISSUES



Business Management and Delivery



Business Ethics and Corporate Governance



Supply Chain Management



Technology and Innovation



Occupational Health and Safety



Systematic Risk Management



Talent Attraction and Engagement



Environmental Impact Management



Climate Change



Community Engagement



Labour Rights and Practices

KEY RISKS



Financial Risk



Hypercompetitive Market Risk



Geopolitical Risk



Regulatory Risk



Project Management and Construction Risk



Supply Chain Risk



Health, Safety, Security and Environmental Risk



Human Capital Risk



Integrity Risk



Sustainability Risk



Technological Risk

STAKEHOLDERS



Clients



Business Associates/ Partners



Media



Industry Associations



Regulators/ Government Authorities



Non-governmental Organizations



Employees



Bankers



Suppliers/ Sub-contractors

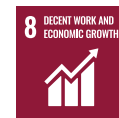


Local Community



Shareholders/ Investors

THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



CROSS REFERENCE



Indicates where additional information can be found within the report.



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

Who We Are

Salcon Berhad (“Salcon”), is an investment holding company with diverse businesses operating across multiple countries. The Group is dedicated to advancing infrastructure development and socioeconomic progress through its key businesses which include water and wastewater engineering & construction, glove manufacturing, technology services, transportation, renewable energy, and property development.



Please scan this QR code for more information on our business.

Our Business

ENGINEERING & CONSTRUCTION

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



Where we operate:



Kindly refer to pages 38 to 40

GLOVE MANUFACTURING

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



Where we operate:



Kindly refer to pages 41 to 42

TECHNOLOGY SERVICES

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



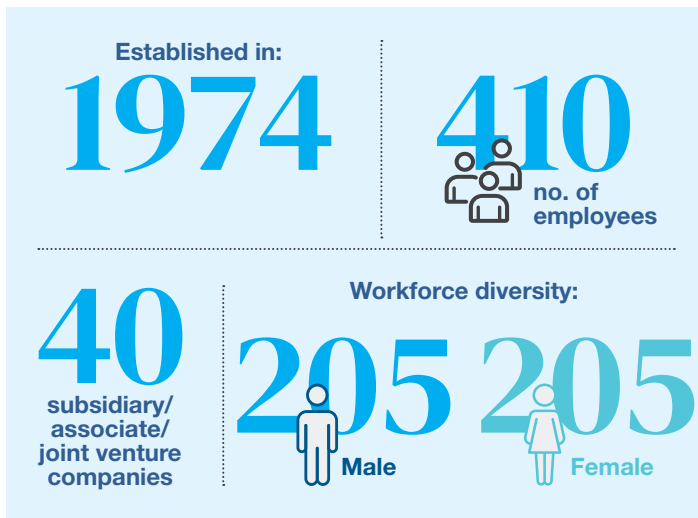
Where we operate:



Kindly refer to pages 43 to 44

At A Glance

Business Overview



Creating Meaningful Impact

PEOPLE



Achieved **0 work-related injuries** or fatalities of employee in FY2023

24.14% of women representation in senior management*
*Senior Manager and above

COMMUNITIES



Total of **30 volunteers** contributed 142 volunteer hours

RM77,155 invested for community development

ENVIRONMENT



4.9% CO₂ emission reduced from FY2022

Our Purpose

ENRICH

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

SUSTAINABLE

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

OPPORTUNITIES

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

TRANSPORTATION

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



Where we operate:



Kindly refer to pages 45 to 46

RENEWABLE ENERGY

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



Where we operate:



Kindly refer to pages 47 to 48

PROPERTY DEVELOPMENT

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



Where we operate:



Kindly refer to page 49

Segmental Overview

Water Engineering

Secured

10.44 MW

Small Hydro project valued at RM65 million

Wastewater Engineering

Secured

RM20.66 million

sewer reticulation project from Jurutera MTC Sdn Bhd

Renewable Energy

Selected as Solar Power Producer under the CGPP in developing Solar PV plant with

7 MW capacity

Technology Services

Delivered

6 new cell sites

& upgraded 24 existing cell sites along the LRT corridor

Glove Manufacturing

Obtained

2 new certifications

the Good Manufacturing Process ("GMP") certification and EU Type Examination Certificate (PPE III)

Transportation

ECT successfully launched

64 new fleets

to cater to its multinational companies' clients

Corporate Information

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*

CHAN SENG FATT

*Senior Independent
Non-Executive Director*

DATO' ROSLI BIN MOHAMED NOR

*Independent
Non-Executive Director*

AUDIT AND RISK MANAGEMENT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

SUSTAINABILITY COMMITTEE

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

COMPANY SECRETARIES

Law Mee Poo
(SSM PC No.: 201908002275)
(MAICSA 7033423)
Joanne Toh Joo Ann
(SSM PC No.: 202008001119)
(LS 0008574)

REGISTERED OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811
Email : corporate@salcon.com.my

HEAD OFFICE

15th Floor, Menara Summit
Persiaran Kewajipan, USJ 1
47600 UEP Subang Jaya
Selangor Darul Ehsan
Tel : 603-8024 8822
Fax : 603-8024 8811
Email : corporate@salcon.com.my

AUDITORS

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

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
United Overseas Bank (Malaysia) Berhad
HSBC Bank (Malaysia) Berhad
RHB Bank Berhad
CIMB Bank Berhad

SHARE REGISTRAR

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

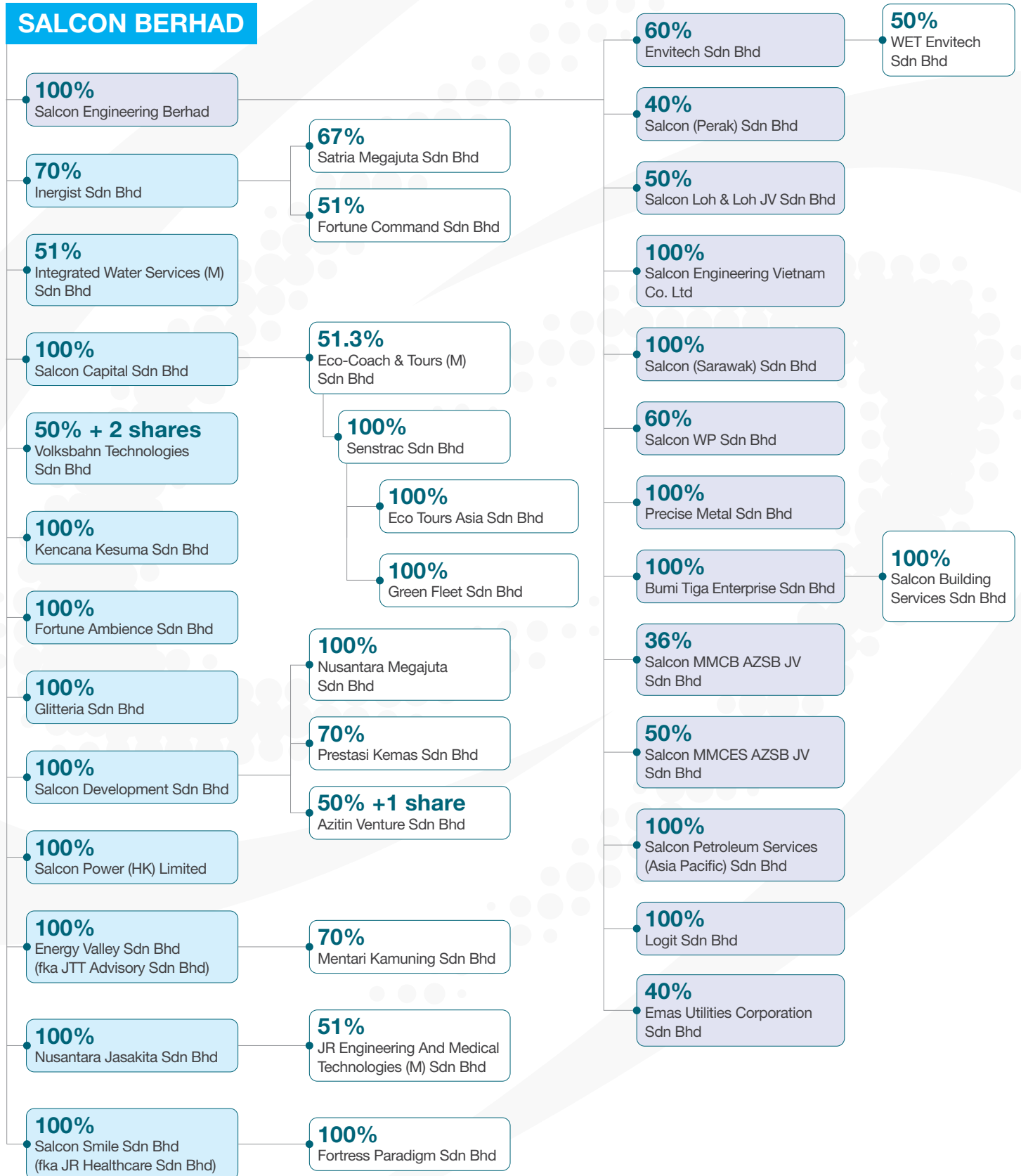
STOCK EXCHANGE LISTING

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 1 April 2024



Strategic Review Chairman's Statement



Dear Valued Shareholders,

On behalf of the Board of Directors of Salcon Berhad (“Company”), it is my privilege to present to you the 2023 Integrated Annual Report & Audited Financial Statements of the Company and its subsidiaries (“Group”).

Strategic Review Chairman's Statement

Reflecting on the Year

During the year under review, the global economic landscape was marked by a widespread slowdown, soaring inflation, persistent geopolitical tensions and supply chain disruptions. Despite these hurdles, the Malaysia economy registered a moderate growth of 3.7%, driven by the momentum of post COVID-19 recovery, supportive government policies, an improved labour market and increase in commodity prices.

Against this backdrop, the Company demonstrated resilience, presenting an improved financial performance compared to the preceding year. Notably, losses were reduced to RM37.0 million, closing the financial year with a healthy financial position, recording cash and cash equivalents of RM155.8 million, and low gearing of 0.16.



Read more on our financial performance in the Group CFO's Statement on page 32 to 37.

Embedding Our ESG Commitment

Sustainability is a key driver of our value creation aspirations. By embedding sustainable practices into our operations and offering products and solutions that improve our customers' sustainability performance, we aim to drive positive impacts across our value chain and be recognized as an industry leader in ESG practices.

During the year under review, the Group successfully secured three (3) projects in the renewable energy sector. These include the EPCC of a 10.44 MW Small Hydro Powerplant at Sungai Selangor Dam (contract value RM 65.0 million), a 7.0 MW solar photovoltaic plant under the Corporate Green Power Programme ("CGPP") and installation of 862.5 kWp on the rooftop of HeveaBoard Berhad manufacturing

facility on a build-own-operate basis for a duration of twenty-five (25) years. These initiatives not only contribute to our business's future resilience but also serve as proactive measures to address ESG risks, aligning our strategies with the imperative challenges of climate change.

Our commitment to sustainability reporting was recognized with prestigious accolades, including the Gold award in the Asia's Best Integrated Report (SME) category at the 8th Asia Integrated Reporting Awards ("AIRA"). Salcon also secured Gold in the Star ESG Positive Impact Awards for its Salcon Smart Water Programme ("SSWP"), positively impacting and strengthening links with the local community within our locality of operations. Throughout the year, our dedication to good governance, resilience and innovative business practices has propelled us forward, driving growth and innovation within the Group.



Read more about our Sustainability initiative and commitments on pages 50 to 86.

Moving Forward

As we mark our 50th anniversary in April 2024, our determination to move forward remains unwavering as we commit to implementing prudent measures to recover and ensure sustainable growth.

With a renewed focus on adaptability and strategic planning through our 4 strategic growth drivers ie cost and organisational effectiveness, strategic diversification, embracing technology and innovations and sustainability as a new growth area, we aim to emerge stronger from this challenging period with the support and confidence of our shareholders in our journey back to financial stability and profitability.



Read more about our Business Environment, Strategic Growth Drivers and Key Initiatives on pages 12 to 13.

Appreciation

On behalf of the Board of Directors, I wish to express our heartfelt appreciation to our shareholders, clients, business partners, associates, banking partners, suppliers, and contractors for their unwavering support throughout our journey of achieving excellence. This significant milestone would not have been possible without your strong support, trust, and dedication.

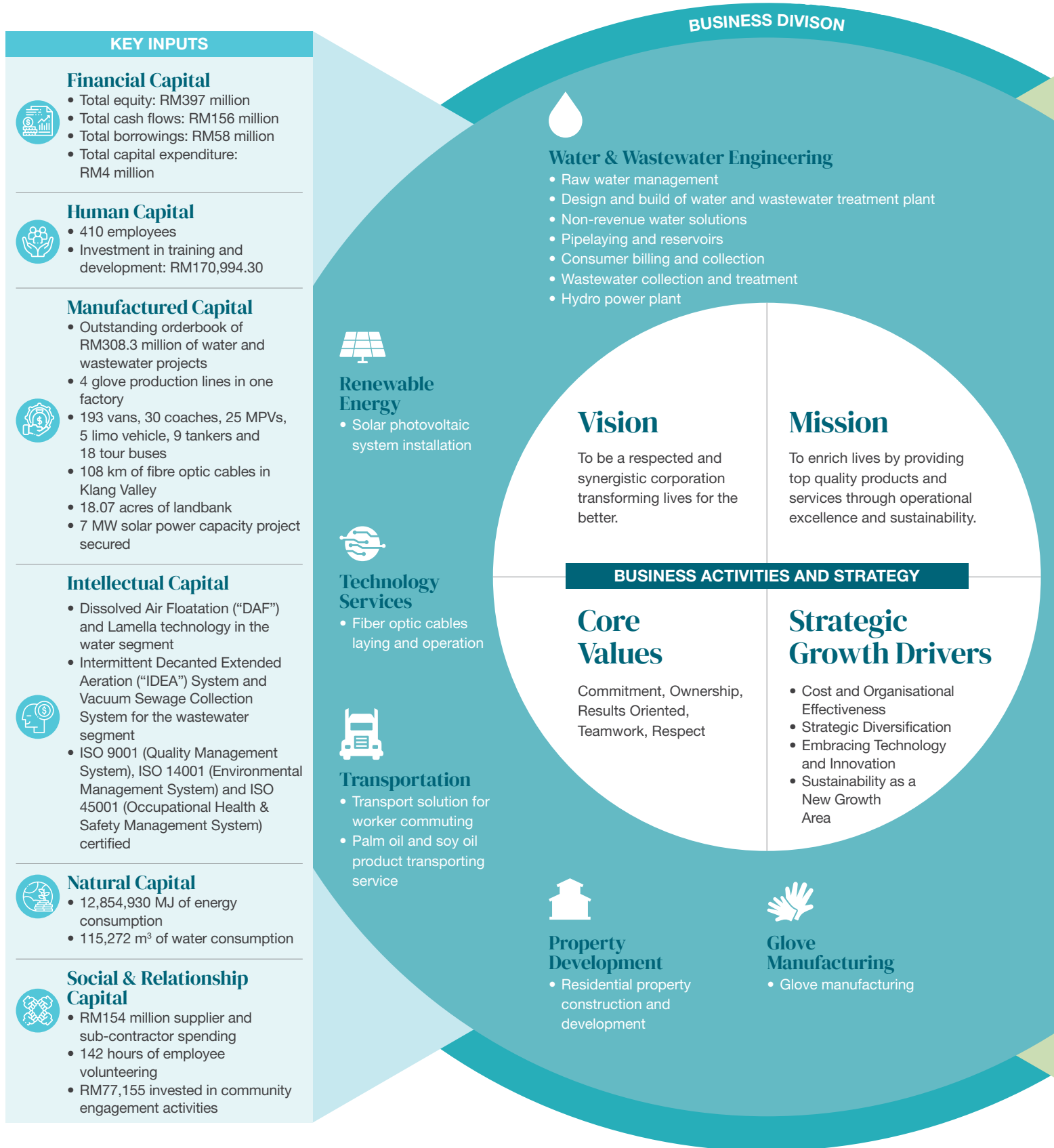
Additionally, I would like to extend a special thank you to the Management and staff as you are the backbone of our organization. Your hard work, commitment, and passion have propelled us through half a century of growth and innovation. Together, we have overcome challenges and achieved great successes. Your resilience and creativity continue to be our driving force, and I want to express my deepest appreciation for your loyalty.

Thank you.

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

Strategic Review

Value Creation Business Model



Strategic Review Value Creation Business Model

BUSINESS ENVIRONMENT

Operating Environment

- High Inflationary pressures
- Highly competitive markets & economic uncertainty
- Digital Economy
- Transition to the low-carbon economy



Please see Market and Strategic Growth Drivers on page 12 for details.

Key Risks

- Financial Risk
- Hypercompetitive Market Risk
- Geopolitical Risk
- Regulatory Risk
- Project Management and Construction Risk
- Supply Chain Risk
- Health, Safety, Security and Environment (“HSSE”) Risk
- Human Capital Risk
- Integrity Risk
- Sustainability Risk
- Technological Risk



Please see Key Risks & Mitigations on pages 26 to 31 for details.

Focus Areas & Material Issues

A) Business Model & Innovation

1. Business Management and Delivery
2. Supply Chain Management
3. Technology and Innovation

B) Leadership & Governance

1. Business Ethics and Corporate Governance
2. Systematic Risk Management

C) Human Capital

1. Occupational Health and Safety
2. Talent Attraction and Engagement
3. Labour Rights and Practices

D) Environment

1. Environmental Impact Management
2. Climate Change

E) Social Capital

1. Community Engagement

VALUE CREATED

Output

Outcome

Financial Capital

- Healthy gearing ratio at 0.16
- Dividend payment of RM4.8 million
- Loss after tax: RM37.0 million
- Interest paid to financial institutions: RM3.3 million

- Financial growth and stability
- Better attraction and retention of investors, shareholders, suppliers, business partners and clients

Stakeholders Involved:

Investors, Shareholders, Regulators, Suppliers, Business Partners, Clients

Human Capital

- RM25.4 million paid in salaries and rewards
- 16.7% female directors on the Board
- 50% female employees, with 30.5% managers and above
- 11,395,646.5 man-hours without loss time injuries (“LTI”)
- 0 Lost Time Injuries Frequency Rate (“LTIFR”) recorded
- 3,694 hours of training provided

- Safe working environment
- Employee engagement and retention
- Improved employee competency
- Career path enhancement
- High employee satisfaction

Stakeholders Involved:

Employees

Manufactured Capital

- 5 new glove products, with total production capacity of 420 million pieces annually
- Delivered 6 cells sites along the LRT corridor

- Enhanced branding and market positioning
- Long-term relationship with business partners
- Better quality of products and services
- Strategic collaboration to strengthen Company’s position

Stakeholders Involved:

Business Partners, Employees, Clients

Intellectual Capital

- Dissolved Air Floatation (“DAF”) and Lamella technology installation in various water treatment plants with a combined capacity of 2,735.6 MLD
- Vacuum Sewage Collection System installation with a capacity of more than 46,000 PE/10.4 MLD

- Innovative product portfolio
- Enhanced brand value
- Strengthened market positioning

Stakeholders Involved:

Clients, Investors

Natural Capital

- 4.9% of Green House Gas (“GHG”) reduction
- 4,281.9 kg of items recycled
- 2,806,683 kWh of renewable energy generated from renewable energy segment

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

Stakeholders Involved:

Regulators

Social & Relationship Capital

- 98 nos. of Salcon Smart Water Programmes held, benefitting 3,326 students
- 945 beneficiaries from community and river programme activities
- 97.4% local procurement for all business division
- RM111,000 tax contributed

- Provision of job opportunities for suppliers, sub-contractors and business partners
- Contribution to local economic growth
- Suppliers and sub-contractors share common sustainability value
- Long-term relationship with suppliers and sub-contractors

Stakeholders Involved:

Community, Suppliers, Sub-contractors, Regulators, Employees

Strategic Review

Market and Strategic Growth Drivers

During the year under review, the Group remained resilient in facing a challenging business environment as we leveraged on our four (4) strategic growth drivers to capitalise on opportunities and position ourselves for long-term success in a dynamic and competitive marketplace.

Business Environment

High Inflationary pressures

High and sustained production costs due global supply chain disruptions, high raw materials costs such as steel and reinforced concrete, implementation of the minimum wage policy, labour shortages and the impact of the weak Malaysian Ringgit against the US Dollar.

Impact

- Profit margins are affected
- Delay in project deliverables

Highly competitive markets & economic uncertainty

Competition from other players in terms of price and quality. This is further exacerbated by competitors with bigger market reach.

Impact

- Challenging environment to secure new contracts
- Profit margins are affected by the highly competitive market

Digital Economy

Embracing the opportunities which digitalization brings, from automation to emerging technology, is necessary to respond to increasing complexity and competitiveness, reduce risk and stay relevant. Under MyDigital Blueprint, the Government aims to transform Malaysia into a digitally-driven, high income nation and a regional leader in digital economy.

Impact

- Investment in digital practices and technology across the most critical parts of the value chain
- Employees upskilling/reskilling

Transition to the low-carbon economy

Malaysia is committed to achieving carbon neutrality by 2050. In the Budget 2024, RM200 billion financing is allocated to encourage industries to transition to a low-carbon economy. In addition, various policies and frameworks were established to support this, such as the National Energy Transition Roadmap, Low Carbon Nation Aspiration 2040, and Low Carbon Mobility Blueprint.

Impact

- Provide opportunities for business growth
- More emphasis on low-carbon initiatives is required in the overall business strategy

Strategic Growth Drivers

Cost and Organisational Effectiveness

The Company fosters a culture of continuous improvement to optimize resources and processes within the organization. This includes negotiating with suppliers/sub-contractors, improving employee skills and performance monitoring to enhance productivity and minimize unnecessary expenses.

Strategic Diversification

Diversification to other businesses and expanding into new geographic areas has helped the Company to mitigate competitive challenges by spreading risks and leveraging opportunities in various industries.

This allows us to reduce dependency on the performance of any one particular business segment.

Embracing Technology and Innovation

The Company continues to leverage and invests in technology across its business operations, focusing on enhancing customer experience, increasing efficiencies to adapt and thrive in an increasingly digital environment.

Sustainability as a New Growth Area

By placing a strong emphasis on environmentally and socially responsible practices, the Company not only contributes to a better world but also strategically positions ourselves for long-term growth, market relevance, and resilience in an increasingly conscious marketplace.

Strategic Review Market and Strategic Growth Drivers

These 4 growth drivers represent a forward-looking strategy that encompasses both short-term recovery and long-term sustainable growth to propel us into a future defined by resilience, adaptability, and strategic growth.

2023 Initiatives	2024 Priorities	Divisions Involved	Relevant Key Risks and Material Issues
<ul style="list-style-type: none"> Performance driven culture with KPI setting and rewards system Effective procurement for cost efficient raw materials and less dependence on sole-supplier of critical materials Conversion of NGV to biomass technology to reduce energy costs Pass through costs on fuel prices in contract renewal 	<ul style="list-style-type: none"> Strengthen supply chain management to optimise project cost Upskilling and improve talent attraction & retention 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing Transportation Property Development 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR1 KR3 KR5 KR6 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI4
<ul style="list-style-type: none"> Product differentiation through innovation, quality and value-added features Expansion into EPCC of small hydro power plant Developed 5 new specialty gloves Secured extension contract for workers' transportation 	<ul style="list-style-type: none"> Constant look-out for new business opportunities to utilize surplus cash in hand Identify strategic collaborations to diversify risks 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing Technology Property Development 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR2 KR3 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI3 MI4
<ul style="list-style-type: none"> Development of Employee Mobile App as part of enhancement of Senstrac integrated human resource and transport tracking solution Identified Mann Hummel as MBR Strategic Partner 100% geo-tagging of critical active equipment Invested in auto-pelleting & auto-pouching machine to seal pouches, resulting in 8x increase in efficiency compared to manual labour 	<ul style="list-style-type: none"> Continue to identify opportunities for optimization and automation for improved customer experience, increased productivity and protection of assets 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing Technology Transportation Renewable Energy 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR8 KR11 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI4
<ul style="list-style-type: none"> Selected as Solar Power Producer under Corporate Green Power Programme (“CGPP”) Sealed long term Solar Power Purchase Agreement with HeveaBoard Berhad Installation of newly converted biomass boiler with efficient burning furnace and scrubber at our Healthcare facility Set short, medium and long-term environmental targets for each business unit 	<ul style="list-style-type: none"> Enhance the business model and broaden the solar PV system portfolio by engaging in joint ventures and partnerships Identify strategic partners to strengthen capabilities and build resilience Continue to embed culture of sustainability within business operations and keep abreast with industry development 	<ul style="list-style-type: none"> Transportation Renewable Energy 	<p>Key Risks:</p> <ul style="list-style-type: none"> KR10 <p>Material Issues:</p> <ul style="list-style-type: none"> MI1 MI4 MI8 MI9

Strategic Review

Stakeholder Engagement

Effective stakeholder engagement enhances the Group’s value creation process as it provides diverse perspectives for comprehensive decision-making. By engaging with both our internal and external stakeholders through various communication platforms/channels, we aim to build trust through transparency, identify risks and opportunities, foster innovation through collaborative ideas, resolve conflicts whilst ensuring compliance and supporting a sustainable and responsible business practice.

During the year under review, we have reached out to our stakeholders through our 3rd Materiality Survey & Assessment. The following table summarizes our stakeholders’ key priorities and concerns, our responses and strategies to address their expectations, and engagement approaches.

Our stakeholder engagement details:

Clients



Clients are at the heart of our business. By consistently delivering exceptional experiences and resolving issues efficiently, we aim to solidify trust, foster long-term partnerships, and ultimately drive mutual success.

Linkage to: **B** **MI1** **MI2** **MI4**





Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Top-quality products/ services Projects completed on time and within budget Page 55	<ul style="list-style-type: none"> Efficient project management to ensure deliverables within budget and timeline Obtaining clients’ feedback on our product quality and services and implementing improvements based on their input 	Regular & efficient project meetings Client Satisfaction Survey	As needed Annually	<ul style="list-style-type: none"> Building trust and positive partnerships Superior quality of services/products
Innovative solutions Page 58	<ul style="list-style-type: none"> Identification of new strategic technology partners Work with institutions of higher learning to identify and develop relevant technologies Attend seminars to keep abreast on new technologies 	Strategic partnerships on technology & innovative products & solutions Research and Development	As needed Throughout the year	<ul style="list-style-type: none"> Strong brand positioning
Ethical business practices Page 59	<ul style="list-style-type: none"> Establishment of ABAC policy Compliance with laws and regulations 	Briefings and training Whistleblowing channel	Throughout the year As needed	<ul style="list-style-type: none"> Building trust & transparency

Employees



Employees are the Company greatest assets and we aim to ensure an inclusive, safe, and supportive workplace which prioritizes their well-being to enhance productivity and ultimately creating sustainable value to achieve our Vision & Mission.

Linkage to:  **G** **H** **MI2** **MI5** **MI7** **MI11**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Workplace health and safety  Page 62	<ul style="list-style-type: none"> Establishment of the Quality, Safety, Health and Environment Policy Proactive measures implemented to prevent incidents, minimize risks and raise awareness on Group-wide basis 	Toolbox briefing	Weekly	<ul style="list-style-type: none"> Safe, healthy and conducive working environment Reduction of incidents and/or accidents Improved knowledge/awareness of safety and health matters
		Safety, Health and Environment (“SHE”) Committee meeting	Quarterly	
		Training/briefing/awareness session	Throughout the year	
		Safety & Health campaign	Annually	
Learning and development  Page 66	<ul style="list-style-type: none"> Provision of technical skills-based trainings, soft skills, leadership development workshop/seminars, certifications for continuous education 	Training/briefing/workshops opportunities	Throughout the year	<ul style="list-style-type: none"> Provide opportunities for personal development
Remuneration and benefits  Page 64	<ul style="list-style-type: none"> Establishment of a transparent job performance review process Obtaining feedback from employees Regular review of employee benefits to ensure in line with market offerings 	Employee performance review	Annually	<ul style="list-style-type: none"> Respectful, diverse and inclusive workplace Talent attraction & retention
		Employee Satisfaction Survey	Bi-annually	
		Employee well-being benefits	Throughout the year	
Fair labour practices  Page 69	<ul style="list-style-type: none"> Establishment and communication of Code of Ethics and Conduct (“COEC”), Human Rights Policy and Anti-Sexual Harassment Policy Establishment and communication of grievance mechanism for any work-related issues 	Onboarding session for new joiners	As needed	<ul style="list-style-type: none"> Harmonious, non-discriminatory and conducive working environment Talent attraction
		Employee Handbook	Throughout the year	

Strategic Review Stakeholder Engagement

Business Partners/Associate Partners



We foster good relationships with our business partners/associate partners to leverage on each other's expertise and accomplish common business goals.

Linkage to: **B** **G** **MI1**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Long-term business relationship Page 54	<ul style="list-style-type: none"> Business strategy planning Regular project updates 	Strategic business plan meeting	Annually	<ul style="list-style-type: none"> Alignment of business objectives/inspiration Timely delivery of projects
		Financial & non-financial (ESG) updates meeting	Quarterly	

Regulators/Government Authorities



Working hand in hand with Regulators/Government Authorities is essential for the Company to operate ethically, competitively, and sustainably whilst contributing to healthy economic growth and the community.


Linkage to: **B** **G** **MI1** **MI2** **MI5** **MI8** **MI11**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Compliance with statutory duties and responsibilities, regulatory frameworks Page 59	<ul style="list-style-type: none"> Robust internal controls and monitoring systems via policies such as ISO standards, COEC & ABAC Keep abreast with the latest changes through active engagement with authorities 	Compliance audit & reports	Annually	<ul style="list-style-type: none"> Contribute towards nation building Avoidance of fines and penalties
		Trainings, networking and engagement sessions through forums, weBinars and conferences	As needed	

Bankers/Investors

Our business sustainability is supported by our bankers/investors who help the Company grow its business and maintain its presence within the market.

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

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Long term growth and business prospects Sustainability performance  Page 50	<ul style="list-style-type: none"> Sharing the Company’s performance, business and strategies Update on key business developments, corporate initiatives 	Annual General Meeting Salcon Website and Investor Relations webpage Press releases/company announcements on Bursa website	Annually As needed As needed	<ul style="list-style-type: none"> Open & transparent sharing of information Build trust and positive relations

Suppliers/Sub-contractors

Suppliers/sub-contractors form a critical component of the Company’s business operations. As such, creating an environment that encourages mutual growth and success is important for us to build stronger, more sustainable and collaborative relationships.

Linkage to:  **B** **S** **MI1** **MI2** **MI3** **MI4** **MI11**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Long-term business relationship Fair and transparent tender processes Timely response and payments  Page 57	<ul style="list-style-type: none"> Provide fair opportunities to suppliers/sub-contractors Establishment of tender and procurement procedures through ISO Quality Management system Monitoring of suppliers/sub-contractors performance 	Tender advertisement ISO9001 Quality Management Procurement procedures Suppliers/sub-contractors performance reviews	As needed Throughout the year Annually	<ul style="list-style-type: none"> Business growth of suppliers/sub-contractors Fair & timely payment
ESG risks & opportunities (Human rights, environmental compliance, safety & health)  Page 57	<ul style="list-style-type: none"> Committing to our Statement of Policies and Business Ethics (“SPBE”) Monitoring of human rights, environmental & safety and health violations Inclusion of social compliance criteria into the suppliers/sub-contractors selection and performance criteria. 	Safety, health and environmental audit/ inspection Group internal audit inspection SPBE	Quarterly Annually	<ul style="list-style-type: none"> Avoidance of non-compliance with safety, health and environmental laws and regulations

Strategic Review Stakeholder Engagement

Industry Associations

The Company fosters good relationships with its industry peers through participation in the industry associations. Participation is crucial to ensure the Company is updated with the latest industry requirements and directions and to build synergized efforts for the betterment of the industry.

Linkage to:   **B** **M1** **M14**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
<p>Sharing of best practices for the industry's growth</p> <p>Collaborative efforts among industry players to drive the national agenda</p>	<ul style="list-style-type: none"> Active participation in the activities organized by the industry associations Regular engagement with industry peers 	Industry conferences, exhibitions, workshops, webinars and dialogues	As needed	<ul style="list-style-type: none"> Strong relationships among industry peers Improved knowledge Enhanced business practices

 Page 56

Media

Engaging with our stakeholders through various media channels allows for effective communication, collaboration, and relationship-building whilst fostering transparency and trust.

Linkage to:      **B** **E** **S** **M1** **M8** **M10**

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
<p>Sharing of timely & accurate information ESG contributions</p>	<ul style="list-style-type: none"> Sharing of the Company's key corporate developments and contribution to the local community and environmental programs 	<p>Press release</p> <hr/> <p>Social media i.e. Salcon Facebook & LinkedIn</p>	<p>As needed</p> <hr/> <p>As needed</p>	<ul style="list-style-type: none"> Strong brand positioning and reputation

Non-governmental organizations (“NGOs”) and Community



The Company works hand-in-hand with various NGOs on social and environmental initiatives in community development projects and causes which are aligned to our values and goals of “Transforming lives for the better”.

Linkage to:

Priorities & Concerns	Our Responses	Engagement Approach	Frequency	Value Created
Environmental impacts Page 84	<ul style="list-style-type: none"> • Collaboration with NGO, Water Watch Penang to organize environmental awareness programs 	Environmental programs	As needed	<ul style="list-style-type: none"> • Positive & long-term partnership for environmental conservation
Contribution to vulnerable communities Page 85	<ul style="list-style-type: none"> • Financial and non-financial assistance to vulnerable communities 	Corporate social responsibility programs	As needed	<ul style="list-style-type: none"> • Enhance living standards of underprivileged communities
Socio economic development Page 86	<ul style="list-style-type: none"> • Offering internship opportunities & local employment 	Protégé programme & local employment	As needed	<ul style="list-style-type: none"> • Contribute to socioeconomic development of communities

Strategic Review

Materiality Assessment

In FY2023, the Group undertook its 3rd Materiality Survey & Assessment, having conducted its previous surveys in 2017 & 2020 respectively. The Materiality Survey is conducted every 3 years with a broad stakeholder audience, to ensure that the Group stays up-to-date on emerging trends and evolving stakeholder expectations.

During the year under review, we engaged with our stakeholder groups via an online survey to identify and gauge the material issues that should be prioritized and received more than 180 responses from both internal (Board of Directors, senior management team, employees) and external stakeholders (clients, business partners, bankers, suppliers/sub-contractors, regulators/government authorities, industry associations, media and non-governmental organizations).

The materiality assessment process is guided by the Bursa Malaysia Sustainability Guide & Toolkits (3rd Edition), GRI Framework, <IR> Framework and SASB materiality map.

1. Review & identification of material issues

- Material issues were reviewed taking into account factors such as macroeconomic trends, issues which impact the Company's long-term value and ESG risks & opportunities.
- The list of material issues (11) and their categorization according to the Company's 5 focus areas have been maintained from the previous year as they remain relevant to the business and stakeholders.

2. Prioritization of material issues

- Through an online survey, external and internal stakeholders ranked the material issues deemed significant to them while the Salcon senior management team assessed the impact of the material issues to the Company's business.
- Input from the survey was then consolidated and ranked through a scoring methodology to weigh and prioritize input from the various stakeholders.
- The Sustainability Working Group ("SWG") met to review the results of the survey to ensure that the Group's material issues were relevant and reflective of our stakeholder's priorities and aspirations. This is to ensure that resources are directed toward addressing the most significant ESG issues and maximizing the impact of our sustainability initiatives.

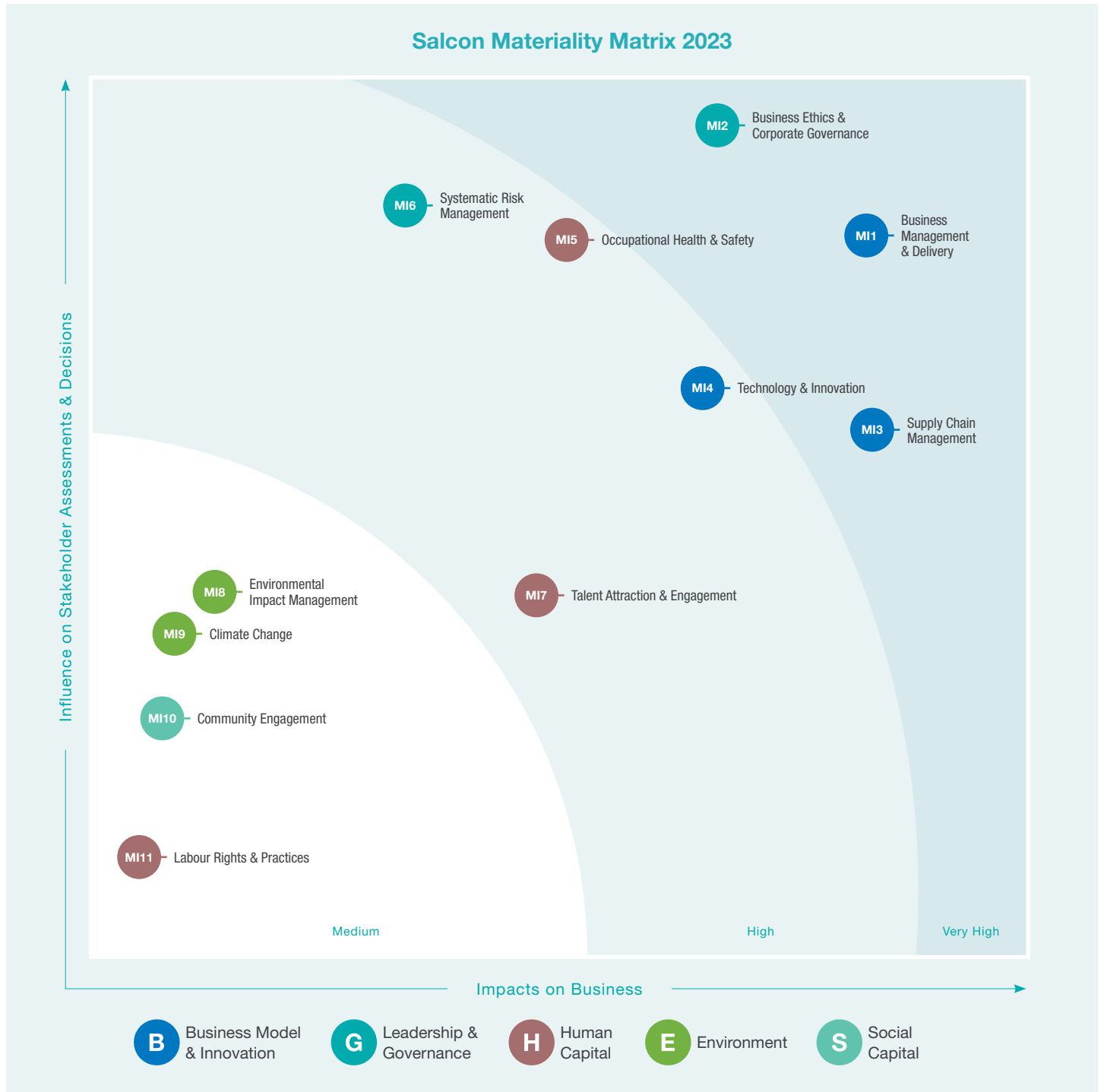
3. Validation & approval by the Sustainability Committee ("SC") & Board of Directors ("BOD")

- The outcome of the review and results of the materiality assessment was then presented to the SC & BOD for approval.













Strategic Review Materiality Assessment

Materiality Matrix & Analysis
















The Company's 11 key material issues are grouped in 5 focus areas: Business Model & Innovation, Leadership & Governance, Human Capital, Environment and Social Capital.



Strategic Review Materiality Assessment

Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
B Business Model & Innovation In alignment with: UNGC Principle 9 					
<p>MI1 Business Management and Delivery</p> <p>Business Management and Delivery encompass business planning, financial management, and project delivery. These key concerns drive the Company's value, branding and market positioning.</p>	<p>Maintained from the previous year.</p>	<p>KR1 Financial Risk</p> <p>KR2 Hypercompetitive Market Risk</p> <p>KR3 Geopolitical Risk</p> <p>KR5 Project Management & Construction Risk</p>	<p> Clients</p> <p> Regulators/ Government Authorities</p>	<ul style="list-style-type: none"> Efficient project management to ensure deliverables are within budget and timeline <p> Pages 54 to 56</p>	<ul style="list-style-type: none"> Client satisfaction score
<p>MI3 Supply Chain Management</p> <p>Suppliers, sub-contractors and business partners are the backbone of ensuring the timely and effective delivery of projects and ensuring an ethical and sustainable business operation.</p>	<p>Ranking moved up by one rank with the increasing awareness on the importance of ESG practices by business partners.</p>	<p>KR5 Project Management & Construction Risk</p> <p>KR6 Supply Chain Risk</p>	<p> Suppliers/ Sub- contractors</p> <p> Business Partners</p>	<ul style="list-style-type: none"> Fair and transparent selection processes Regular engagement with suppliers/ sub-contractors and business partners to address ESG risks and expand opportunities <p> Pages 57 to 58</p>	<ul style="list-style-type: none"> Suppliers and Sub-contractors performance score
<p>MI4 Technology & Innovation</p> <p>As Malaysia enters the post pandemic phase, technology and innovation have largely influenced how businesses are conducted. Salcon leverages the use of technology and innovation to increase efficiency and productivity and to build competitive advantage within the industry.</p>	<p>Moved down one rank but remains a material issue with high importance for stakeholders.</p>	<p>KR11 Technological Risk</p>	<p> Suppliers/ Sub- contractors</p> <p> Business Partners</p> <p> Clients</p> <p> Employees</p>	<ul style="list-style-type: none"> Identify strategic opportunities to collaborate with industry leaders or technology service providers <p> Page 58</p>	<ul style="list-style-type: none"> Number of collaboration projects to improve technology and innovation adoption

Strategic Review Materiality Assessment

Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
G Leadership & Governance In alignment with: UNGC Principle 10   					
<p>MI2 Business Ethics and Corporate Governance</p> <p>Good corporate governance practices and high standards of ethical business conduct fosters trust and credibility with our stakeholders and contributes to the Company's sustainability and value creation.</p>	<p>Ranking moved up by three ranks, reflecting the increasing need for ethical business conduct and good corporate governance practices.</p>	<p>KR4 Regulatory Risk</p> <p>KR9 Integrity Risk</p>	<p> Shareholders/ Investors</p> <p> Regulators/ Government Authorities</p> <p> Suppliers/ Sub- contractors</p> <p> Business Partners</p> <p> Clients</p> <p> Employees</p>	<ul style="list-style-type: none"> • Clear policies & practices in place to guide ethical business conduct • Annual review of enterprise risks • Appointment of Integrity Governance Champions <p> Page 60</p>	<ul style="list-style-type: none"> • Fines or non-monetary sanctions for non-compliance with laws and regulations • Percentage of new employees and suppliers/sub-contractors communicated about the Company's policies
<p>MI6 Systematic Risk Management</p> <p>Risk management is crucial for the Company to minimize disruption to our businesses by mitigating potential impacts from the risks and identifying any opportunities.</p>	<p>Moved down by four ranks. This material issue remains a high concern for the business and stakeholders.</p>	<p>KR4 Regulatory Risk</p> <p>KR10 Sustainability Risk</p>	<p> Shareholders/ Investors</p> <p> Suppliers/ Sub- contractors</p> <p> Regulators/ Government Authorities</p> <p> Clients</p>	<ul style="list-style-type: none"> • Group Enterprise Risk Management Framework in place and regularly assessed to guide the risk management practices in the Company • Annual review of enterprise risks <p> Page 60</p>	<ul style="list-style-type: none"> • Annual performance review on enterprise risks

About This Report

Group Overview

Management Discussion & Analysis










Creating Sustainable Value

Governance














Financial Statements

Other Information

Strategic Review Materiality Assessment

Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
H Human Capital In alignment with: UNGC Principle 1, 2, 3, 4, 5, 6 <div style="text-align: right; font-size: small;">       </div>					
<p>MI5 Occupational Health and Safety</p> <p>Our top priority is the safety and health of our employees, suppliers and sub-contractors. A safe working environment is important to ensure optimum work productivity.</p>	<p>Ranking moved up by one rank in alignment with the Company's continuous commitment for the safety of all its stakeholders.</p>	<p>KR7 Health, Safety, Security and Environmental Risk</p>	<p>Employees</p> <p>Suppliers/ Sub-contractors</p> <p>Regulators/ Government Authorities</p>	<ul style="list-style-type: none"> Ongoing safety and health programs to promote safe working culture <p> Pages 62 to 64</p>	<ul style="list-style-type: none"> Lost Time Injury ("LTI") Percentage completion of safety and health training
<p>MI7 Talent Attraction and Engagement</p> <p>Talent attraction and engagement include good corporate culture, attractive remuneration packages, learning opportunities, career development, equal opportunities and a conducive and engaging working environment.</p>	<p>Ranking was maintained from the previous year.</p>	<p>KR8 Human Capital Risk</p>	<p>Employees</p>	<ul style="list-style-type: none"> Equal opportunity and non-discriminatory recruitment and rewards Provision of personal development courses and technical training for employees <p> Pages 64 to 69</p>	<ul style="list-style-type: none"> Training hours Turnover rate Percentage of employee participation in the Company's activities Percentage of female employees in managerial positions and within the Board
<p>MI11 Labour Rights and Practices</p> <p>Fair labour practices empower workers and fosters a positive work environment.</p>	<p>Ranking moved down by one rank with strengthened controls in place to ensure compliance with labour acts and regulations.</p>	<p>KR8 Human Capital Risk</p>	<p>Employees</p> <p>Suppliers/ Sub-contractors</p>	<ul style="list-style-type: none"> Clear policies to guide and maintain fair labour practices <p> Page 69</p>	<ul style="list-style-type: none"> Non-compliance with the Employment Act and Labour Law

Strategic Review Materiality Assessment

Material Issues	Change Analysis	Relevant Key Risks	Stakeholders Involved	How We Address the Issue	Key Performance Indicators
E Environment In alignment with: UNGC Principle 7, 8, 9 					
MI8 Environmental Impact Management Managing the Company's environmental impacts through close monitoring, preventative and remedial actions ensures that natural resources are used efficiently and responsibly.	Ranking maintained from the previous year.	KR7 Health, Safety, Security and Environmental Risk	 Regulators/ Government Authorities  Non- governmental Organisations  Suppliers/ Sub- contractors  Local Community	<ul style="list-style-type: none"> Track, monitor and manage use of resources such as energy and water Track, monitor and manage amount of waste generated Pollution control and management  Pages 70 to 76	<ul style="list-style-type: none"> Energy consumption intensity Water consumption intensity Compliance with environmental laws and regulations
MI9 Climate Change Climate change leads to business disruptions. Hence, climate risk assessment, adaptation and mitigation strategies are crucial to prepare the Company to face the impact of climate change.	Ranking was maintained from the previous year.	KR10 Sustainability Risk	 Regulators/ Government Authorities  Business Partners  Clients	<ul style="list-style-type: none"> Track and monitor carbon footprint and implement initiatives to reduce GHG emissions  Pages 76 to 82	<ul style="list-style-type: none"> GHG emission intensity
S Social Capital In alignment with: UNGC Principle 1 					
MI10 Community Engagement The local community where the Company operates supports the growth of the Company. As a responsible organization, the Company supports local community development by improving the quality of life through education, financial support, and provision of job opportunities.	Ranking moved up by one rank. This aligns with the Company's commitment to support underprivileged communities.	KR10 Sustainability Risk	 Local Community	<ul style="list-style-type: none"> Engagement programs with the local community through three main pillars of Education, Environment and Community Charitable giving  Pages 83 to 86	<ul style="list-style-type: none"> Number of engagement programs conducted Number of beneficiaries

Strategic Review

Key Risks & Mitigations

In line with the ISO 31000:2018, Salcon adopts an Enterprise Risk Management Process that is designed to achieve its strategic objective and value-creation opportunities to the Group. The Board, through its Audit and Risk Management Committee (“ARMC”) has undertaken various initiatives to strengthen and enhance risk management process across the Group and at the business unit level.

The ARMC has identified Salcon’s key business risks that may impact of the Group’s ability to achieve its strategic objective. The ARMC is further supported by the Senior Management via Risk Management Working Group (“RMWG”) in ensuring that these risks are monitored and managed within the Group’s acceptable risk appetite and tolerance level.

Details of the risk management framework, internal control system and activities carried out, are presented in the Statement of Risk Management and Internal Control (“SORMIC”) on page 107 of this Annual Report.

The identified common key risks to the Group and mitigation measures are as below:

Financial Risk			KR1
Target Risk Rating: Low	Related Material Matters : MI1 MI6		
Description	Mitigation Measures	Potential Impact on Value	
Credit risk exposure to external counter-parties, cash flow liquidity, fluctuations in foreign exchange rates, interest rates, and etc.	Corporate Finance constantly monitor and report the Group’s gearing positions and fluctuations of foreign exchange to the Board KR Committee to ensure that debts and foreign exchange fluctuations are within the Group’s threshold levels. The Group’s risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risks are explained in the financial statements on pages 186 to 198.	<ol style="list-style-type: none"> 1. High interest expense. 2. High cost of purchase/expenses. 3. Higher financing costs. 4. Affects overall viability and profitability of Projects. 5. Affects the financial forecast/projections. 	

Hypercompetitive Market Risk			KR2
Target Risk Rating: Medium	Related Material Matters : MI1 MI2 MI7		
Description	Mitigation Measures	Potential Impact on Value	
Occurs when there are competitors evolve, respond and innovate so quickly that any competitive advantage an organisation establishes cannot be sustained in terms of products, services, process and business models.	Stay informed about industry trends, customer preferences, and competitor activities through market research.	<ol style="list-style-type: none"> 1. Reduced profit margins and financial stability to gain market share via competitive price. 2. Financial instability with higher costs incurred by constant investment in marketing and technology and talent. 3. Financial instability due inability to meet annual sales budget with fixed overhead costs. 	
	Explore new products, services or markets to reduce dependence on single source of revenue.		
	Attract and retain skilled personnel to ensure company remains competitive through expertise.		

Strategic Review Key Risks & Mitigations

About This Report

Group Overview

Management
Discussion & Analysis

Creating
Sustainable Value

Governance

Financial Statements

Other Information

Geopolitical Risk

KR3

Target Risk Rating: **Low**

Related Material Matters : **MI2**

Description	Mitigation Measures	Potential Impact on Value
Changes in political, economic geography on politics, national power and foreign policy affecting Salcon's investments.	Obtain political risk insurance coverage to protect against potential losses due to political events such as expropriation, currency inconvertibility, or contract repudiation.	<ol style="list-style-type: none"> 1. Market volatility in financial markets that lead to rapid and unpredictable price movements in stocks, company investment and currencies. 2. Political instability erode investor sentiment and confidence that affects overall viability of future projects. 3. Adjustment of interest rate decisions from central bank policies that lead to higher costs that impact borrowing costs and investment decisions. 4. Affects the financial forecast/projections.
	Conduct thorough political and country risk analysis to assess the political landscape, stability, and potential risks associated with specific regions or countries.	

Regulatory Risk

KR4

Target Risk Rating: **Medium**

Related Material Matters : **MI1 MI6**

Description	Mitigation Measures	Potential Impact on Value
Unintentionally or intentionally to comply/non-compliance with regulatory requirements imposed by statutory and other regulatory bodies (local and overseas).	Regularly monitor compliance with laws, regulations, and internal policies. Implement enforcement mechanisms and disciplinary actions for non-compliance, ensuring consistency in addressing violations and promoting accountability.	<ol style="list-style-type: none"> 1. Additional cost incurred due to non-compliances. 2. Stop work order by regulator may lead to delay in project completion, idling cost and exposure to Liquidated Ascertained Damages ("LAD"). 3. Financial costs from remediation, possible litigations, fines or loss compensation. 4. Reputational damage affects ability to attract future capital from bank and investors.

Strategic Review

Key Risks & Mitigations

Project Management and Construction Risk

KR5

Target Risk Rating: **High**Related Material Matters : **MI1** **MI6**

Description	Mitigation Measures	Potential Impact on Value
Project delays, projects are not within the expected quality, cost overruns, inaccurate method of technology deployment and contractual disputes.	Proper selection of sub-contractors, suppliers, consultants, and etc.	<ol style="list-style-type: none"> 1. Delay in project handover and exposure to Liquidated Ascertained Damages ("LAD"). 2. Delays in finalising documentation for contractual claims reduces cash flow and profitability. 3. Wasted budget allocation to rectify issues on resources. 4. Inability to meet customer satisfaction and may exposure to lose of potential business opportunities. 5. Potential legal suits from creditors/customers, resulting in reputational risks.
	Form Project Management Team to oversee and closely monitor on the project progress.	
	Conduct periodic operation reviews to ensure the compliance of procedures on process control, inspection and testing, project implementation, and others.	
	Strengthened in-house training measures to improve Project Management Team capabilities.	
	Innovate and develop strategies that enhance operational efficiency and cost optimisation.	

Supply Chain Risk

KR6

Target Risk Rating: **Low**Related Material Matters : **MI1** **MI3** **MI4**

Description	Mitigation Measures	Potential Impact on Value
Risk of unethical business practices/compliances through the supply chain management and processes.	Active sourcing for alternative materials or suppliers to ensure smooth supply of materials and reduce dependencies.	<ol style="list-style-type: none"> 1. Delay in project completion/product or service delivery, resulting in higher costs than budgeted. 2. Inability to meet customer satisfaction and may expose to lose of potential business opportunities. 3. Loss of competitive advantage.
Risk of supply chain disruption arising from material shortages/global shipment congestion.	New supplier to undergo a pre-qualification process prior to being included in the panel of approved suppliers.	
	Yearly evaluation is conducted on existing suppliers and sub-contractors to assess their performance in areas including service delivery, quality of products and price competitiveness.	

Strategic Review Key Risks & Mitigations

Health, Safety, Security and Environment (HSSE) Risk

KR7

Target Risk Rating: **Medium**

Related Material Matters : **MI2** **MI9**

Description	Mitigation Measures	Potential Impact on Value
Potential threats or dangers that can impact individual well-being, the protection of property and the preservation of the environment.	Well-defined health and safety policies and procedures are in place.	<ol style="list-style-type: none"> 1. Increased operating costs (e.g., higher compliance costs, increased insurance premiums). 2. Increased production costs due to changing input prices (e.g., energy, water) and output requirements (e.g., waste treatment). 3. Change in revenue mix and sources, resulting in decreased revenues. 4. Research and development (“R&D”) expenditures in new and alternative technologies. 5. Significant fines and/or imprisonment from breaching the applicable legal or regulatory requirements. 6. Reputational damage affects ability to attract future capital from bank and investors.
	Constantly raise awareness of health and safety via training.	
	Audits and inspections are conducted periodically to ensure effective implementation and compliance.	
	Pro-actively monitor and update relevant SOPs to be in line with the government’s policies, frequent communication to employees on the development and precautions needed and improve work environment conditions.	
	Provide and enforce the use of appropriate PPE and ensure the usage of PPE are compliance with relevant regulations and standards.	
Develop and regularly practice emergency response plan to ensure a swift and effective response in case of accidents.		

Human Capital Risk

KR8

Target Risk Rating: **Medium**

Related Material Matters : **MI5** **MI11**

Description	Mitigation Measures	Potential Impact on Value
Inability to effectively manage succession planning, attract new talents, retain top talents in competitive market and adequately promote diversity and inclusion.	Competitive salary packages, attractive performance-based rewards and positive working environment.	<ol style="list-style-type: none"> 1. Higher turnover rates and difficulties in attracting and retaining talent, results in increased recruitment and training costs. 2. Decreased productivity and suboptimal performance from lack of skills and inadequate training, impact operations and ultimate the financial results. 3. Operational disruptions due to ineffective staffing process affecting productivity and reduction in profitability. 4. Financial cost from remediation, possible litigation and complaints to Industrial Court.
	Proactive succession and workforce planning to identify skill gaps and talent development needs.	

Strategic Review

Key Risks & Mitigations

Integrity Risk

KR9

Target Risk Rating: LowRelated Material Matters : MI2 MI6

Description	Mitigation Measures	Potential Impact on Value
Inability to manage actions that could facilitate integrity breaches such as conflict of interests, corruptions/briberies, etc; which carries serious consequences for business and employees such as fines, civil penalties, criminal charges, and etc.	Formulate, disseminate, implement and enforce applicable policies/guidelines such as Code of Ethics and Conduct ("COEC"), Anti-Bribery & Anti-Corruption Policy ("ABAC"), Whistleblowing Policy, and etc.	<ol style="list-style-type: none"> 1. Disruption to operations, resulting in loss of sales and cash flow. 2. Significant fines and/or imprisonment from breaching the applicable laws and regulations. 3. Reputation damage to Salcon Group/ Subsidiaries resulting to inability to attract capital from banks and investors.
	Instill employees' education/participation/ understanding of integrity via acknowledgements of COEC, ABAC declarations, and etc.	
	Periodic campaigns to promote, raise and sustain integrity awareness and culture within the Group.	

Sustainability Risk

KR10

Target Risk Rating: HighRelated Material Matters : MI2 MI8 MI9

Description	Mitigation Measures	Potential Impact on Value
Inability to account for and manage uncertain or changing social or environmental events or conditions whereby during its occurrence, may or can cause significant negative impact and conversely, opportunities; on or for the Company.	Periodic campaigns to promote, raise and sustain ESG awareness and culture within the Group, such as recycling campaigns, tree planting exercises, and etc.	<ol style="list-style-type: none"> 1. Disruptions to business operations, resulting in loss of sales and cash flow. 2. Additional time and cost incurred due to inability/delay in re-activation of business activities. 3. Possible legal consequences from breaching environmental laws and regulations. 4. Reputational damage affects ability to attract future capital from bank and investors.
	The Group's Sustainability Committee holds periodic meetings to discuss on sustainability issues; as guided by the Group's Senior Advisor, Dato' Dr. Tan Yew Chong, in advising the Group on matters relating to government policies and for bringing in trade and investment to the country.	

Strategic Review Key Risks & Mitigations

Technological Risk

KR11

Target Risk Rating: **Low**

Related Material Matters : **MI4**

Description	Mitigation Measures	Potential Impact on Value
Technological changes affecting the industry, such as substitution of existing products and services with lower emissions options, unsuccessful investment in new technologies, and cost to transition to lower emission technology.	<p>Develop a comprehensive technology strategy and roadmap aligned with the organization's strategic goals.</p> <p>Identify the impact of risks such as technology obsolescence, compatibility issues, data security, or vendor lock-in and develop contingency plans to address identified risks.</p>	<ol style="list-style-type: none"> 1. Major time and cost investment to stay abreast of the latest advancements in technology development to remain competitive and meet evolving customer expectations. 2. Disruption to operational capability due to breakdown of critical ICT systems and equipment, resulting in loss of profitability and cash flow. 3. Non-compliance to regulatory developments related to technology and leads to fines and legal consequences, affecting financial value. 4. Cybersecurity threats can result in financial losses, regulatory penalties and damage to company's reputation, impacting its financial value.

As based on existing TricorRadar heat map system

	Very Significant
	High
	Medium
	Low

Financial Performance Review

Group CFO's Statement

Dear valued stakeholders,

I present before you the financials for FY2023.

DIVISIONAL FINANCIAL REVIEW

Group Financial Performance

RM'000	2023	2022	Var
REVENUE	154,610	204,109	-24%
LOSS BEFORE TAX	(38,397)	(51,640)	26%
NET LOSS	(36,975)	(41,326)	11%

The Group achieved a total revenue of RM154.6 million in FY2023, compared to RM204.1 million in the preceding financial year, representing a decrease of 24% attributed mainly due to lower completion of projects from Engineering & Constructions Division.

The Group recorded lower loss before tax of RM38.4 million compared to loss before tax of RM51.6 million in the previous year mainly due to RM24.9 million impairment losses on intangible assets and property, plant and equipment.

The Group has reported a lower net loss of RM37.0 million in the current financial year, compared to the net loss of RM41.3 million reported in the previous year mainly due to RM32.8 million losses in the Glove Manufacturing Division in FY2023.

Consolidated Cash Flow Analysis for FY2023

RM'000	2023	2022
Net cash generated from operating activities	2,022	39,096
Net cash generated (used in)/from investing activities	(655)	3,010
Net cash from/(used in) financing activities	15,451	(21,496)
Effects of exchange rate changes	(1,075)	(1,074)
Net increase in cash at year end	16,818	20,599
Cash & bank balances	155,793	140,072

The net cash generated from operating activities has reduced as compared to FY2022. The net cash used in investing activities amounts to RM655,000 for FY2023 is higher compared to cash flow from FY2022, mainly due to the acquisition of other investments in FY2023. Net cash from financing activities amounts to RM15.5 million in FY2023 compared to net cash used in FY2022 of RM21.5 million mainly due to more drawdown of borrowings in FY2023. The cash & bank balance as at FY2023 is 11% higher at RM155.8 million compared to FY2022 at RM140.1 million.

Total Borrowings

RM'000	Borrowing due for repayment in		Total
	<1 year	>1 year	
Total borrowings	42,974	15,360	58,334

The Group has recorded borrowings of RM58.3 million as compared to RM25.5 million for corresponding period in the immediate preceding year. The movement in the borrowings was substantially attributed to more drawdown on borrowings in FY2023.

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

Financial Performance Review Group CFO's Statement

Capital Management

RM'000	2023	2022
Total borrowings	58,334	25,537
Lease liabilities	5,576	1,809
Less: Total cash & bank balances	(155,793)	(140,072)
Net borrowings	(91,883)	(112,726)
Owners' equity and non-controlling interests	396,595	447,630
Net gearing ratio (times)	0.16	0.06

In line with the Group's emphasis in prudent cash flow management, our Group is committed to maintain a healthy balance sheet with low gearing. Being in a net cash position, we are able to repay any short term and long term borrowings. Owner's Equity and Non-Controlling Interest decreased 13% from RM447.6 million in FY2022 to RM396.6 million in FY2023.

Consolidated Financial Position Analysis for FY2023

RM'000	2023	2022	Var
Non-current assets	187,651	200,934	-7%
Current assets	387,929	393,250	-1%
Total assets	575,580	594,184	-3%
Non-current liabilities	36,261	23,728	53%
Current liabilities	142,724	122,826	16%
Total liabilities	178,985	146,554	22%
Owners' equity	389,075	425,031	-8%
Current ratio (times)	2.72	3.20	-15%
Net assets per share attributable to equity holders (RM)	0.38	0.42	-8%

Total assets

The Group's total assets recorded RM575.6 million, decreased by 3% compared to RM594.2 million in FY2022 mainly due to impairment losses on intangible assets and property, plant and equipment attributed by our Glove Manufacturing Division (RM24.9 million) and impairment losses on investment in joint ventures and associates company attributed by our Engineering & Construction Division (RM7.5 million).

Total liabilities

Total liabilities of the Group recorded at RM179.0 million in FY2023, increased by 22% compared to RM146.6 million in FY2022 mainly attributed to the increase in borrowings.

Owners' equity

Owners' equity decreased by 8% to RM389.1 million mainly due to losses in FY2023.

Current ratio

The Group's current ratio, a balance sheet performance measure of the Group's financial liquidity recorded at 2.72 times in FY2023, decreased by 15% compared to 3.20 times in FY2022. The current ratio indicates that the Group has adequate liquidity to cover short-term obligations.

Dividend Payout

FY2022

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

Financial Performance Review Group CFO's Statement

FINANCIAL PERFORMANCE

RM'000	FINANCIAL YEAR ENDED DECEMBER				
	2023	2022	2021	2020	2019
FINANCIAL RESULTS					
Revenue	154,610	204,109	286,893	194,148	191,292
(Loss)/Profit Before Tax	(38,397)	(51,640)	27,478	(8,750)	(7,331)
Net (Loss)/Profit	(36,975)	(41,326)	16,776	(8,057)	(8,967)
KEY INFORMATION OF FINANCIAL POSITION					
Total Cash and Cash Equivalents	155,793	140,072	120,536	142,836	121,344
Total Assets	575,580	594,184	661,260	594,247	574,291
Total Liabilities	178,985	146,554	166,831	126,484	125,066
Total Borrowings	58,334	25,537	39,432	32,065	24,102
Share Capital (No. of Shares) ('000)	1,012,413	1,012,413	1,012,413	1,012,413	847,113
Owners' Equity	389,075	425,031	454,834	445,514	428,236
Total Equity	396,595	447,630	494,429	467,763	449,225
FINANCIAL RATIOS					
Basic Earnings Per Share (sen)	(2.11)	(2.40)	1.19	(0.70)	(1.03)
Share Price at Year End (RM)	0.285	0.230	0.250	0.260	0.245
Price Earnings Ratio (times)	(0.14)	(0.10)	0.21	(0.37)	(0.24)
Return on Owners' Equity (%)	-5.45%	-5.72%	2.63%	-1.36%	-2.02%
Return on Total Assets (%)	-3.68%	-4.09%	1.81%	-1.02%	-1.51%
Dividend Payout to Earning Ratio (%)	-22.84%	-23.00%	31.26%	-106.08%	-88.06%
Net Gearing Ratio (times)	0.16	0.06	0.08	0.07	0.06

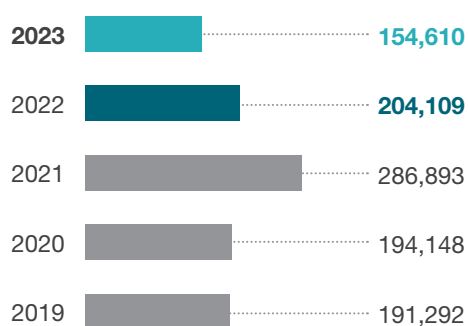
Financial Performance Review Group CFO's Statement

GROUP FINANCIAL HIGHLIGHTS

Revenue (RM'000)

154,610

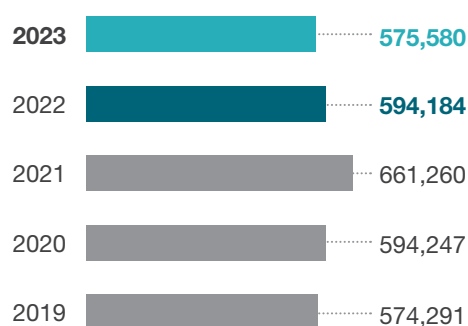
FY2022: 204,109



Total Assets (RM'000)

575,580

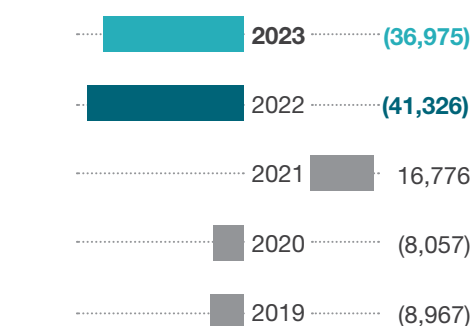
FY2022: 594,184



Net (Loss)/Profit (RM'000)

(36,975)

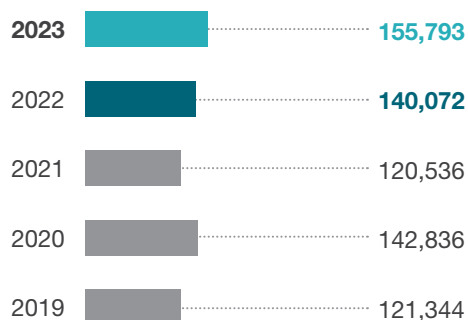
FY2022: (41,326)



Total Cash & Cash Equivalents (RM'000)

155,793

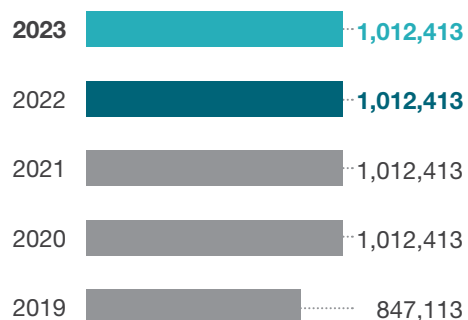
FY2022: 140,072



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

1,012,413

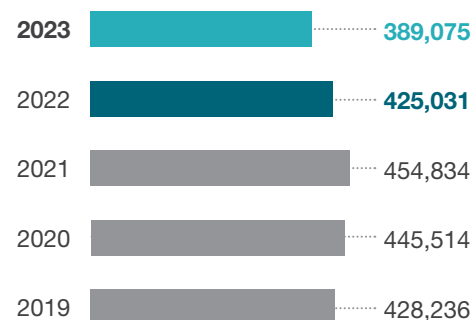
FY2022: 1,012,413



Owners' Equity (RM'000)

389,075

FY2022: 425,031



Financial Performance Review Group CFO's Statement

GROUP SEGMENTAL PERFORMANCE

RM'000	FINANCIAL YEAR ENDED DECEMBER				
	2023	2022	2021	2020	2019
GROUP REVENUE					
Engineering & Construction	102,484	134,762	136,298	153,593	163,456
Property Development	-	-	2,177	23,763	7,773
Trading & Services	13,591	17,080	15,574	16,792	19,181
Glove Manufacturing	38,535	52,267	132,844	-	-
Concessions	-	-	-	-	882
Revenue	154,610	204,109	286,893	194,148	191,292
GROUP (LOSS)/PROFIT BEFORE TAX					
Engineering & Construction	(9,657)	(2,436)	10,056	(3,778)	1,648
Property Development	(2,353)	(2,433)	(2,438)	(4,861)	(3,598)
Trading & Services	6,364	3,688	963	(478)	(7,719)
Glove Manufacturing	(34,545)	(50,708)	18,680	-	-
Concessions	1,794	269	217	367	2,338
(Loss)/Profit Before Tax	(38,397)	(51,640)	27,478	(8,750)	(7,331)
GROUP NET (LOSS)/PROFIT					
Engineering & Construction	(9,084)	(1,832)	7,620	(4,741)	(3)
Property Development	(2,744)	(2,675)	(2,606)	(4,486)	(3,857)
Trading & Services	5,902	3,027	426	(885)	(8,230)
Glove Manufacturing	(32,843)	(40,109)	13,244	-	-
Concessions	1,794	269	217	367	2,341
Discontinued Operations	-	(6)	(2,125)	1,688	782
Net (Loss)/Profit	(36,975)	(41,326)	16,776	(8,057)	(8,967)

Segmental Analysis

Engineering & Construction Division

During the financial year, the Division recorded loss before tax of RM9.7 million as compared to loss before tax of RM2.4 million in the preceding year mainly due to impairment losses of RM7.5 million on investment in joint ventures and associates company in the current financial year.

Glove Manufacturing Division

The Division recorded loss before tax of RM34.5 million as compared to loss before tax of RM50.7 million in the preceding year mainly due to impairment losses of RM26.1 million on intangible assets, property, plant and equipment and right-of-use assets in the current financial year.

Property Development Division

The Division recorded loss before tax of RM2.4 million in the current year cumulative quarter as compared to loss before tax of RM2.4 million in the preceding year mainly due to finance costs incurred in the current financial year.

Financial Performance Review

Group CFO's Statement

Trading & Services Division

Under the Trading and Services Division, revenue recorded RM13.6 million as compared to RM17.1 million in the preceding year. The Division recorded a profit before tax of RM6.4 million as compared to a profit before tax of RM3.7 million in the preceding year mainly due to gain on deregistration of subsidiaries in the current financial year.

STATEMENT OF VALUE ADDED AND DISTRIBUTION

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

RM'000	2023	2022
VALUE ADDED:		
Revenue	154,610	204,109
Purchases of goods & services	158,082	(219,680)
Value added by the Group	(3,417)	(15,571)
Share of profit of associated companies and joint ventures	7,624	4,133
Total value added for distribution	4,152	(11,438)
DISTRIBUTION:		
To employees		
- Salaries & other staff costs	25,361	26,515
To Governments		
- Taxation	(1,422)	(10,320)
To Rakyat		
- Community Investment	65	53
To providers of capital		
- Dividends	4,840	5,594
- Finance cost	3,283	2,673
- Non-controlling interest	(15,782)	(16,996)
Retained for future reinvestment & growth		
- Depreciation and amortization	13,840	10,967
- Retained loss	(26,033)	(29,924)
Total Distributed	4,152	(11,438)
RECONCILIATION :		
Net Loss for the year attributable equity holders	(21,193)	(24,330)
Add: Depreciation and amortization	13,840	10,967
Finance cost	3,283	2,673
Staff costs	25,361	26,515
Community Investment	65	53
Taxation	(1,422)	(10,320)
Non-controlling interest	(15,782)	(16,996)
Total Value Added	4,152	(11,438)

Engineering & Construction Division

About the Division

- The Engineering & Construction Division offers integrated, end-to-end water and wastewater solutions, covering the entire spectrum from design, finance, construction, to the operation and maintenance of water and wastewater treatment plants, management and reduction of non-revenue water (“NRW”), customer service, and providing billing and collection services both in Malaysia and overseas.
- Key subsidiaries driving this division include Salcon Engineering Berhad (“SEB”), responsible for water engineering, and Envitech Sdn Bhd (“Envitech”), overseeing wastewater engineering.



OPERATING ENVIRONMENT	IMPACT	OUR RESPONSE
Demand of water/wastewater infrastructure		
RM1.1 billion has been allocated to resolve water supply issues and RM11.8 billion worth of high-priority flood mitigation projects is expected to be implemented under Budget 2024.	Opportunities remain as water/wastewater infrastructure is essential for growth, security and sustainability.	<ul style="list-style-type: none"> • Leverage on proven track record and technical expertise. • Collaborate with strategic technology partners for new technology innovations/technology upscaling/manpower upskilling.
Riding on hydro energy		
Growing demand for sustainable and clean energy coupled with attractive government incentives under the Net Energy Transition Roadmap (“NETR”).	Opportunities for horizontal expansion and growth.	<ul style="list-style-type: none"> • Leveraging on SEB’s expertise in engineering and project design to plan, design and construct small hydropower facilities.
High material prices here to stay		
Whilst cost of materials such as steel and cement has eased, the price levels have remained greatly elevated compared to pre-pandemic.	Increasing demand for construction will sustain materials and labour pricing.	<ul style="list-style-type: none"> • Effective procurement of critical raw materials and careful selection of suppliers and sub-contractors. • Actively engage with project stakeholders i.e., clients, suppliers/sub-contractors, and consultants to manage costs and practice prudent financial management.
Competition		
Competitive pricing and meeting clients’ quality expectations are two aspects which need to be balanced out.	Requirement for accurate and reliable market intelligence to source out pricing and opportunities.	<ul style="list-style-type: none"> • Enhance business development capability via active participation in networking events. • Identify niche markets as well as opportunities for overseas expansion.

Divisional Operations Review Engineering & Construction Division

Operation Review

During the year under review, the Engineering & Construction Division secured a contract for a 10.44 MW small hydro power plant at the Sungai Selangor Dam in Kuala Kubu Baru, Selangor valued at RM65 million from AIS Small Hydro Sdn Bhd (“AIS Small Hydro”). This is the Company’s first small hydro power plant project, an addition to our overall renewable energy portfolio which also include solar power. The award of the project reflects the strong confidence that AIS Small Hydro has in Salcon and we look forward to further expanding our portfolio of renewable energy projects in the near future.

Besides this, the division has also successfully secured a RM20.66 million sewer reticulation project in Seberang Perai, Penang which was awarded by Jurutera MTC Sdn Bhd for Messrs Eco Horizon Sdn Bhd. In February 2024, the division secured a sewerage contract from Penang Development Corporation (“PDC”) for the design, construction and upgrading of sewer pipelines and related works in Batu Kawan Industrial Park, Penang valued at RM19.68 million.

In FY2023, the division has also successfully completed several major projects as below:

1. Langat 2 Package 15 (4), Pipeworks
 - Completed pipelaying works of DN1,600 @1.36 km and DN1.400 @ 3.7 km MSCL pipes to the existing distribution system in December 2023
2. Sewage Treatment Plant STP2A (Module 3 – 50,000 PE with Ultimate Capacity 200,000 PE) at Mukim Kapar
 - Completed design and build, installation, completion, testing & commissioning of sewage treatment plant



Overview of intake and raw water pumping station at Telibong II WTP

3. Rehabilitation Works of Vacuum Sewerage System at Bandar and Ambang Botanic, Klang, Selangor
 - Completed rehabilitation work which include design, construction, installation, testing & commissioning of vacuum sewerage system

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

Water engineering:

1. Upgrading of Telibong II Water Treatment Plant – Raw Water Intake and Water Treatment Plant Works
 - Physical works and sectionally commissioned raw water intake and water treatment process plant, enabling treated water production and supply from the new plant
 - Status of completion as at Feb 2024: 98%
2. Provision of EPCC for 10.44 MW Small Hydro Power Plant @ Sg. Selangor Dam, Selangor

- EPCC of Civil & Structural Works, Mechanical, Electrical, Instrumentation & SCADA for the development of 10.44 MW Small Hydro Power Plant
- Status of completion as at Feb 2024: 19%

3. Package 3: Design & Build Dewatered Residual Disposal System for Langat 2 WTP
 - Design & build dewatered sludge conveyance system and landfill and 6 months O&M
 - Status of completion as at Feb 2024: 22.5%
4. Customer Call Centre, Monitoring & Maintaining DMZ, Meter Reading and Billing for Sandakan Water Department
 - Operation & maintenance of Customer Call Center, monitoring & maintaining District Meter Zones, meter reading and billing
 - Status of completion as at Feb 2024: 90.8%

Divisional Operations Review Engineering & Construction Division



External Common Gravity Sewer Mains, Jalan Segambut

Wastewater engineering:

1. Proposed External Main Sewer Reticulation Works to STP5 on Lot 21145, Mukim 13, Bandar Cassia, Batu Kawan, Daerah Seberang Perai Selatan, Pulau Pinang
 - Construction of External Main Sewer Reticulation Works
 - Status of completion as at Feb 2024: 23%
2. External Common Gravity Sewer Mains, Jalan Segambut, Kuala Lumpur
 - Construction, inspection, liaison works with authorities, testing & commissioning and handing over of sewerage reticulation
 - Status of completion as at Feb 2024: 87%
3. External Sewerage and Drainage Works, Mukim Kuala Lumpur
 - Construction, inspection, liaison works with authorities, testing & commissioning and handing over of sewerage reticulation
4. Existing STP (GUS116) and M&E Works for NPS (module 2) for Cadangan Pembangunan at Taman Bunga Raya, Mukim Serendah, Selangor
 - Design, build, testing & commissioning and maintenance of existing sewage treatment plants and M&E works for NPS
 - Status of completion as at Feb 2024: 30%
5. Sewer Pipelines and related works at Batu Kawan Industrial Park, Seberang Perai Selatan, Pulau Pinang
 - Design, build and upgrade existing sewer pipelines and related works
 - Status of completion as at Feb 2024: Commenced on 5 February 2024 with general and preliminaries

Outlook

Our current total tendered/pre-qualified projects are valued at RM1.2 billion as at 31 December 2023, for both local and overseas project whilst the outstanding orderbook stands at RM308.3 million, with 61% from the water unit, 18%, 1% and 20% from wastewater, NRW and other units respectively.

Moving forward, the division stands ready to tackle challenges and leverage on opportunities in the water and wastewater industry. With a robust portfolio spanning five decades and a proven track record of completing 1,050 projects, including the design, finance, construction, operation, and maintenance of water and wastewater treatment plants, we are strategically positioned to capitalize on emerging opportunities both within Malaysia and internationally.



Glove Manufacturing Division

About the Division

- The Glove Manufacturing Division is led by JR Engineering & Medical Technologies Sdn Bhd (“JREMT”).
- JREMT specializes in the manufacturing and trading of medical and industrial grade disposable latex, nitrile and polychloroprene gloves. These products cater to diverse market segments such as dental, food, healthcare, industrial, laboratory, spa & beauty.
- JREMT also provides turnkey and consultation services globally since 2001, encompassing plant set up, machinery sourcing, testing and commissioning of production lines.
- JREMT operates a manufacturing plant equipped with 4 production lines.



- About This Report
- Group Overview
- Management Discussion & Analysis
- Creating Sustainable Value
- Governance
- Financial Statements
- Other Information

OPERATING ENVIRONMENT	IMPACT	OUR RESPONSE
Demand for gloves		
The current oversupply of gloves is gradually transitioning into a rationalization and consolidation phase. Demand is expected to rationalize by mid-2024 with consistent order replenishments and improved utilization rates.	Plant utilization rates remain low at 50% in 2023.	<ul style="list-style-type: none"> • Continue to focus on high margin specialty gloves to expand income stream. • Penetrate into new markets by participating in healthcare conferences & exhibitions. • Continue to build branding to expand reach and access to customers through online and social engagement.
Average Selling Price (“ASP”)		
ASP has stabilized to pre-pandemic levels of between USD 20 – 21 per 1,000 pieces and are believed to have bottomed out.	A challenge to raise ASPs due to over-supply situation as customers can easily shift demand to Chinese competitors.	<ul style="list-style-type: none"> • Trademark JREMT brand to protect our brand and reputation.
Production costs remain elevated		
Raw materials, energy and labour costs remain high whilst natural gas prices have moderated.	Unable to fully pass costs through amidst lower ASPs and oversupply situation.	<ul style="list-style-type: none"> • Invested in biomass plant with 16 tonne capacity to reduce energy costs. • Exploring solar system installation utilizing Automation 4.0 & Fund for Automation & Green Technology (“FAGT”) grant provided by Malaysian Rubber Council for the asset funding.
Labour and workforce compliance		
The International Labour Organization (“ILO”) has called for the government to strengthen labour laws to align with international standards.	Ensure regulatory compliance for positive reputation with stakeholders.	<ul style="list-style-type: none"> • Maintain Sedex Members Ethical Trade Audit (“SMETA”) on labour practices, health & safety, environment and business ethics. • Strengthen human rights practices through the establishment of policies and grievance procedures.

Divisional Operations Review Glove Manufacturing Division



Glove manufacturing facility at JREMT

Operation Review

Amid heightened market competition following the post-pandemic period, and slower global post-pandemic demand, the division reported a total production of 124,756,632 million pieces of gloves and successfully introduced 5 new products, catering to diverse market needs and demands. The new products launched in 2023 include Ultra thick Dual Black latex with pink inner, Ultra thick Dual Black latex with green inner, Ultra thick dual brown latex with brown inner, Ultra thick dual black latex with purple inner, Un-lined household latex gloves and 400mm Decontamination dual layered examination gloves.

During the year under review, the division exported its gloves to 16 countries as below:



The division obtained new certifications, including the Good Manufacturing Process (“GMP”) certification and EU Type Examination Certificate (PPE III), which underscores our dedication to upholding the highest standards of quality and compliance in glove manufacturing.

Throughout the year, the division actively participated in prominent exhibitions such as ARAB HEALTH 2023, Chennai Medica 2023, and A+A Germany, among others. These events provided valuable opportunities to showcase our products, interact with potential customers, and strengthen relationships with existing clients.

To enhance energy conservation efforts, the division successfully converted the existing gas to biomass boiler with the approval of JKPP/DOSH. The 16 tonnes biomass plant efficiently generates the required 10 tons of steam, which adequately serves all four production lines, resulting in smoother operations and heightened efficiency.

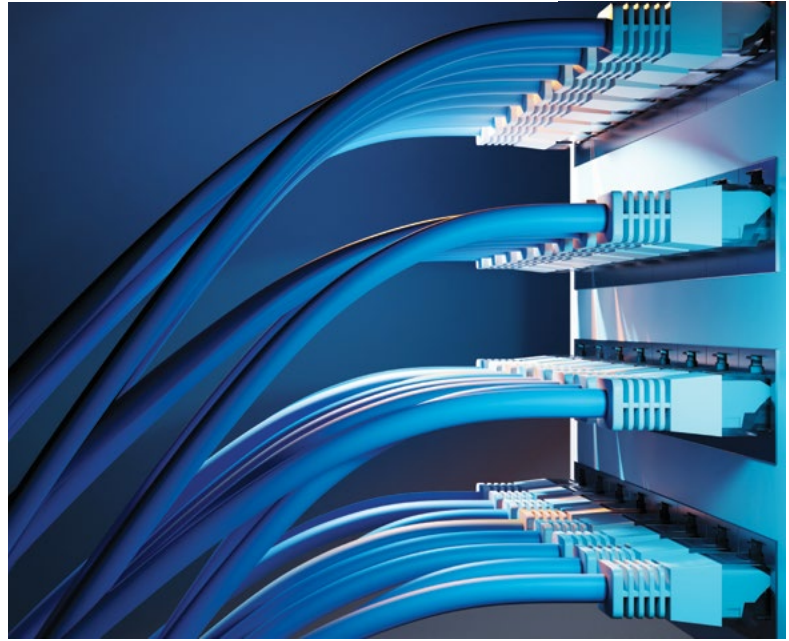
Outlook

The demand-supply dynamics within the rubber glove industry is projected to move closer to equilibrium. As a result, the division holds an optimistic outlook, expecting the oversupply condition in the rubber glove sector to alleviate gradually. The division will aggressively capitalize on opportunities and overcome challenges by adopting a proactive and strategic approach.

Technology Services Division

About the Division

- The Technology Services Division is led by Volksbahn Technologies Sdn Bhd (“VBT”).
- VBT’s network services are available in Klang Valley throughout Prasarana’s Light Rapid Transit (“LRT”), Bus Rapid Transit (“BRT”), and Monorail (“MRL”) corridor from Gombak/ Ampang to Puchong/Putra Heights.
- Manage and operate over 100 mobile sites offering fiber backhaul services to Mobile Network Operators within Prasarana’s corridors.
- Provide Metro Ethernet Services – inter-office connectivity, Enterprise and Wholesale with connectivity to Data Centers in Klang Valley.
- Shared infrastructure access for fixed broadband telecommunication providing leased line, and DAS/IBC for in building coverage.
- 108 km distance of fiber optics network infrastructure in Klang Valley.



OPERATING ENVIRONMENT

IMPACT

OUR RESPONSE

Digital Nasional Berhad (“DNB”) 5G network deployment & Dual Wholesale Network (“DWN”)

DNB 5G network is expected to reach 80% population coverage by 2023. Once this is attained, a second 5G network has been permitted in a move towards a DWN model.

Opportunities to secure additional sites as telcos compete to provide quality 5G services.

- Leverage on VBT’s 108 km fibre optic infrastructure along the LRT, BRT and monorail in Klang Valley.
- Continue to enhance technical and commercial relationships with major telcos to provide fast to market services.

Malaysia’s growing digital economy

Driven by growing demand, substantial investments from cloud service providers and supportive national policies, the digital economy is one of the fastest growing sectors in Malaysia.

Digital infrastructure is fundamental to the digitalization journey.

- Provide robust connectivity and infrastructure to enable industrial innovations, value-added digital activities and productivity improvements.
- Offering dedicated connectivity to data centres for business enterprises.

Regulatory costs & compliance

Adoption of new Mandatory Standard on Access Pricing (“MSAP”) which took effect on 1st March 2023.

Lower broadband prices expected across the board.

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

Competition

Competition from other network facilities providers and network service providers.

Competitive pricing and the need to differentiate VBT’s services.

- Operate in cost-efficient manner to counter price erosion.
- Offering seamless connectivity and a scalable network design, to match businesses evolving needs.
- Improve network backup and redundancy to reduce incidents of service interruption.

Divisional Operations Review Technology Services Division

Operation Review

During the year under review, VBT successfully delivered 6 new cell sites and upgraded the bandwidth for 24 existing cell sites along the LRT corridor for its clients which include Maxis, CelcomDigi Berhad, TM Technology and Digital Nasional Berhad (“DNB”), resulting in an increase in site rental income and bandwidth charges.

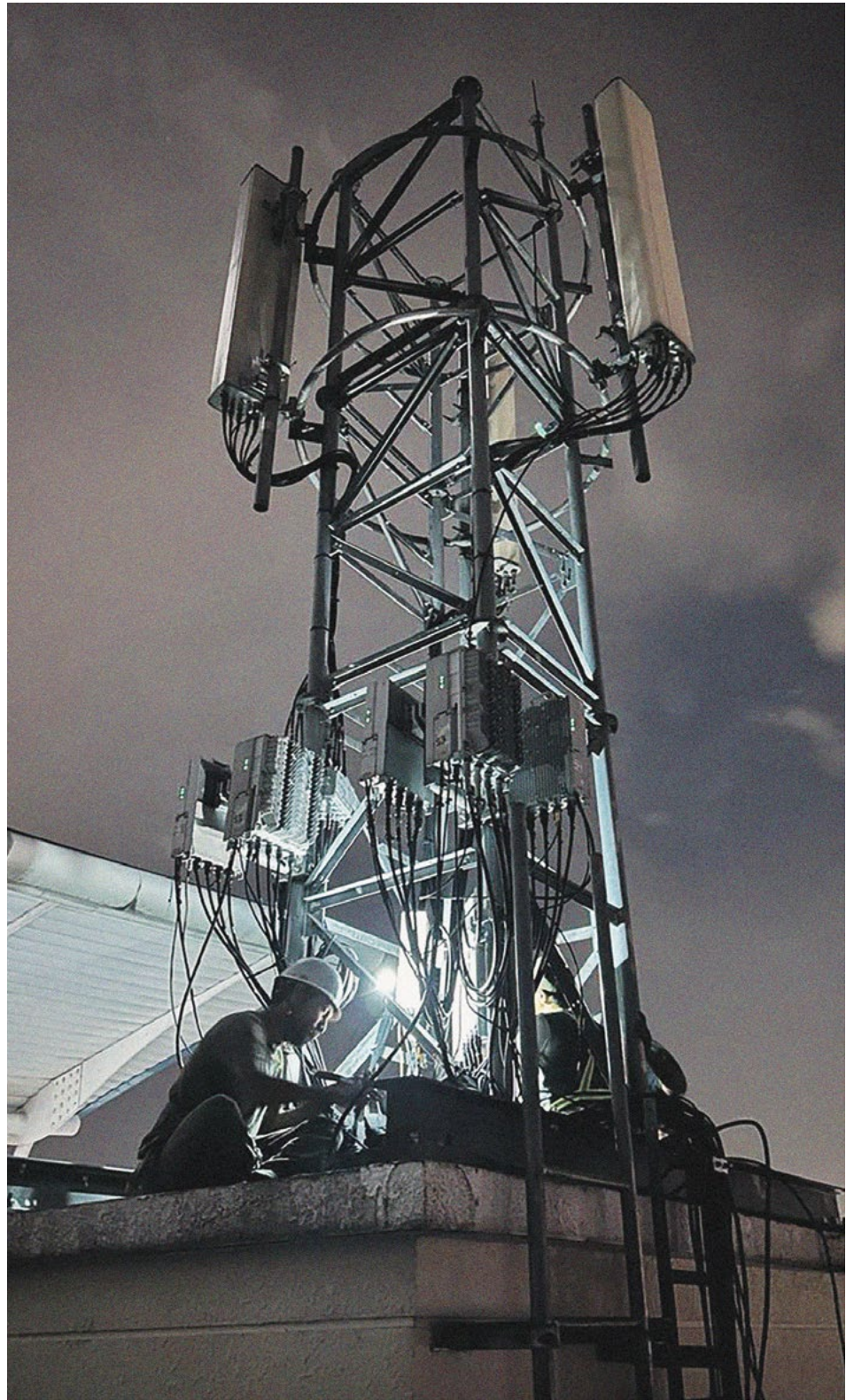
Through its Enterprise Business services, VBT secured contracts from 2 new customers i.e. MN Permai NetCom Sdn Bhd and AIMS Data Centre Sdn Bhd. Together with the existing customers - ViewQwest Digital Sdn Bhd, YTL Communication Sdn Bhd, Excel Commerce Solutions Sdn Bhd, XMT Technologies Sdn Bhd and YTL Broadband Sdn Bhd, VBT has secured 12 new enterprise business sites and successfully delivered 9 sites in FY2023.

Outlook

In view of the growing demand for Over-The-Top (“OTT”) services and the fast-developing data center industry in the Klang Valley, VBT foresees significant business opportunities available in the market. Aside from that, with more open access infrastructure for Broadband Services needed by the service providers for the end-users, VBT anticipate fostering valuable partnerships with the telcos and contributing to the continued development of a robust digital ecosystem.

VBT will continue to focus on the strategic initiatives aimed at expanding and optimizing the metro ethernet services. The division will actively seek opportunities to provide Fixed Broadband Services through collaboration with Service Partners in both greenfield and brownfield areas.

Recognizing the potential beyond the Prasarana Right of Way (“ROW”) corridor, VBT is committed to expanding its services into new geographic areas in near term to cater to a broader customer base and contribute to the overall growth of our operations.



Fiber laying at LRT Taipan



Transportation Division

About the Division

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



OPERATING ENVIRONMENT

IMPACT

OUR RESPONSE

Intelligent transport technologies

Intelligent transportation systems promote ease and efficiency whilst ensuring safety, reliability and on-time performance.

Investing in technology to improve operating and cost efficiencies.

- Enhance ECT’s competitive advantage via the Senstrac Passenger Transport and Tracking System (“Senstrac PTTS”), which facilitates mobility tracking, digital route planning, and automated attendance systems.
- Leverage on Senstrac PTTS for business relationship expansions with other possible MNC clients.

Low Carbon Nation Aspiration 2040

Under the Low Carbon Nation Aspiration 2040, Malaysia aims to grow the electric vehicle market share to 38% by 2040.

Duty and tax exemption incentives under Budget 2024 for EVs.

- Long-term strategy to adopt fuel cell electric vehicles.
- Active engagement with clients on requirements and demand.

Development of the Light Rail Transit (“LRT”) in Penang

Penang LRT Project amounting to RM 10 billion under the Budget 2024, is expected to cause less reliance on private transportation companies.

Reduced demand for employee transportation services.

- Identify opportunities and engage with relevant government bodies to support national development plans.

Competition

Competition from other transportation and logistics service providers, and other modes of transportation.

Growing necessity to distinguish ECT from its competitors and effectively compete with other modes of transportation.

- Accelerate strategies for technology and innovation to compete.
- Identify opportunities to diversify service offerings to differentiate ECT from other competitors.

Divisional Operations Review Transportation Division



The launch of ECT's new fleet

Operation Review

In FY2023, Eco-Coach & Tours (M) Sdn. Bhd.'s ("ECT") operated a fleet consisting of 193 vans, 30 coaches, 25 MPVs, 5 limousine and 18 Tour Buses to cater to its multinational companies' clients such as Intel, Paramit, Analog Device, Kobelco, Celestica and Cruise Royal Caribbean.

ECT successfully launched its new fleet in June 2023 as part of the company's strategic initiative and testament to reliable commuting services for its clients. During the year under review, ECT has also expanded its Senstrac FOCAS Passenger Transport and Tracking System ("Senstrac") to other customers such as Celestica and Kobelco. Senstrac features enhanced safety through AI Dash Camera system, which provides of pictures of incidents at different angles. Notably, zero speeding cases were recorded since the system's installation. As of now, a total of 225 vehicles have been equipped with the Senstrac system.

Under its industrial product logistic unit, Green Fleet Sdn. Bhd. ("GF") operates 9 stainless steel and mild steel bulk tankers for clients in the palm oil and soy oil industries, including Soon Soon Oilmills Sdn. Bhd., PGEO Edible Oils Sdn. Bhd., Lam Soon Edible Oils Sdn. Bhd and United Malayan Bhd.

Outlook

Moving on, the division is committed to enhancing its operational efficiency and effectiveness. This involves improving the procurement system, diversifying parts sourcing and implementing driver's incentives. Besides this, ECT will continue to leverage on digitalization in its transportation services to enable a more efficient and cost saving operational model.



Renewable Energy Division

About the Division

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



OPERATING ENVIRONMENT

IMPACT

OUR RESPONSE

Accelerating shift to RE

Under the National Energy Transition Roadmap (“NETR”), Malaysia aims to increase installed RE capacity from 25% (present) to 70% by 2050.

New business opportunities for RE players.

- Collaboration with Authorities ie the Ministry of Natural Resources and Environmental Sustainability, the Energy Commission (“EC”) and the Sustainable Energy Development Authority (“SEDA”) to support national RE development goals.
- Participation in Green Initiatives ie Corporate Green Power Programme (“CGPP”) and Large Scale Solar (“LSS”).
- Strategic Alliances to implement innovative business models and promote energy-efficient and sustainable solutions to serve business and community’s needs.

Increasing the use of RE in business operations

Corporations committed to achieving the Net Zero target are dedicated to reducing their carbon footprint to mitigate the impacts of climate change.

Increasing demand for deployment of clean and renewable energy.

Increase electricity tariffs

Electricity tariffs have increased steadily over the years due to rising fuel costs for electricity generation.

Increasing demand for sustainable and cost efficient energy options.

- Offer solar-powered energy solutions and tariffs to hedge against future costs and maximise savings.

Falling solar module prices

High inventories and declining polysilicon material costs have continued to drive down solar module prices.

Accelerate the adoption of solar energy systems.

- Continuously monitor and adjust pricing strategies whilst prioritising high-quality, sustainable operations and forging enduring partnerships.

Divisional Operations Review Renewable Energy Division

OPERATING ENVIRONMENT

IMPACT

OUR RESPONSE

Intense Competition

Intense competition driven by rapid technological advancements, market saturation, and aggressive pricing strategies.

Margin compressions and increase the pressure to innovate.

- Collaboration with industry leaders to enhance technical capabilities and explore innovative technologies to improve operating efficiencies, enhance quality, and streamline project delivery.
- Explore opportunities for regional expansion.



Salcon strengthened its collaboration with HeveaBoard by installing a solar PV system on rooftop of HeveaBoard production facilities in Gemas, Negeri Sembilan, Malaysia in 2023

Operation Review

During the year under review, the consortium where the Company has a 70% stake, was selected as a Solar Power Producer (“SPP”) to develop a 7 MW solar photovoltaic plant in Sungai Siput, Kuala Kangsar, Perak under the Corporate Green Power Programme (“CGPP”). This represents a significant milestone for the division as we further establish our presence and expand our portfolio in the renewable energy sector.

The division also strengthened its collaboration with HeveaBoard Berhad (“HeveaBoard”) by installing a solar PV system with a total capacity of 862.5 kW on the rooftops of HeveaBoard’s particleboard production facilities in Gemas, Negeri Sembilan, Malaysia on a build-own-operate basis for a duration of 25 years, with full operation expected in the first half of 2024. This marks the division’s second partnership with the HeveaBoard Group, following the development of 1.48 MW solar PV systems at HeveaPac premises, a subsidiary of HeveaBoard in 2021.

In FY2023, the Company generated a total of 2,806,683 kWh of solar energy including 2,018,306 kWh from rooftop solar PV system in Malaysia and 788,377 kWh in the UK. These efforts contributed to a total CO₂ avoidance of 1,464.31 metric tons for 2023.

Outlook

The achievements and initiatives undertaken by the division in FY2023 have established a strong foundation for continued growth. We aim to further enhance our recurring income stream and portfolio through partnerships with like-minded organisations that share our commitment to reducing carbon emissions and promoting sustainable energy production and utilisation.



Property Development Division

About the Division

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

OPERATING ENVIRONMENT	IMPACT	OUR RESPONSE
The gradual recovery of the property market		
Signs of growth and resilience during FY2023, supported by a favourable economic landscape with growth to moderate to between four per cent and five per cent underpinned by firm domestic demand.	Opportunities to meet an increase in demand for residential and retail space.	<ul style="list-style-type: none"> • Strategic joint venture with Exsim Kebun Teh Sdn Bhd (“EKTSB”) to unlock the value of the land in Johor Bahru and leverage on the expertise, technical know-how, financial strength and sales and marketing capabilities of EKTSB for large-scale property development projects.
Rising borrowing costs and inflationary pressures		
The Monetary Policy Committee raised the Overnight Policy Rate (“OPR”) by 25 basis points to 3.00% in May 2023.	Uneven growth in home prices and housing demand due to varying market forces.	<ul style="list-style-type: none"> • Adopt a cautious stance and identify good market mix for development to meet market demand.
High construction costs to remain		
Whilst the cost of materials such as steel, and reinforced concrete has softened, increasing energy costs and a shortfall of labour is expected to sustain construction costs in the long term.	High construction costs are here to stay.	<ul style="list-style-type: none"> • Integration of construction and automation technologies aimed at diminishing the dependence on unskilled, manual labour. • Seek for new raw material to replace cost.
Competitive landscape		
Overall retail and residential supply has steadily increased over the years, widening the demand-supply gap.	Price competition & margin compression.	<ul style="list-style-type: none"> • Identify collaboration opportunities with strategic partners.

Operation Review

The Group is currently in the midst of planning for the proposed multi phased mixed-use development project in Johor Bahru together with our joint venture partner, Exsim Kebun Teh Sdn Bhd. With the recent positive sentiments in the property market, Salcon hopes to unlock the value of the development land by leveraging on the track record and experience of our partner.

As for the land located in Belfield, the Group foresees high potential in the area with the near completion of the iconic Merdeka 118 tower. The Group will review a suitable development strategy which best fit the needs of the market.

Outlook

Despite the increase in home financing costs, the Group remains optimistic with the positive outlook on Malaysia’s property market in 2024, as the government introduces stamp duty exemptions and discounts for homebuyers.

The Group continues to seek land opportunities that aligns with our vision and objectives whilst navigating its operations with a focus on strategic collaborations and sustainable development.

- About This Report
- Group Overview
- Management Discussion & Analysis
- Creating Sustainable Value
- Governance
- Financial Statements
- Other Information

Sustainability Statement

This Sustainability Statement presents Salcon’s approaches towards managing our Environmental, Social and Governance (“ESG”) impacts as we continue to build a strong foundation to create sustainable value for our stakeholders.

This year, the Company undertook its 3rd Materiality Survey & Assessment involving key inputs from both internal and external stakeholders. Regular surveys ensure that the management has insights into evolving stakeholder expectations, enabling us to make strategic decisions aligned with the Company’s long-term sustainability goals, identify opportunities and to mitigate risks effectively.



Kindly refer to the Materiality section on pages 20 to 25 for assessment methodology and results.

During the year under review, the Company has also taken a step forward by linking both financial and ESG performance to annual remuneration and incentives of each business unit. Moving forward, it is the Company’s intention to cascade down key ESG Key Performance Indicators (“KPIs”) to the senior management level in order to strengthen accountability and embed sustainability across the organization.

In this report, we will share on the Company’s initiatives to support our sustainability agenda and disclose our targets and performance levels to showcase our progress and achievements and promote data and information reporting transparency.

Reporting Period & Cycle:

1 January 2023 to 31 December 2023 (Annually)

Scope & Boundary of Reporting

This Sustainability Statement covers the Company’s sustainability-related performance. Our reporting scope is determined by business segments unless otherwise specified. Throughout the reporting period, there have been no significant changes to our structure, ownership, or supply chain. In addition to Salcon Berhad, the coverage extends to our diversified businesses below:

Business & Company



Water Engineering
Salcon Engineering Berhad
 (“SEB”)

Wastewater Engineering
Envitech Sdn. Bhd. (“Envitech”)



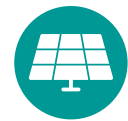
Glove Manufacturing
JR Engineering and Medical
Technologies (M) Sdn. Bhd.
 (“JREMT”)



Technology Services
Volksbahn Technologies
Sdn. Bhd. (“VBT”)



Transportation
Eco-Coach & Tours (M)
Sdn. Bhd. (“ECT”)
Green Fleet Sdn. Bhd.
 (“GF”)



Renewable Energy
Inergist Sdn. Bhd.
 (“Inergist”)

Accessibility

This Sustainability Statement is available in HTML and PDF formats and is accessible at our corporate website at <https://www.salcon.com.my/sustainability/sustainability-statement>.

Feedback

For any concerns or feedback on our sustainability approaches and disclosures in this Sustainability Statement, please contact us at corporate@salcon.com.my.

Sustainability Statement

Sustainability at Salcon

Sustainability is an integral part of our business strategy and the Company's journey is guided by our Sustainability Framework, which comprises five key pillars: Business Model & Innovation, Leadership & Governance, Human Capital, Environment and Social Capital.

This comprehensive framework guides Salcon in managing sustainability risks and opportunities, integrating sustainability into our business strategies, and creating value for our stakeholders. Aligning these pillars to the United Nations Sustainable Development Goals ("SDGs") and the United Nations Global Compact ("UNGC") principles demonstrates Salcon's commitment to contributing to global sustainability efforts.

Awards and Accolades



Salcon bagged the Gold Award in the Relations with Local Communities category at The Star ESG Positive Impact Awards 2022.



Salcon won the Gold award in Asia's Best Integrated Report (SME) category at the 8th Asia Integrated Reporting Awards ("AIRA").






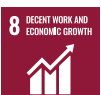




Salcon Sustainability Framework

Mission				
To enrich lives by providing top quality products and services through operational excellence and sustainability				
B Business Model & Innovation	G Leadership & Governance	H Human Capital	E Environment	S Social Capital
Goals				
MI1 MI3 MI4 Delivering innovative products & services through operational excellence	MI2 MI6 Becoming a trusted & reliable working partner	MI5 MI7 MI11 Building a thriving workplace for employees	MI8 MI9 Protecting the environment	MI10 Engaging and uplifting the community
Key SDGs Alignment				
UNGC Alignment				
Principle 9	Principle 10	Principle 1, 2, 3, 4, 5 & 6	Principle 7, 8 & 9	Principle 1
UNGC Alignment				
Pages 54 to 58	Pages 59 to 60	Pages 61 to 69	Pages 70 to 82	Pages 83 to 86

Sustainability Statement

Contribution to the United Nations Sustainable Development Goals (SDGs)

Salcon continuously embeds sustainable practices within its businesses via the implementation of sustainability-related initiatives and programs. The initiatives and programs conducted directly or indirectly contribute to the realization of the SDGs and this is further elaborated below.

SDG	FY2023 Contribution
 <p>1 NO POVERTY</p>	<ul style="list-style-type: none"> • Provision of job opportunities for the local community • 100% local employees • Philanthropic contribution with a total amount of RM147,053 for the underprivileged groups
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> • Certification of ISO 45001 for SEB and JREMT • Annual Safety and Health campaign to elevate employees' awareness level • Provision of medical benefits for employees
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> • 50% of female workforce • Equal Opportunity Employment Opportunity Policy
 <p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> • Awarded project to design and build for dewatered residual disposal system for Langat 2 WTP • Completed project for 120 MLD WTP and its associated facilities for KTU Water Supply • Completed project for raw water intake and WTP works for Telibong II WTP Phase 2 • Collaborated with Water Watch Penang to organize 5 Salcon Smart Water Programmes ("SSWP") to elevate awareness on water conservation among students and teachers
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> • Awarded EPCC project for 10.44 MW small hydropower plant at Sg Selangor Dam • Salcon-KAB Smart Solar Energy consortium selected as one of the Corporate Green Power Program ("CGPP") solar power producers • Installed solar-powered lights for houses at the Kampung Orang Asli Bukit Tunggul, Dengkil
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> • Employed 400 employees • 384 number of suppliers and sub-contractors • 99.6% of local procurement
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> • Annual recycling program among employees with 2715.71 kg of recyclables collected
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> • Reduction in 4.88% of carbon emission • Incorporation of climate risk in the annual enterprise risk management register
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<ul style="list-style-type: none"> • Organized anti-bribery and anti-corruption training for all employees
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>Collaborated with NGOs to organize ESG initiatives:</p> <ul style="list-style-type: none"> • SSWP with Watch Water Penang • Recycling Campaign with Karun Hijau • Eco-brick Workshop with AIESEC • Fabric Recycling Campaign with Kloth Cares • Blood Donation Campaign with Pusat Darah Negara ("PDN") • Breast Cancer Screening with Breast Cancer Welfare Associations ("BCWA")

Sustainability Statement

Sustainability Governance Structure

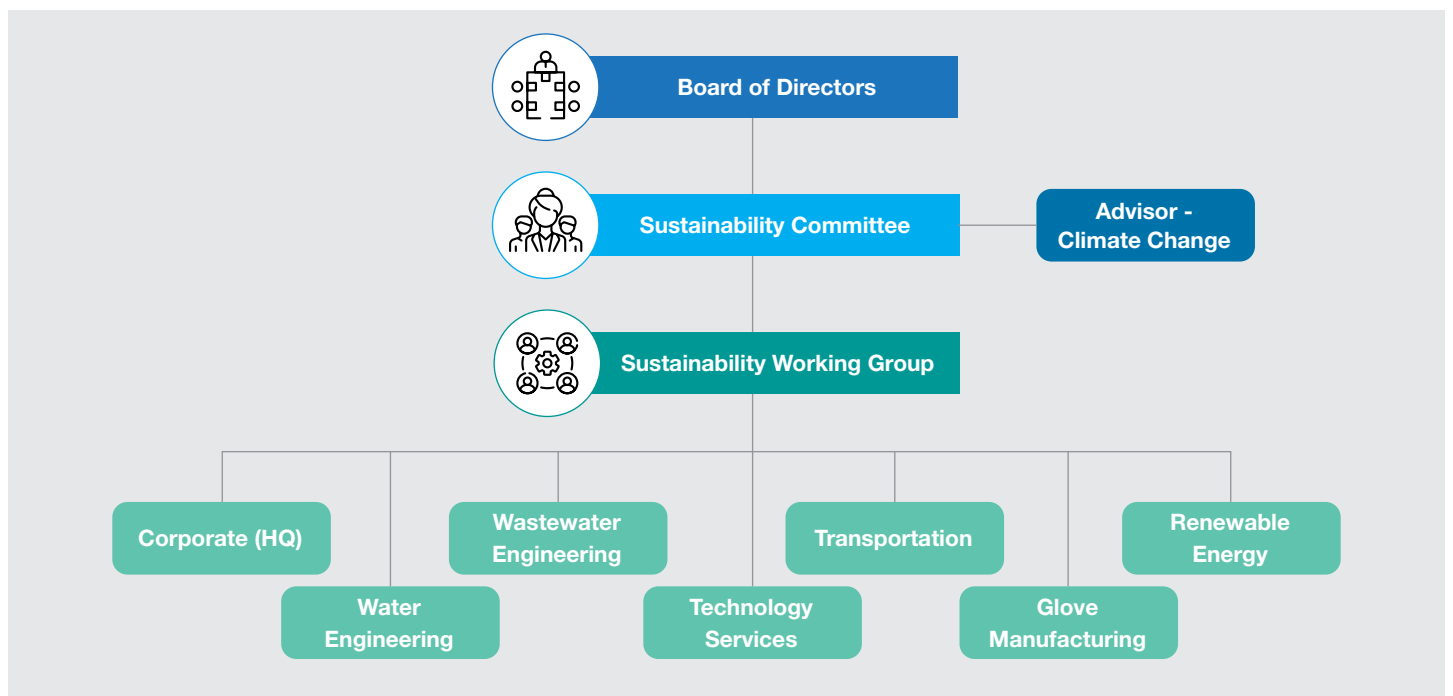
Salcon's Board of Directors ("BOD") sit at the apex of the sustainability governance of the Company and they provide oversight on the overall sustainability initiatives including reviewing the material issues, overseeing sustainability strategy implementation and providing direction on the sustainability agenda of the Company. The Board is supported by the Sustainability Committee ("SC") and the Sustainability Working Group ("SWG").

The SC is chaired by an Independent Non-Executive Director who also holds the position as the Climate Change Advisor, and supported by four other members which consists of an Executive Director, Group Chief Financial Officer, Chief Operating Officer of SEB and General Manager of Corporate Affairs Department. The Committee meets annually.

The structure of the sustainability governance and roles and responsibilities of the Board, SC and the SWG are elaborated below.



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



Sustainability Statement

B BUSINESS MODEL & INNOVATION



Delivering innovative products and services through operational excellence

Profitability and financial performance are the utmost priority of the Group as it serves as the critical pillar that sustains our operations and enables us to fulfill our commitment to our stakeholders.

Supported by stringent policies and a robust framework of business ethics, we consistently strive to optimize processes, enhance quality, and foster innovation, as part of our commitment to align our operations with internationally recognized standards in order to enhance our business & financial performance.

Policies & Certifications

- Statement of Policies and Business Ethics (“SPBE”)

- ISO Certifications



Key Purposes

- Defines the basic requirements placed on Salcon suppliers and contractors concerning their responsibilities towards their stakeholders and the environment.
- Establish standards and operating procedures to enhance credibility, improve efficiency, ensure quality, meet regulatory requirements, manage environmental impact, enhance customer satisfaction, facilitate international trade, and promote continuous improvement.

MI



Please refer to QSHE policy and ISO certifications: <https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment>

MI1 Business Management & Delivery

A key indicator in successful business management & delivery is having a robust quality management system to track and monitor its implementation and to achieve high customer satisfaction levels. As a Company with diversified businesses, having this in place ensures consistent implementation of quality standards across our various operations.

In FY2023, 100% of the Engineering & Construction division’s project sites and Healthcare division’s manufacturing facility are certified with the **ISO 9001:2015** Quality Management System, **ISO 14001:2015** Occupational Health and Safety Management Systems and **ISO 45001:2018** Environment Management System.

In addition, the Healthcare Division is certified with the **ISO 13485:2016** Quality Management System in the medical device industry, the United States Food and Drug Administration (510K), SEDEX and complies with CE marking.

Practicing and adhering to these standards minimize risks, optimize resources, fosters continuous improvement to create value for our stakeholders, leading to successful project delivery in FY2023 which include:-

Sustainability Statement

Business Divisions	FY2023 Achievement
Engineering & Construction (Water)	<ul style="list-style-type: none"> 100% of projects completed on time and within the budget Recertification of ISO 14001:2015 & ISO 45001:2018 by Bureau Veritas Certification 8771 calls received with average handling time of 10 minutes at Sandakan Customer service and billings centre
Engineering & Construction (Wastewater)	<ul style="list-style-type: none"> 100% of projects completed on time and within budget
Technology Services	<ul style="list-style-type: none"> Achieved target revenue and target site as per budgeted in financial forecast
Transportation	<ul style="list-style-type: none"> A total of 225 vehicles have been equipped with the Senstrac system
Glove Manufacturing	<ul style="list-style-type: none"> Achieved less than 2% of rejected gloves Developed 5 new products

Customer Satisfaction

Customer satisfaction surveys are regularly conducted for each business division as a means to gather feedback and pinpoint areas for improvement. By consistently meeting and surpassing customer expectations, these practices foster positive relationships and create opportunities for future collaborations.

At our Engineering & Construction Division (Water), surveys are conducted twice a year whereas, for Engineering & Construction (Wastewater), Transportation and Healthcare, annual surveys are distributed.

The target score and results of customer satisfaction for FY2023 are as below.

Divisions	Target	2021	2022	2023
E&C (Water)	75%	62.8%	81.3%	67.5%
E&C (Wastewater)	65%	79.8%	83%	77.5%
Transportation	75%	N/A	85%	96.5%



Sustainability Statement

Under our Water Engineering & Construction Division, we manage a Customer Service Centre in Sandakan by providing billing and collection services to the consumers. We welcome walk-in and call-in customers for any matters relating to billing and collection. For call-in customers, a target of average time for handling calls is set at 2 minutes per call, subject to situations and type of queries to ensure efficient and helpful handling of cases.

In the year under review, the Company recorded zero legal actions or fines concerning anti-competitive behaviour and violations of anti-trust and monopoly legislation. We also adhered to the Personal Data Protection Act 2010 (“PDPA”) and reported zero complaints relating to breaches of customer privacy.

Partnering with Industry Peers

To forge business within the challenging business environment, the Company needs to keep abreast of the current and emerging business trends and developments as well as engage with the industry players to benchmark on business practices. We do this by participating in various industry associations for each of our business divisions.

Engineering & Construction

- Malaysia Federation of Employers
- The Malaysia Water Association
- International Water Association
- Malaysia South-South Association
- CIDB Malaysia

Transportation

- Malaysia Association Tours & Travel Agent
- Car Rental Association
- Malaysian Palm Oil Association

Glove Manufacturing

- Malaysian Occupational Safety and Health Practitioners Association
- Malaysian Rubber Council
- Malaysian Rubber Glove Manufacturers Association



Salcon participated in the One Day Industry Forum organized by MWA, demonstrating our commitment to engaging with industry peers and staying abreast with current and emerging business trends

Sustainability Statement

MI3

Supply Chain Management

A well-managed and resilient supply chain contributes significantly to the Company’s success and value creation in the long run. Beyond enhancing business performance, collaborations and close engagement with our suppliers and sub-contractors are essential to embed sustainability practices into our business operation.

Salcon’s Statement of Policies and Business Ethics (“SPBE”) outlines the Company’s environmental, social and governance expectations on suppliers and sub-contractors. As part of our engagement process to ensure that suppliers/sub-contractors comply with Salcon’s principals and requirements, acknowledgement and adherence to the SPBE are mandatory in every contract.

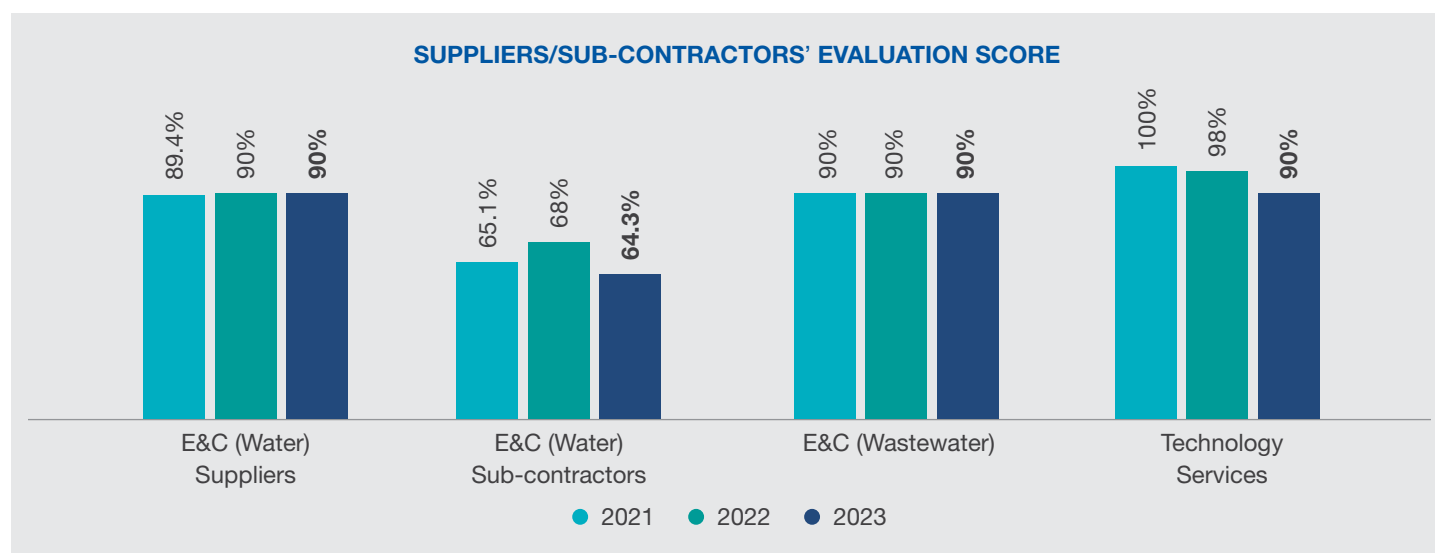
During the year under review, ESG criteria was integrated into the pre-evaluation of critical suppliers and sub-contractors for the Engineering & Construction division. This aids the Company in fostering sustainability, aligning with long-term goals for environmental and social responsibility.

In FY2023, an assessment of environmental impact was conducted for suppliers and sub-contractors under the critical items category. The count decreased from 10 to 5 compared to FY2022, which mainly due to the reduced procurement of critical items during the year.

Yearly evaluations are conducted on existing suppliers/sub-contractors and those who do not meet our minimum requirements are struck off the supplier/sub-contractor list. Key areas being evaluated include, on-time delivery, workmanship, pricing, quality assurance system, after sales support.

Suppliers & sub-contractors performance evaluation score is shown below:

Divisions	Target	2021	2022	2023
E&C (Water) Suppliers	90%	89.4%	90%	90%
E&C (Water) Sub-contractors	90%	65.1%	68%	64.3%
E&C (Wastewater)	50%	90%	90%	90%
Technology Services	95%	100%	98%	90%



About This Report

Group Overview

Management Discussion & Analysis

Creating Sustainable Value

Governance






Financial Statements

Other Information

Sustainability Statement

The Company engages local suppliers and sub-contractors wherever possible according to the type of projects. This is part of our commitment to assist in providing local employment and growing the nation's economy. In FY2023, the Company spent a total of RM154,278,948 on procurement and local procurement spending is at 99.96% throughout the Company.

Percentage of procurement budget spent on local suppliers by country:






Business Divisions	Country	Percentage (%)
 Water Engineering	Malaysia	100%
 Wastewater Engineering	Malaysia	100%
 Technology Services	Malaysia Others	97.4% 2.6%
 Transportation	Malaysia	100%
 Renewable Energy	Malaysia	100%

MI4

Technology and Innovation

Salcon recognizes the importance of technology and innovation in pushing its businesses to greater heights. We are continuously on the lookout for emerging developments in technological advancements to support growing demands from the market and actively explore collaboration opportunities with technology partners.

In FY2023, we implemented several initiatives on technology and innovation, summarized in the table below.

Business Divisions	Initiatives
 Engineering & Construction	<ul style="list-style-type: none"> Identified local technology partners for small hydropower plant project Implement sludge pipe conveyor system for Langat 2 Package 3 project Identified Membrane Bioreactor ("MBR") strategic partner for wastewater treatment
 Technology Services	<ul style="list-style-type: none"> 100% geotagging of critical active equipment Exploring opportunities to venture into services for data centres
 Transportation	<ul style="list-style-type: none"> Continuously upgrade the Senstrac Passenger Transport and Tracking System ("PTTS") to enhance mobility tracking
 Glove Manufacturing	<ul style="list-style-type: none"> Developed 5 types of gloves namely Ultra thick Dual Black latex with pink inner, Ultra thick Dual Black latex with green inner, Ultra thick dual brown latex with brown inner, Ultra thick dual black latex with purple inner, Un-lined household latex gloves and 400mm Decontamination dual layered examination gloves
 Renewable Energy	<ul style="list-style-type: none"> Embarked on a solar power project under the Corporate Green Power Program ("CGPP") with KAB Smart Solar Energy Sdn Bhd ("KSSE")

G LEADERSHIP & GOVERNANCE



Becoming a trusted and reliable working partner

At Salcon, our commitment to ethical excellence is fortified by a set of policies that serve as our guiding principles to becoming a trusted and reliable working partner. These policies serve as the backbone of our commitment to meet and exceed the expectations of our stakeholders, fostering sustainability, ethical practices, and responsible decision-making throughout our operations.

Policies & Certifications

Key Purposes

MI

<ul style="list-style-type: none"> • Anti-Bribery and Anti-Corruption (“ABAC”) Policy and Procedures 	<ul style="list-style-type: none"> • Sets out the Groups’ position on bribery and provides principles, guidelines and requirements on how to deal with corrupt and bribery practices that may arise in the course of daily business and operation activities. 	
<ul style="list-style-type: none"> • Code of Ethics and Conduct (“COEC”) 	<ul style="list-style-type: none"> • Sets out guidelines on the Group’s business ethics and the governance of the employees in the workplace on a day-to-day basis in a way that helps maintain an outstanding reputation. 	
<ul style="list-style-type: none"> • Whistleblowing Policy 	<ul style="list-style-type: none"> • To provide and facilitate a mechanism for any Reporting Party to report concerns about any suspected and/or known wrongdoings. 	
<ul style="list-style-type: none"> • Board Diversity Policy 	<ul style="list-style-type: none"> • Sets out the approach to achieve diversity on the composition of the Board of Directors of Salcon. 	
<ul style="list-style-type: none"> • Fit & Proper Policy 	<ul style="list-style-type: none"> • Governs the appointment and re-election of directors of the Group with the aim to safeguard the Board’s quality and integrity. 	
<ul style="list-style-type: none"> • Remuneration Policy 	<ul style="list-style-type: none"> • Attract, retain and motivate qualified board members while ensuring fairness, accountability and compliance with legal and regulatory standards. 	
<ul style="list-style-type: none"> • Integrated Risk Management Policy & Procedure (“IRMPP”) 	<ul style="list-style-type: none"> • Identify, analyze, evaluate, treat, monitor and report upon all significant risks faced by the Group inclusive of all stakeholders in compliance with ISO 31000. 	
<ul style="list-style-type: none"> • Enterprise Risk Management (“ERM”) Framework 	<ul style="list-style-type: none"> • A systematic and strategic framework to identifying, assessing, and managing all relevant risks that can affect the Company’s business and operations. 	



Please refer to <https://www.salcon.com.my/About-Us/corporate-governance> for the above policies.

Sustainability Statement

MI2

Business Ethics and Corporate Governance

We are committed to conducting our business in accordance with the Malaysian Code of Corporate Governance (“MCCG”), the Corporate Liability provision under Section 17A of the Malaysian Anti-Corruption Commission (“MACC”) Act 2009 and all relevant laws, regulations and industry best practices in the jurisdictions we operate.

 Read more about our the Company’s corporate governance practices on pages 97 to 103.

Salcon upholds the highest standards of ethical business conduct guided by the COEC, ABAC Policy and Procedures. These documents outline the Company’s approaches to practising ethical business conduct, respecting human rights and preventing bribery and corruption activities throughout its business chain. In addition, the Engineering & Construction Division has implemented the Statement of Policies and Business Ethics on their suppliers and sub-contractors.

The Company also established its Whistleblowing Policy to provide a platform for whistleblowers to report any concerns of misconduct. The Whistleblowing Policy is also aligned with the Whistleblower Protection Act 2010 to protect whistleblowers from any retaliation. There were no whistle blowing cases recorded in FY2023.

 Please visit the Whistle blowing policy: <https://www.salcon.com.my/investor-relations/corporate-governance.html>.

In FY2023, the Internal Audit Risk Management Department (“IARMD”) conducted Integrity Awareness training for all employees including new joiners, with a participation rate of 49.2%. The Integrity Awareness training is crucial to develop and elevate the awareness levels of our employees about anti-bribery and anti-corruption commitment to promote ethical business practices.

The Group reported zero incidents of bribery and corruption, and consequently, zero employee disciplined or dismissed due to non-compliance with the ABAC policy as well zero fines in FY2023 and 100% of operations was assessed for corruption related risks.



Integrity Awareness Briefing conducted by IARM for Salcon staff, both in-person and virtually

Tax Strategies

Salcon has established its tax strategies with clear approaches and commitments as follows:

- Compliance to tax laws and regulations in countries we operate
- Not to use tax structures without commercial substance
- Undertaking of transfer pricing using the arm’s length principle

MI6

Systematic Risk Management

Robust risk management practices are vital to protect the Company from business disruption and ensure business continuity. At Salcon, risk management approaches are guided by the Group’s IRMPP and the ERM Framework which are established in alignment to the ISO 31000 Risk Management.

In FY2023, the Audit Committee and Risk Management Committee was merged to become a combined Audit and Risk Management Committee to allow for a more integrated approach to risk management and governance.

Merging the audit and risk management functions facilitate better coordination and communication. This enables more efficient risk oversight, management and development of comprehensive strategies to address risks effectively whilst maintaining strong governance practices and creating more value for our stakeholders.

 Kindly refer to the Statement of Risk Management and Internal Control section on pages 107 to 112 and the Key Risks & Mitigation section on pages 26 to 31.

Sustainability Statement

H HUMAN CAPITAL



Building a thriving workplace for employees

We highly value our employees and regard them as our most significant asset. Our workforce is comprised of dedicated, skilled individuals who perform their roles with utmost professionalism. At Salcon, we create an environment that fosters learning, development, and career advancement, especially in a fast-evolving business landscape. From the initial recruitment process, we strive to instill our corporate values in our employees, aligning their actions with our strategic imperatives to ensure the seamless operation of our business. We provide incentives to keep our employees engaged and place a strong emphasis on their professional development. It's our commitment to offer equal opportunities to all our employees based on their skills and qualifications.

Under this pillar, we are guided by the following policies to establish good practices on building a thriving workplace for employees:

Policies	Key Purposes	MI
<ul style="list-style-type: none"> • QSHE Policy 	<ul style="list-style-type: none"> • Promote excellence in Occupational Safety & Health standards by ensuring safe and healthy conditions for the prevention of work-related injury and ill health. 	MI5
<ul style="list-style-type: none"> • Human Resource Policies and Procedures Manual (“HRPP”) 	<ul style="list-style-type: none"> • Demonstrates the management’s commitment towards employee welfare and care and yet ensure cost effectiveness and competitiveness with market practices. 	MI7
<ul style="list-style-type: none"> • Equal Opportunity Employment Policy (“EOEP”) 	<ul style="list-style-type: none"> • Providing equal opportunities in employment for all employees in line with the International Labour Organization Core Conventions. 	MI11
<ul style="list-style-type: none"> • Anti-Sexual Harassment Policy 	<ul style="list-style-type: none"> • To create a workplace environment that is free from harassment, promotes respect and provides a clear framework for addressing incidents when they occur. 	MI11
<ul style="list-style-type: none"> • Human Rights Policy 	<ul style="list-style-type: none"> • To establish and communicate Salcon’s commitment to upholding and respecting human rights principles within its business operations, and expectations on stakeholders. 	MI11
<ul style="list-style-type: none"> • Whistleblowing Policy 	<ul style="list-style-type: none"> • To provide and facilitate a mechanism for any Reporting Party to report concerns about any suspected and/or known wrongdoings. 	MI11

Please refer to QSHE policy: <https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment>.
 Please refer to EOEP: <https://www.salcon.com.my/sites/default/files/Equal%20Opp%20Employment%20Policy.pdf>.
 Please refer to Anti Sexual Harassment Policy: https://www.salcon.com.my/sites/default/files/Salcon_Sexual%20Harassment%20Policy.pdf.
 Please refer to Human Rights policy: <https://www.salcon.com.my/sustainability/human-capital-development>.
 Please refer to Whistleblowing policy: <https://www.salcon.com.my/About-Us/corporate-governance>.

- About This Report
- Group Overview
- Management Discussion & Analysis
- Creating Sustainable Value
- Governance
- Financial Statements
- Other Information

Sustainability Statement

MI5

Occupational Health and Safety



In FY2023, Salcon introduced the 12 Life Saving Rules (LiSaR) to ensure safety and well-being of employees

Salcon is committed to maintaining a safe and secure work environment for its stakeholders, demonstrating our responsibility as a company.

For on-site safety and health responsibilities, Salcon's Engineering & Construction and Healthcare arms, which are SEB, Envitech, and JREMT, are certified with the ISO 45001:2018 Occupational Health and Safety Management System. These divisions undergo regular external audits conducted by third-party auditors to ensure compliance.

Within the Engineering & Construction Division, our safety and health practices are managed by the Quality, Safety, Health and Environment ("QSHE") department and the Safety, Health and Environment ("SHE") Committee. This Committee is led and chaired by the Chief Operating Officer ("COO"), and supported by representatives from each department. The SHE Committee evaluates safety and health policies, procedures and practices, and provides recommendations for preventive and corrective actions. All project sites monitored by the QSHE Department are certified under the ISO 45001:2015 and audited by Bureau Veritas.

By placing a strong emphasis on health, safety, and sustainability, we not only protect the well-being of our team and the environment but also ensure the success and integrity of our projects and the safety of our healthcare manufacturing facility.



Please refer to the QSHE policy: <https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment>.

To uphold strict adherence to our safety and health protocols, the SHE Committee performs regular inspections and implements the following programs to oversee health and safety matters, with the aim of preventing accidents and injuries:

Sustainability Statement

No.	Initiatives	Key Actions Undertaken	Division
1	Quarterly SHE Committee meeting	<ol style="list-style-type: none"> Regular workplace inspections are conducted to identify workplace safety and health concerns. Emergency Response Preparedness Drills are carried out to ensure preparedness for emergencies. 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing
2	Yearly external audit and inspection	<ol style="list-style-type: none"> Re-certification of ISO 45001:2018 Occupational Safety and Health (“OSH”) Management System by Bureau Veritas International. Passed the audit by international independent third-party audit – SEDEX Members Ethical Trade Audit (“SMETA”). 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing
3	Annual Safety and Health Campaign	<ol style="list-style-type: none"> Encourage our employees to take responsibility and adopt a healthy lifestyle through various activities: <ul style="list-style-type: none"> Dementia talk Chiropractic talk and Free Consultation Health screening A total of 86 pints of blood were collected during the 14th Salcon Blood Donation Drive in 2023, in collaboration with Pusat Darah Negara. Demonstration of the usage of an automated external defibrillator (“AED”) was conducted in collaboration with the Academy of Safety and Emergency Care Sdn Bhd. 	<ul style="list-style-type: none"> Engineering & Construction
4	Regular Safety and Health training	<ol style="list-style-type: none"> SHE induction training for new employees to set standards, raise awareness of hazards, explain how health and safety is managed and awareness on the Group’s procedures. Toolbox briefings on weekly basis. Total of 28 new employees attending SHE induction training. 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing
5	Monthly machinery inspection	<ol style="list-style-type: none"> Safety & Health Officer conducts monthly machinery inspections. 	<ul style="list-style-type: none"> Engineering & Construction Glove Manufacturing
6	Hazard Identification, Risk Assessment and Risk Control (“HIRARC”)	<ol style="list-style-type: none"> Identifying potential hazards and risks prior to project commencement. 	<ul style="list-style-type: none"> Engineering & Construction
7	Yearly SHE Audit and inspection	<ol style="list-style-type: none"> Safety and health risk assessments have been carried out at project sites to identify potential risks and implement appropriate mitigation measures. As at 31st Dec 2023, 100% of our project sites have undergone the assessment. 	<ul style="list-style-type: none"> Group
8	Emergency Response Preparedness & House Keeping	<ol style="list-style-type: none"> Fire evacuation drills and housekeeping activities have been conducted at the Headquarters in collaboration with the Fire Department. The average evacuation time was less than 10 minutes. 20 staff have completed the emergency responses plan and preparedness training conducted by the Academy of Safety and Emergency Care (“ASEC”). 	<ul style="list-style-type: none"> Engineering & Construction
9	Renewal of QSHE Policy	<ol style="list-style-type: none"> Included commitment to meet and exceed clients’ and applicable parties’ requirements in the renewable energy sector, and declared in the updated QSHE Policy. 	<ul style="list-style-type: none"> Engineering & Construction

Sustainability Statement

Towards Zero LTI

In FY2023, the Group recorded zero cases of employee fatality and contractor fatality. The man-hours achieved without a lost time injury (“LTI”) for each business division are as follows:

Safety Data	HQ & Water Engineering	Wastewater Engineering	Glove Manufacturing
Total number of working hours in 2023	1,056,106	210,056	481,464.5
Total cumulative man-hours with zero LTI	5,764,520	3,567,872	2,063,254
Target man-hours with zero LTI	5,500,000	3,500,000	3,000,000

Transportation (“ECT” & “GF”) and technology division (“VBT”) track man-hours but do not set targets. In FY2023, total man-hours with zero LTI for ECT, GF and VBT was 438,000 hours, 1,500 hours and 1,952 hours respectively.

Safety and Health Training

To foster a positive occupational health and safety culture in the workplace, we provide our employees and contractors with up-to-date safety and health guidelines and inform them of their responsibilities, as well as the risks associated with their daily tasks through a series of regular training sessions throughout the year.

In FY2023, 40% of the Safety Committee members, totalling 66 employees, engaged in safety training covering a variety of safety and health topics. Additionally, employees who are not part of the Safety Committee were strongly encouraged to participate in safety-related training sessions to promote an awareness of the importance of workplace safety. During FY2023, an additional 99 employees who are not part of the Safety & Health Committee were sent to attend safety-related training programs.



M17

Talent Attraction and Engagement

To cultivate a culture driven by performance and to foster an engaging and inclusive workforce, the Group has embraced two core approaches as part of our talent management strategy: (i) Talent attraction and retention and (ii) Engagement and Inclusion. Our objective is to provide a high-quality work environment that promotes positive employee well-being, safety, creativity, collaboration, diversity, and inclusivity.

Talent Attraction and Retention

Attracting and retaining talent is a critical driver of growth and success. Salcon consistently offers competitive benefits and welfare to its employees, ensuring we remain competitive and capable of retaining top talent by benchmarking ourselves against industry peers. As part of the Company’s efforts to gather feedback and insights from employees, an Employee Satisfaction Survey (“ESS”) is conducted biennially to identify concerns, improve engagement and promote open communication and transparency. Feedback from the survey guides management in making informed decisions on policies, benefits, work culture and organizational changes.

During FY2023, an ESS was conducted to assess our employees’ perspectives in areas such as workplace culture, job satisfaction, professional development opportunities and overall organizational climate. The survey was distributed to employees in Malaysia and overseas and received a response rate of 32%.

Sustainability Statement

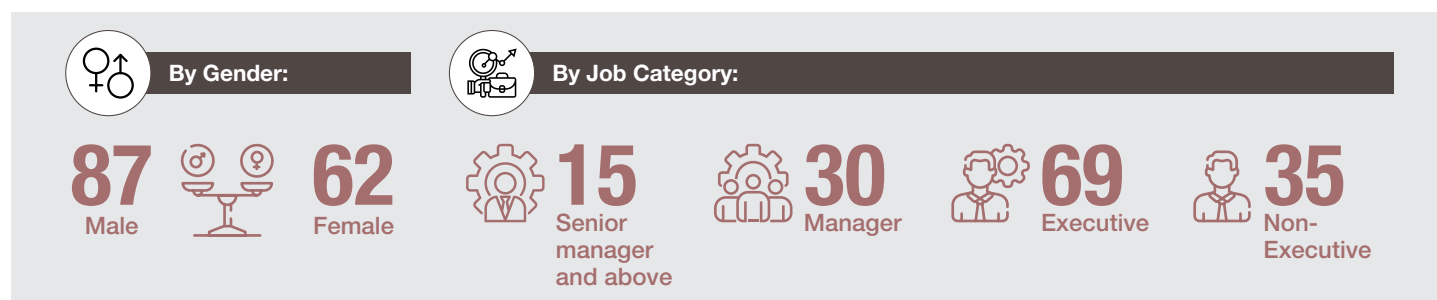
In response to the findings, the company has undertaken the following actions and initiatives towards a healthier and more productive work environment:

Areas	Key Actions Taken
Compensation & Benefits	<ul style="list-style-type: none"> Dental benefits for all staff incorporated in Annual Medical Benefits Health Screening extended to E level/category subject to entitlement Group Hospitalization & Surgical covers unemployed male spouse (all levels of employees) except Contract employees in Non-Executive level OT meal allowance has increased for all staff eligible to claim OT meal allowance, especially for the Drivers Staggered Work Hours (“SWH”) - staff gets to choose based on 3 work schedules based on their needs Office attire is allowed to be casual with collared shirt and jeans – encourage more flexible work arrangement
Excessive Workload & Staffing	<ul style="list-style-type: none"> Manpower deployment to site from HQ to minimize burnout
Automation (Paperless)	<ul style="list-style-type: none"> Implemented working on e-attendance
Team Bonding & Positive Work Culture/ Environment	<ul style="list-style-type: none"> Enhancing message on company 5 new core values

To foster transparency and facilitate open communication between management and employees, an inaugural townhall meeting was conducted in October 2023. The event served as a platform for sharing key updates, information about the Company’s performance and future plans of the Group. It provided employees with the direct opportunity to interact with the management, ask questions and address their concerns and thoughts. The townhall meeting was attended by the Board Executive Directors, Chief Operating Officer of Salcon Engineering Berhad and the heads of each department/division.

In FY2023, we integrated ESG-related Key Performance Indicators (“KPIs”) into the Group’s KPI framework, underscoring our dedication to fostering and promoting meaningful ESG values that lead to sustainable and outstanding long-term outcomes.

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



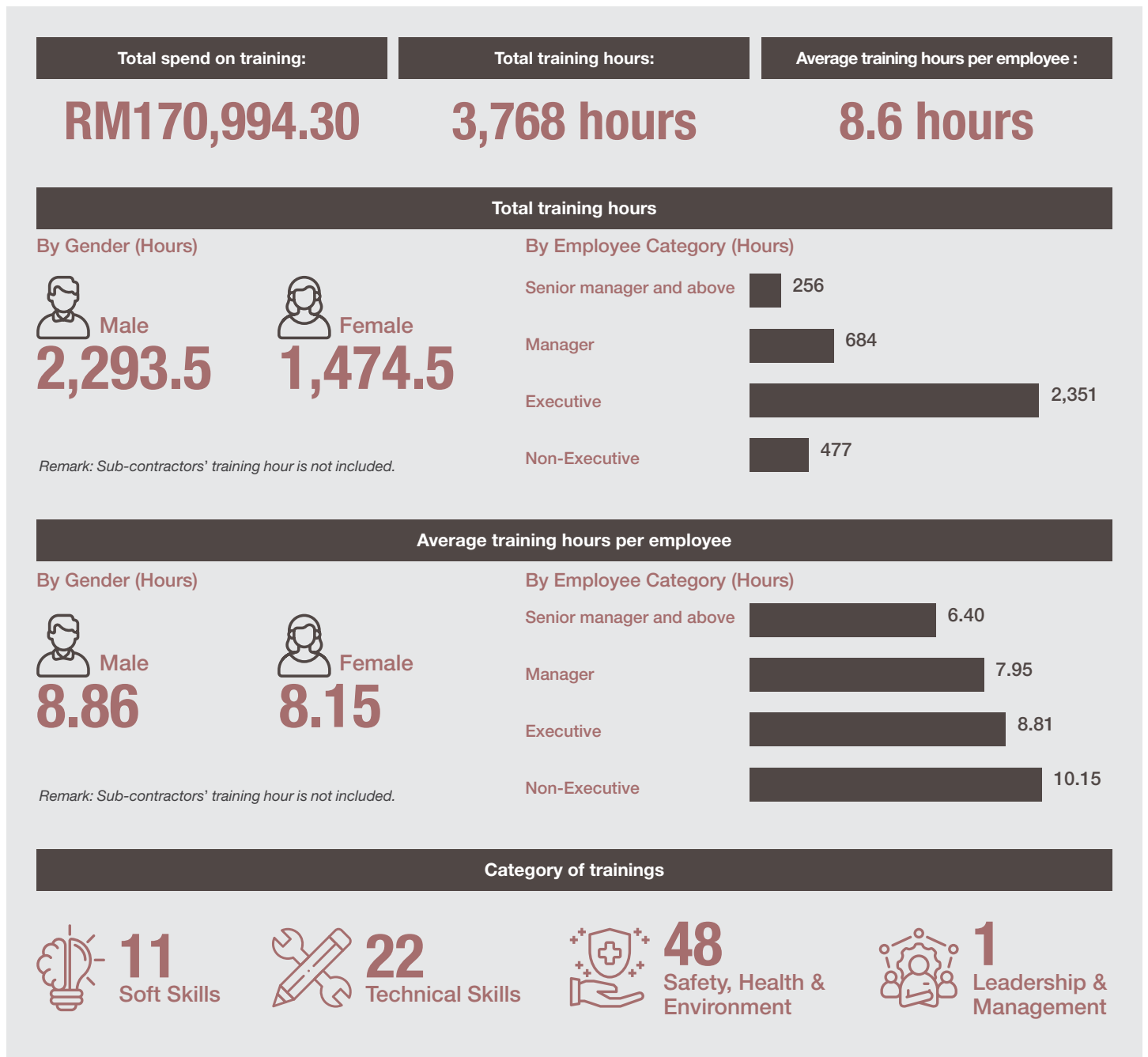
- About This Report
- Group Overview
- Management Discussion & Analysis
- Creating Sustainable Value
- Governance
- Financial Statements
- Other Information

Sustainability Statement

Training & Development

The Company's training and development strategy aims at enhancing knowledge and skills of our employees, covering both technical and soft skills. These programs empower individuals to excel in their respective roles and contribute to the achievement of the Group's strategic objectives. In FY2023, we made a total investment of RM 170,994.30 to upskill our employees through 82 training sessions. These training initiatives encompassed soft skills, leadership and management, technical training, and safety, health & environment programs. These training programs were conducted both internally and externally.

As a testament to our core values, we encourage our employees to enhance their skills by taking on challenging assignments and expanded responsibilities. We ensure that every employee has the opportunity to attend relevant training programs that aligns with their interests and job requirements.



Sustainability Statement

Engagement & Inclusion

We aim to foster a culture of respect, diversity and inclusion where employees feel safe, valued and included, and where every employee can offer their unique contribution. Salcon does not practice gender discrimination, age, race, religion, culture or nationality as encapsulated in our Equal Opportunity Employment Policy (“EOEP”). At the Board of Directors level, the Board Diversity Policy sets out the approach to achieve diversity on the composition of the Board of Directors of Salcon. At present, the Board members consist of 5 male and 1 female director.

During the year under review, we are pleased to report that there is not incidence of discrimination reported.

In FY2023, we organized various employee engagement programs to strengthen relationships among employees, motivate employees to contribute to society and foster spirit of togetherness and teamwork.

We continuously strive to provide competitive benefits and organize well-being activities for our employees beyond regulatory requirements. Among the benefits provided for full-time employees are:

Benefits & Well-being	FY2023 Initiatives	
Medical Benefits	<ul style="list-style-type: none"> Health screening package for Executive level Outpatient & Hospitalization Medical Benefits Dental treatment 	<ul style="list-style-type: none"> RM9,947.60 spend for executive health screening Total of RM181,157.15 spend for outpatient medical benefits for 184 employees Total of RM297,729.59 spend for hospitalization and surgical insurance for 14 employees
Salcon Recreational Club	<ul style="list-style-type: none"> A social club for Salcon employees with various recreational activities 	<ul style="list-style-type: none"> Annual Dinner Sport Tournaments: Bowling & Badminton tournament Annual Family Trip at Splash Mania Water Park
Rewards & Recognition	<ul style="list-style-type: none"> Long service award 	<ul style="list-style-type: none"> Total of 27 staffs received long service award in 2023

Parental leave

	Female	Male
Total number of employees that were entitled to parental leave	50	96
Total number of employees that took parental leave	7	12
Total number of employees that returned to work in the reporting period after parental leave ended	6	12
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	4	7
Return to work and retention rates of employees that took parental leave	100%	100%

Sustainability Statement




Appreciation for staff & management during **Salcon Annual Dinner 2023**



Conducted 14th **Blood Donation Drive & Health Screening** for staff and public



Ramadhan Goodies Giveaway to all staff during Ramadhan month



Celebrating festival of light with staff during **Deepavali Goodies Giveaway**



Townhall meeting between management and employees



Promote work-life balance among employees through **Salcon Bowling Tournament**



Staff participation in **Ecobricks Workshop**



Uniting our Salcon Family at our annual **family day**



Salcon Movie Night benefited children from orphanage home



Installation of solar panel for community at Kg. Orang Asli Bukit Tunggul in **Lighting Up Our Community Event**

Sustainability Statement



Advocating Breast Cancer Awareness



Staff participation in Dementia Awareness Session



Spring Cleaning Contest



Talk on chiropractic & good posture



SHE Campaign at Sandakan

MI11 Labour Rights and Practices

Salcon places a strong emphasis on monitoring human and labor rights, with a particular focus on its supply chain. This approach is driven by the recognition that the business practices and potential lack of commitment from subcontractors, suppliers, vendors, and other partners may lead to regulatory non-compliance concerning human and labor rights. The Group also fairly conducts its businesses, respecting human rights and well-being of its employees. It adheres to all international agreements that prevent child labor and forced labor, and it is committed to providing freedom of political views, implementing best labor practices related to living and working conditions, and ensuring fair compensation across its operations.

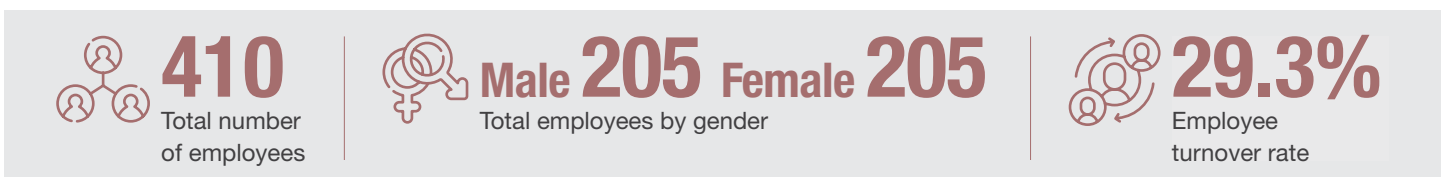
 The principles and actions are detailed in the Equal Opportunity Employment Policy ("EOEP") and Human Rights Policy on Salcon's website, <https://www.salcon.com.my/sites/default/files/Equal%20Opp%20Employment%20Policy.pdf> and <https://www.salcon.com.my/sustainability/human-capital-development> respectively.

Grievance Mechanism

Salcon ensures fair management of grievances, particularly employee grievances, by following the Salcon's Employee Grievance Handling Procedure. Employees are made aware of the existence of this grievance mechanism. They can submit grievances to their immediate superiors, respective Department Heads, or the Internal Audit & Risk Management Department. While employees are encouraged to resolve issues through the existing management hierarchy or informal channels (dialogues between parties), they are not impeded or discouraged from using the grievance mechanism if they prefer.

Additionally, Salcon has adopted an Anti-Sexual Harassment Policy to protect its employees from such harassment. In FY2023, there were zero reported human or labor rights incidents through the whistleblowing channel, zero non-compliance with labor laws, and no operation at risk of child labor.

Employee Demography



 Full Employee Demography Data is detailed under Key Performance Indicators from pages 229 to 236.

About This Report

Group Overview

Management Discussion & Analysis

Creating Sustainable Value

Governance

Financial Statements

Other Information

Sustainability Statement

E Environment



Protecting the Environment

We remain committed to protecting the environment through sustainable business practices and recognize the importance of preserving natural resources, reducing our ecological footprint, and fostering a healthier planet for current and future generations.



Corporate Friend in the Climate Governance Malaysia to promote environmental sustainability



SUPPORT THE UN SUSTAINABLE DEVELOPMENT GOALS AND PARIS CLIMATE AGREEMENT'S AIM OF LIMITING GLOBAL WARMING TO 1.5°C CELSIUS

Our policies and frameworks are aligned with industry best practices and outlines clear and transparent guidance as well as stringent process controls to foster a culture of environmental responsibility within our business operations.

Policies & Certifications	Key Purposes	MI
<ul style="list-style-type: none"> Salcon Green policy 	<ul style="list-style-type: none"> Establish our commitments in different areas in reducing carbon footprint and pollutions, which include Energy, Water Consumption, Prevention of Pollution, Procurement, Biodiversity and Education. 	<div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">MI8</div>
<ul style="list-style-type: none"> Water Management Plan ("WMP") 	<ul style="list-style-type: none"> Focusing on our commitment to reduce water consumption via water conservation initiatives. 	<div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">MI8</div>
<ul style="list-style-type: none"> QSHE Policy 	<ul style="list-style-type: none"> Promote excellence in Quality, Occupational Safety & Health and Environment standards by eliminating hazards, reducing risks and protecting the environment and its workers. 	<div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">MI8</div>
<ul style="list-style-type: none"> Enterprise Risk Management ("ERM") Framework 	<ul style="list-style-type: none"> Develop strategies to reduce the company's carbon footprint, including initiatives to decrease greenhouse gas emissions. 	<div style="background-color: #4CAF50; color: white; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">MI9</div>

Please refer to the QSHE policy: <https://www.salcon.com.my/sustainability/QualitySafetyHealthEnvironment> for the Group's environmental commitments.

MI8 Environmental Impact Management

Our management approach involves identifying and mitigating significant environmental impacts across all our operations. These endeavours are guided by the Salcon Green Policy, which articulates our commitment to minimizing our environmental footprint, preserving resources, and advocating sustainable practices across our business operations.

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

Key environmental focus areas under this MI8 include Water and Wastewater Management, Energy Management, Pollution and Resource Management, as well as Ecological Impacts.

During the period under review, a key development was the extension of the target reduction date for water and energy consumption from 2026 to 2030. This allows for a smoother transition towards implementing sustainable practices and reflects a responsible approach to resource management. This adjustment also provides us with the necessary flexibility to enact meaningful changes across our operations, engage stakeholders effectively, and achieve our sustainability goals in a more manageable timeframe.

Sustainability Statement

Water & Wastewater Management

Efficient water supply management is of paramount importance to us, especially since our core operations specialize in the construction of water and wastewater treatment facilities. Salcon takes a comprehensive approach to preserve and improve the efficiency, resilience, appeal, and value of our assets through robust water management practices. Our initiatives for water conservation are directed by the company’s WMP. This plan focuses on efficient water resource management, establishing long-term goals to reduce water consumption, and integrating water conservation principles into our operations.

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




Over the years, all of the Group’s wastewater has been directed to an external wastewater treatment facility, and 100% of our water supply is sourced from surface water bodies like dams and rivers. As of FY2023, there have been no instances of noncompliance with water quality or quantity permits, standards, or regulations.

Water Consumption Initiatives

Key Water Consumption Reduction Initiatives	Business Units
Non-Revenue Water (“NRW”) reduction projects in Sabah	Engineering & Construction
Application of water conservation signages at toilet walls	Group
Partnership with Non-Government Organization – Water Watch Penang for holistic educational approaches on water conservation	Salcon HQ
Water abstraction and usage from natural sources	Glove Manufacturing
Rainwater harvesting for vehicle washing at depot	Transportation
Monthly inspections for leaks and plumBing issues	Group
Usage of borewell water	Glove Manufacturing

Water Consumption Data

OUR TARGET

Group’s Long-Term Target	To reduce Group water consumption intensity by 10% per unit basis by 2030*	
Division Yearly Reduction Targets	 Engineering & Construction	To reduce water consumption by 10% per RM1 million revenue
	 Transportation	To reduce water consumption by 3% per RM1 million revenue
	 Glove Manufacturing	To reduce water consumption by 1% per 1,000 gloves produced

Remark: Group long-term target date was extended from 2026 to 2030 to enable a more gradual transition to sustainable practices and to be in line with Group’s emissions target date.

Sustainability Statement

The water consumption and consumption intensity of each division are presented below:

Indicators	Unit of Measurement	2016 ¹ (base year)	2021 ¹	2022 ¹	2023
Water					
Water Consumption Intensity					
Engineering & Construction ²	m ³ per RM 1 million revenue	15.51	31.53	13.84	15.65
Transportation	m ³ per RM 1 million revenue	1.23	54.81	62.92	69.97
Glove Manufacturing	m ³ per 1,000 gloves produced	N/A	0.27	0.73	0.90
Water Consumption					
Engineering & Construction ²	m ³	549	4,297	1,865	1,604
Transportation	m ³	17	766	942	739
Glove Manufacturing	m ³	N/A	47,624	91,723	112,812

Notations:

1. Base year for Engineering & Construction division is 2016 whilst the base year for Glove Manufacturing was revised from 2021 to 2022 due to phasing out of bore well water. Base year for Transportation has been revised from 2016 to 2021 to reflect operational changes due to in-house washing of vehicles instead of out-sourcing to third parties.
2. Data includes both office and project site consumption, incorporating KTU WTP, Langat Package 15 (4), Telibong WTP, Small Hydro Project, and Langat Package 3.

In FY2023, the performance of each division fell short of their yearly targets. Although total water consumption in the Engineering & Construction and Transportation operations decreased, the drop in revenue of 23.95% and 29.47% during FY2023 resulted in an increase in water consumption intensity. The Glove Manufacturing Division also saw an increase in water consumption as they gradually phased out bore well water extraction and fully transitioned to utilizing water supply from Air Selangor to ensure higher quality water intake. As a result, long term target was also not achieved and recorded an increase of 16.7% from base year. The Group will intensify our efforts to achieve long term targets.

Energy Management

Energy consumption and management play a significant role in determining the total Scope 2 emissions resulting from our business operations. Salcon places a strong emphasis on energy efficiency to mitigate carbon emissions. Our primary focus is on achieving efficient energy consumption and reducing both carbon emissions and energy intensities.

Energy Management Initiatives





Key Energy Management Initiatives	Business Units
Temperature control for air conditioning	Group
Turn-off air conditioning system and light when the room is not occupied	Group
Use of solar lights within premises	Glove Manufacturing
Replacing faulty lights to LED lights which is more environmentally friendly and higher energy efficiency	Group

Sustainability Statement

Energy Consumption Data



OUR TARGET

Group's Long-Term Target	To reduce Group energy consumption intensity by 50% per unit basis by 2030*	
Division Yearly Reduction Targets	 Engineering & Construction	To reduce energy consumption by 6% per RM1 million revenue
	 Transportation	To reduce energy consumption by 6% per RM1 million revenue
	 Technology Services	To reduce energy consumption by 6% per full time employee
	 Glove Manufacturing	To reduce energy consumption by 12% per 1,000 gloves produced

Remark: Group long-term target date was extended from 2026 to 2030 to enable a more gradual transition to sustainable practices and to be in line with Group's emissions target date.

The energy consumption and consumption intensity of each division are presented below:

Indicators	Unit of Measurement	2016 ¹ (base year)	2021 ¹	2022	2023
Energy					
Energy Consumption Intensity					
Engineering & Construction ¹	MJ per RM1 million revenue	9,817	8,023	8,297	9,621
Transportation	MJ per RM1 million revenue	15,018	13,931	12,142	17,506
Technology Services	MJ per full time employee	10,597	8,179	8,819	9,340
Glove Manufacturing	MJ per 1,000 gloves produced	-	61.13	83.66	92.45
Energy Consumption					
Engineering & Construction ¹	MJ	815,789	1,093,457	1,118,052	985,975
Transportation	MJ	205,463	194,749	181,786	184,896
Technology Services	MJ	169,546	130,867	141,106	149,443
Glove Manufacturing	MJ	-	10,818,187	10,464,908	11,534,616

Notations:

- Base year for Engineering & Construction, Transportation and Technology Services divisions is 2016 whilst the base year for Glove Manufacturing is 2021 as the business was acquired during the year.
- Data includes both office and project site consumption, incorporating KTU WTP, Langat Package 15 (4), Telibong WTP, Small Hydro Project, and Langat Package 3.

From base year to 2023, the energy intensity for Engineering & Construction and Technology Services has decreased by 2% and 12% respectively, due to energy efficiency improvements. However, for Transportation and Glove Manufacturing, the energy intensity increased by 17% and 51% from base year. The drop in revenues for both the Transportation and Glove Manufacturing resulted in an increase in energy consumption intensity.

Furthermore, the escalating mean temperature resulting from climate change has increased energy usage for effective cooling in offices for Technology Service Division. As for the Glove Manufacturing division, total energy consumption increase despite a slight reduction in total gloves produced resulting in higher energy consumption intensity. This is because JREMT has to keep 4 production lines running although utilization is only 50% due to interconnectivity of the entire plant.

As a result, long term target was also not achieved and recorded an increase of 13.5% from base year. The Group will intensify our efforts to achieve long term targets.

Sustainability Statement

Pollution & Resources Management

The Group's Engineering & Construction Division holds certification for the ISO 14001 Environmental Management System, and we maintain 100% compliance across all our business operations with Malaysia's Department of Environment ("DE") and all relevant local government regulations.

Various environmental factors, including waste management, raw material used, air quality and noise management are monitored annually in accordance with the environmental monitoring plan.

Target in Driving the Success of Pollution and Resources Management

Waste Management	<ul style="list-style-type: none"> To ensure disposal of scheduled waste generated in compliance with environmental laws and regulations To ensure that construction wastes are disposed of at authorised landfills that are licensed by the Local Authority
Raw Materials Used	<ul style="list-style-type: none"> Prudent and responsible consumption to reduce raw material wastage
Air Quality & Noise Management	<ul style="list-style-type: none"> Ensure 100% compliance within the approved ranges as determined by Malaysia's Department of Environment ("DOE")

Waste Management

Responsible and sustainable consumption practices form the basis of effective waste management. In line with the Group's QSHE policy, Salcon diligently complies with all relevant environmental laws and regulations in all our operations. This approach allows us to utilize resources and recycle waste materials responsibly.

Initiatives in Waste Management

Waste Management Initiatives	Company/ Operation Country
Waste minimization through paper reuse	Group
Digitalization of paperwork, business processes and operations	Group
Increase recycling efforts and practices through recycling program in offices, recycling awareness and proper waste segregation	HQ
Using recyclable products in workplace	HQ

Scheduled Waste Data

Salcon consistently monitors scheduled waste and recycling data to ensure efficient waste management and reduce its environmental footprint. Table below summarizes the 3-year scheduled waste data for our current projects and recycling data.

Indicators	Unit of Measurement	2021	2022	2023
Waste Data				
Telibong WTP	Tonnes	4.58	0.02	0.07

Recycled Waste Data

Indicators	Unit of Measurement	2021	2022	2023
Recycled Waste Data				
Paper	kg	5,164.8	2,537	3,866.6
Plastic	kg	9.1	3	3.5

Sustainability Statement

Recycled Waste Data

Indicators	Unit of Measurement	2021	2022	2023
Recycled Waste Data				
Metal	kg	20.2	146	77
Glass	kg	0	0	0
Reusable Items	kg	301.1	152	178.8
Electronic Items	kg	27.6	0	156

Raw Material Used

Salcon enforces accountability among its suppliers to uphold ethical procurement practices, ensuring efficient and sustainable management of the supply chain for raw materials and construction projects. Our procurement process is guided by the Salcon Green Policy, which outlines our dedication to an Environmental Purchasing Program focused on the acquisition of environmentally responsible products. The Group actively monitors raw material consumption to maintain an optimal supply and minimize waste.

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

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

Raw Material Used	Unit of Measurement	FY2021	FY2022	FY2023
KTU WTP Project*				
- Reinforcement Bar	tonnes	-	33.79	-
- Concrete	tonnes	2,593.20	153.60	-
Eco-Coach & Tours				
- Diesel	litres	692,120.20	860,845.89	693,084.71
Green Fleet				
- Diesel	litres	147,125.90	154,040.49	144,837.34
JREMT				
- Nitrile & Latex	tonnes	3,349.34	3,159.77	2,574,438
- Carton & Inner	tonnes	-	1,275,674	1,069,418

Note: Raw material used for KTU WTP project is not available for FY2023 due to the project was handed over to the authority in FY2023.

Air Quality & Noise Management

In order to prevent air and noise pollution on project sites, the Group is committed to complete compliance with local laws and regulations regarding the permissible levels established by the relevant environmental authorities. To achieve this, the following initiatives are undertaken:

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

Sustainability Statement

Ecological Impact

Salcon recognizes the importance of conserving the ecosystem and biodiversity at all project sites by minimizing actions that can have a detrimental effect on environmental health. In alignment with the Group’s Green Policy, we are dedicated to implementing biodiversity conservation measures to mitigate biodiversity loss and create a net positive impact on biodiversity.

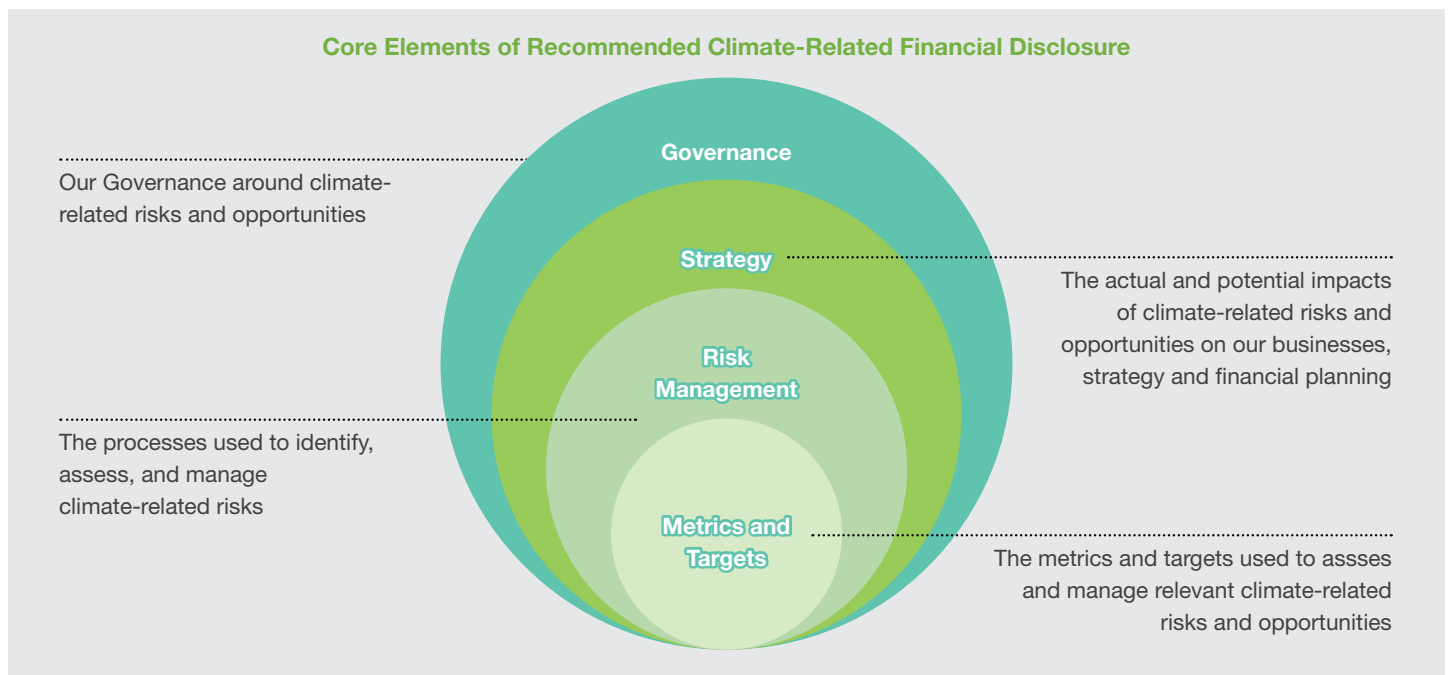
The initiatives in ecology management are presented in the table below:

Key Initiatives in Ecology Management	Business Unit
Conducted Environmental Aspect Identification (“EAI”), Risk & Opportunities for Environment and Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) before commencing a project.	Engineering & Construction
Strictly zero burning and zero hunting at project site.	Engineering & Construction
Compliance towards environmental regulations.	Group
Yearly oil spillage drill to avoid soil contamination.	Engineering & Construction

MI9 Climate Change

Net Zero Emission Goal

As a signatory and supporter of the Task Force on Climate-related Financial Disclosures (“TCFD”) Recommendations, Salcon is firmly committed to enhancing our climate and environmental disclosures in alignment with the stringent requirements outlined by TCFD.



Climate Governance

The governance of sustainability matters is an integral aspect of our Salcon Sustainability Framework. The Chairman of the Sustainability Committee (“SC”), who also holds the role as the Advisor-Climate Change, oversees climate and environmental risks including the setting of the company’s targets and performance. Supported by the SC and the Audit & Risk Committee, the Board reviews the Company’s climate risks and opportunities, strategies, initiatives and performance and endorses the Sustainability Statement and TCFD disclosures.

 Please refer to page 53 for Sustainability Governance Structure.

Sustainability Statement

The SWG is tasked with executing the Group’s climate strategy and ensuring that our objectives for reducing carbon emissions are achieved. The SWG collaborates closely with various business segments to implement environmental initiatives, analyze environmental data, assess risks, and develop mitigation measures to prepare the Group for potential climate change impacts.

Climate Strategy

Salcon conducts a review of climate-related risks and opportunities, categorizing them into two distinct groups. The first category includes risks associated with the physical impacts of climate change, while the second encompasses risks linked to the transition to a low-carbon economy. These categories align with the guidelines set out in the TCFD recommendations.

In terms of opportunities, we are actively focusing on our contributions to the establishment of a low-carbon environment, with a particular emphasis on enhancing energy-saving features in our operations. Moreover, we are engaged in discussions on how to further expand these opportunities.

Our climate strategy comprises several key components:

<p>1 Alignment with the Paris Agreement:</p> <p>We are committed to aligning our strategy with the objectives of the Paris Agreement, which aims to limit global warming to below 2 degrees Celsius, striving for a more sustainable and climate-resilient future.</p> 	<p>2 Investment in Low-Carbon Technologies:</p> <p>We are actively investing in low-carbon technologies and innovative solutions to reduce emissions in our operations. For instance, we are exploring the utilization of biogas, contributing to our efforts to lower our carbon footprint.</p> 	<p>3 Supporting the Transition to a Low-Carbon Economy:</p> <p>We are dedicated to supporting the transition to a low-carbon economy, both within our organization and in the broader context. This includes implementing practices that promote sustainability and a reduced environmental impact.</p> 	<p>4 Stakeholder Communication:</p> <p>We prioritize open and effective communication of our climate strategy and the progress we make with all stakeholders, including shareholders, customers, and employees. This communication is essential to raise awareness and foster a better understanding of climate change issues.</p> 
---	---	---	---

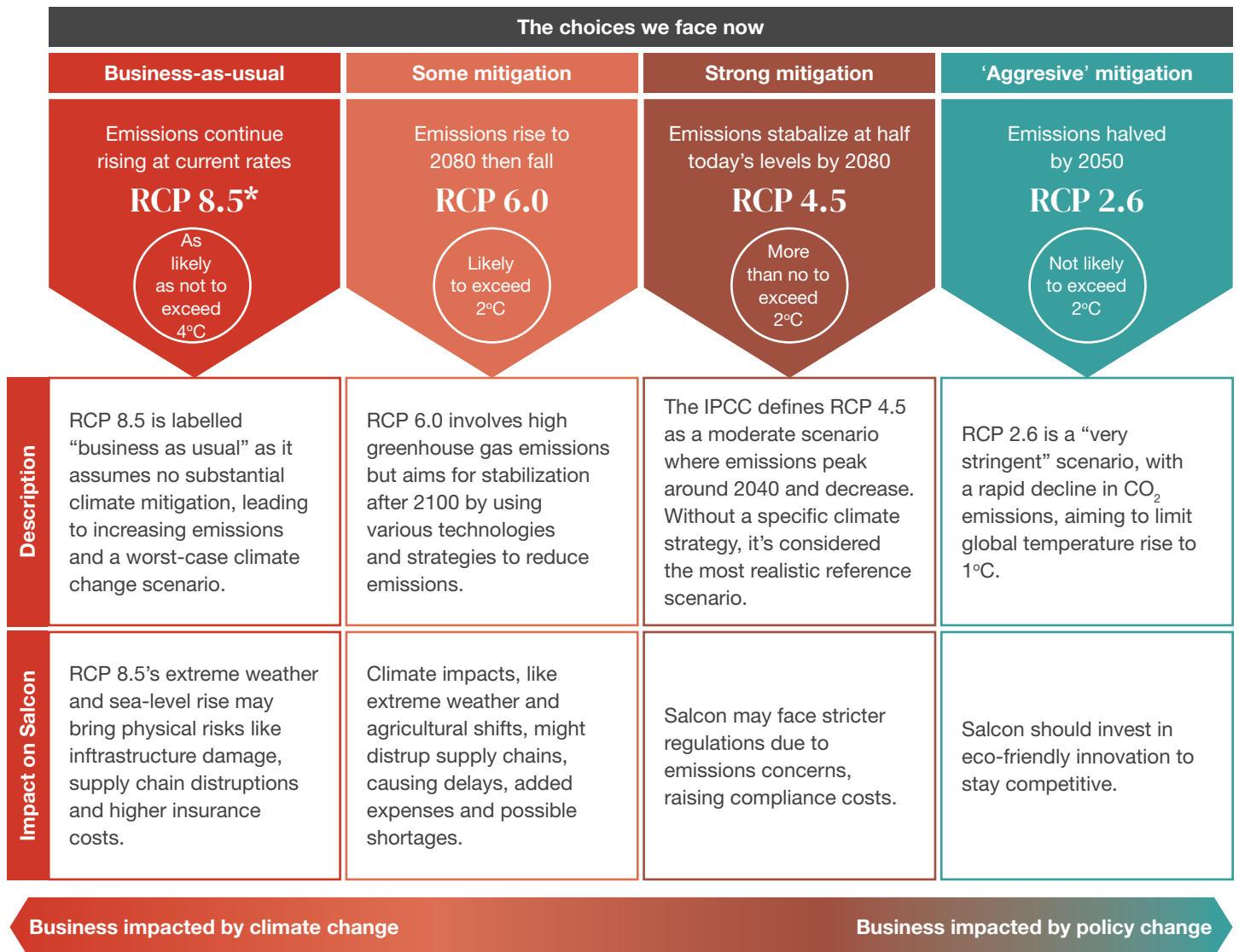
These elements collectively shape our commitment to addressing climate change and reducing our environmental impact.

Sustainability Statement

Scenario Analysis

In FY2023, we conducted a desktop scenario analysis to gain an insight into the risks and opportunities linked to climate change. This analysis included an assessment of how a 2°C temperature increase might impact our business operations.

Four climate change scenarios, Representative Concentration Pathway (“RCP”) 8.5, 6.0, 4.5 and 2.6, were used to model the climate-related risks. RCP 8.5 considers the business-as-usual scenario with no efforts on carbon emission reduction, where more adaptation will be needed. On the other hand, RCP 2.6 considers a more conscious effort on emissions reduction across all sectors aligned with the Paris Agreement’s 2°C pathway, which requires less adaptation. The analysis also delved into the impacts on Salcon based on the 4 scenarios as below:



Sustainability Statement

Climate Risk Management

Subsequent to the climate scenario analysis, Salcon identified potential risks and opportunities, in order to mitigate their impacts on both our operations and stakeholders. Our climate change adaptation strategies aim to address these challenges over the short-term (by 2025), medium-term (by 2030), and long-term (by 2050).

This strategic process is guided by Salcon’s robust Enterprise Risk Management (“ERM”) framework which aligns with the international risk management standard ISO 31000. Through this framework, we identify and mitigate climate change risks and opportunities, implement suitable risk management strategies and effective internal controls to reduce our exposure accordingly.

 Please refer to Statement of Risk Management and Internal Control on pages 107 to 112.

Climate-related Risks, Impacts and Our Responses

Risk Type	Description	Potential Financial Impact	Time Horizon	Opportunities & Our Responses
Physical Risks	Extreme weather	<ul style="list-style-type: none"> - Cost over-runs and reduced revenues as a result of storms and flooding causing damage to infrastructure & affecting operations at project site - Increase in materials & logistical costs due to disruption to supply chains 	Short/ Medium Term	<ul style="list-style-type: none"> - Proper site selection and elevation - Implementation of emergency response plans - Diversify suppliers and reduce dependence on single supplier - Expand downstream into flood mitigation projects
	Rising global temperature patterns	<ul style="list-style-type: none"> - Increased energy costs - Increase in carbon credits pricing due to higher emissions 	Medium/ Long Term	<ul style="list-style-type: none"> - Invest in energy-efficient technologies, equipment upgrades, and operational improvements
Transitional Risk	Legislative			
	<ul style="list-style-type: none"> - Increased pricing of GHG emissions - Enhanced emissions-reporting obligation - Exposure to litigation measures 	<ul style="list-style-type: none"> - Increase in direct cost i.e., carbon taxes - Increasing operational costs - Higher compliance costs 	Medium/ Long Term	<ul style="list-style-type: none"> - Integration of internal practices for emission reductions and improvement of energy efficiency into operations - Stay updated on the latest climate change regulations and ensure strict compliance
	Technology & Market			
	Substitution of existing products and services with lower emissions options	<ul style="list-style-type: none"> - Rising research and development (R&D) expenditures to fulfill the demand for low-carbon and energy-efficient products and services in the market - Rising operational expenses 	Medium term	<ul style="list-style-type: none"> - Transition to renewable energy sources such as solar, wind, or geothermal to offset reliance on conventional energy and mitigate energy cost fluctuations - Use of public-sector incentives/ green bonds - Identifying strategic technology partners for the engineering & construction division - Explore R&D activities to create innovative product solutions within the healthcare division

Sustainability Statement

Risk Type	Description	Potential Financial Impact	Time Horizon	Opportunities & Our Responses
Transitional Risk	Technology & Market			
	Changing consumer behaviour	Shift in consumer preferences impact revenues	Medium/ Long Term	<ul style="list-style-type: none"> - Innovate and develop new low emission products and services - Identify strategic collaborations to transition to low carbon economy
	Reputation			
	Damage to company reputation and brand	<ul style="list-style-type: none"> - Reduced revenue from decreased demand for goods/services and production capacity - Reduced investor confidence in the Group's capability to transition to a low-carbon economy 	Short/ Medium term	<ul style="list-style-type: none"> - Commitment to halve emissions by 50% by 2030 and net zero by 2050 - Incorporate considerations of climate risks and opportunities throughout the design, development, and operation of assets - Establish key performance indicators for the Climate Change Strategy - Implement energy conservation and energy efficiency measures adoption





Metrics & Targets

Salcon employs the carbon intensity method, which involves measuring carbon emissions per unit basis, to analyze the Group's carbon emissions due to the diverse nature of our business operations. The Group measures and reports both direct carbon emissions (Scope 1) and location-based energy-indirect greenhouse gas ("GHG") emissions (Scope 2) stemming from our business activities.

Our short-term and medium targets for every business division are as stated below.



OUR TARGET

Group's Long-Term Target	To reduce Group's carbon emission intensity by 50% per unit basis by 2030 and achieve Net Zero carbon emission by 2050	
Division Yearly Reduction Targets	 Engineering & Construction	To reduce carbon emission by 6% per RM1 million revenue per annum
	 Transportation	To reduce carbon emission by 7% per RM1 million revenue per annum
	 Technology Services	To reduce carbon emission by 7% per full time employee per annum
	 Glove Manufacturing	To reduce carbon emission by 11% per 1,000 gloves produced per annum

Sustainability Statement

Indicators		Unit of Measurement	2019 ¹ (base year)	2021 ¹	2022	2023
Emission						
Absolute Emission						
Engineering & Construction ²	Total absolute emission (Scope 1-3)	tonne CO ₂	708.48	534.4	584.48 ³	654.49
	Emission intensity based on equity shares	tonne CO ₂ /RM mil	3.82	3.44	3.87 ³	5.69
Transportation	Total absolute emission (Cat 15)	tonne CO ₂	3,718.85	2,295.5	2,767.19	2,290.33
	Emission intensity based on equity shares	tonne CO ₂ /RM mil	106.77	84.23	94.82	111.24
Technology Services	Total absolute emission (Scope 3)	tonne CO ₂	26.6	21.27	22.93	24.28
	Emission intensity based on equity shares	tonne CO ₂ /headcount	0.78	0.66	0.72	0.76
Glove Manufacturing	total absolute emission (Scope 3)	tonne CO ₂	N/A	1,879.45	1,850.3	2,001.45
	Emission intensity based on equity shares	tonne CO ₂ /1,000 gloves produced	N/A	0.0054	0.0075	0.0082

Notations:

1. Base year for Engineering & Construction, Transportation and Technology divisions is 2019 whilst the base year for Glove Manufacturing is 2021 as the business was acquired during the year.
2. Data includes both office and project site consumption, incorporating KTU WTP, Langat Package 15 (4), Telibong WTP, Small Hydro Project, and Langat Package 3.
3. The absolute emission and emission intensity for Engineering & Construction Division for FY2022 was restated due to restructuring of reporting scope.

In FY2023, our total absolute emissions from each division amounted 4,969.14 tonnes CO₂, representing a 4.9% reduction in total carbon emission for Scope 1, 2 and 3 from the previous year.

For Scope 1 emissions, we use the emission factor published by the US Environmental Protection Agency ("US EPA"), while for Scope 2 emissions, we utilize the ComBined Margin emission factor based on fuel consumption in Malaysia.

 The emission factors reference (For Scope 1 emissions) is available at <https://www.epa.gov/climateleadership/ghg-emission-factors-hub>.

The emission factors reference (For Scope 2 emissions) is available at <https://www.mgtc.gov.my/wp-content/uploads/2019/12/2017-CDM-Electricity-Baseline-Final-Report-Publication-Version.pdf>.

Sustainability Statement

Scope 3 Emission Data

In 2022, Salcon initiated the monitoring and reporting of its carbon emissions in accordance with Scope 3 emissions, specifically Category 6 (Business Travel) and Category 7 (Employee Commuting). Business travel encompasses both air travel and on-road vehicle use by our engineering & construction unit. For employee commuting, we utilize a sampling method to collect data across our diverse business units. However, the absolute Scope 3 emissions that have been tabulated are not included in the reported emission reduction target. We are committed to providing more comprehensive reporting on Scope 3 emissions in our future.

Indicators	Unit of Measurement	2019 (base year)*	2021	2022	2023
Category 6: Business Travel	tonnes	N/A	N/A	26.12	26.78
Category 7: Employee Commuting	tonnes	N/A	N/A	226.15	279.92
Total emission (tonnes CO₂)	tonnes	N/A	N/A	252.27	306.7

Environmental Stewardship

Environmental stewardship and sustainability require collaborative efforts, and forming partnerships with like-minded entities can significantly enhance the impact and reach of these initiatives. Salcon actively seeks to establish relationships with external organizations that align with its sustainability goals.



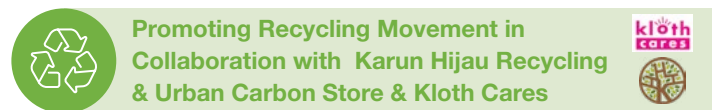
Salcon continues to organize its flagship programme, Salcon Smart Water Programme (“SSWP”) at Sungai Penchala in Bukit Kiara Park with its long-term collaborative partner – Water Watch Penang (“WWP”). This programme, which aims to impart water conservation and awareness amongst our younger generation, was established since 2010 and has benefitted more than 3,300 students and 179 teachers to date.

For more information about the programme, please refer to the Social Capital - Community Engagement section of this report.



Salcon organized an Ecobricks-making workshop with a total of 70 students in Sekolah Kebangsaan USJ 12, Subang Jaya in collaboration with AIESEC UPM to foster sustainability and reducing environmental impact amongst the youth. Employees of Salcon also contributed 10 solid Ecobricks which was donated to SK USJ 12 as part of their modular furniture structure.

For more information about the programme, please refer to the Social Capital - Community Engagement section of this report.



We continued to encourage our employees to recycle and engaged Karun Hijau to collect our recyclables. We have in total recycled 4,281.9 kg of paper, plastic, glass, reusable items, metal and electronic items.

Besides that, we have also continued our effort on educating our people on fabric recycling initiative in collaboration with Kloth Malaysia, by setting up our Salcon Fabric Recycling Bin in the office since 2020, to encourage our people to recycle unwanted fabric. In FY2023, a total of 178.8 kg of fabric including pre-loved clothing, handbags, belts, linen and soft toys were collected.



Sustainability Statement

S Social Capital



Engaging and uplifting the community

Connecting with the community allows us to gain insights into societal needs, and we take pride in actively contributing to support those in need and make positive impacts as part of our corporate responsibility through various social activities, not only by the company itself but the collective efforts from our employees as volunteers.

Our commitment in community engagement is guided by our community engagement scheme and philanthropic & non-commercial sponsorship guidelines as below:

Guidelines	Purposes	MI
<ul style="list-style-type: none"> Community Engagement Scheme 	<ul style="list-style-type: none"> Engage with local communities through 4 approaches: Empowering Education, Community Outreach, Philanthropic Giving & Local Employment 	MI10
<ul style="list-style-type: none"> Philanthropic & Non-commercial Sponsorship Guidelines 	<ul style="list-style-type: none"> Setting criteria for donations and non-commercial sponsorship 	MI10

MI10 Community Engagement

Why We Engage:

- To make a positive difference in our communities, through our social initiatives and community programs
- To stay connected to the developments and trends surrounding our operations which help contribute to shaping our relevance and impact in these communities



Guided by the UN SDGs:

- To promote quality education and effective learning for all
- To ensure access for all to adequate, safe, and affordable basic necessities



- To promote inclusive and sustainable economic growth and employment for all



- To emphasize the need for collaboration, cooperation, and partnerships to achieve the broader sustainability agenda



We make positive impacts through:

- Empowering education
- Strategic partnerships, outreach and voluntary employee participation
- Corporate philanthropy giving
- Local employment



About This Report

Group Overview

Management Discussion & Analysis

Creating Sustainable Value

Governance

Financial Statements

Other Information

Sustainability Statement

EMPOWERING EDUCATION

Salcon Smart Water Program (“SSWP”)

The Salcon Smart Water Programme (“SSWP”) which started since 2010, focuses on education outside the classroom to educate youths on the importance of river and water conservation. The programme provides students with practical skills and a holistic learning experience through hands-on testing of river water’s physical, chemical, and biological aspects. This knowledge equips them to take creative actions aimed at protecting water sources and reducing water consumption both at school and in their homes.

3,326

students benefitted

16.75%

knowledge improvement

98%

Participants

recommendation rate

Reached out to

**94 schools
& 4 orphanages**

Salcon Train The Trainers (“TOT”) Programme

The Salcon Train the Trainers (“TOT”) Programme which is an integral part of the SSWP, aims to expand the reach and impact of the Company’s engagement efforts in promoting environmental awareness. Through the TOT Programme, teachers are trained as facilitators on how to conduct the SSWP. By equipping teachers with the necessary skills and resources, Salcon is empowering them to independently conduct the SSWP within their respective schools or programs. Salcon supports the school teachers by providing transportation, full set of programme materials and water testing kits.

179

“Certified Trainers”
trained

19

schools
which conducted
own programme

41

programmes
conducted by
schools



Training of teachers as facilitators and equipping them with the knowledge and skills to conduct the SSWP at their own time



Sustainability Statement

Salcon Ecobricks Workshop

In a collective endeavor to advance environmental sustainability and foster a greener world, Salcon in collaboration with AIESEC UPM organized an Ecobricks-making workshop with a total of 70 students in SK USJ 12, Subang Jaya. The workshop aims to educate and empower the younger generation by showing them how to transform plastic waste into a valuable resource for sustainable simple modular furniture.



Students working hand in hand to construct a modular bench using recycled plastic waste

Back to School Campaign

Through Salcon Back to School Campaign in 2024, we took the initiative to benefit 133 primary school pupils from low-income households from SK Lembah Subang, Petaling Jaya. In our effort to support their education, we provided each child with essential school supplies, including new school shoes, socks, and a water bottle. By undertaking this initiative, Salcon not only aimed to alleviate the financial burden on families struggling with limited resources but also sought to create an inclusive and supportive learning environment for these young students.



Students from SK Lembah Subang expressed joy as they received brand new school shoes through the Salcon Back to School Programme

COMMUNITY OUTREACH

Lighting Up Our Community

A team of 24 volunteers from Salcon Berhad came together to brighten up the lives of 19 families at the Kampung Bukit Tunggul Orang Asli community in Sepang.

Under this initiative, eighteen (18) houses were installed with 24 W portable batten lights which comes equipped with a USB port for convenient recharge of electronic gadgets. This solar powered lighting system aims to uplift the quality of lives of 56 Orang Asli residents Kampung Bukit Tunggul which includes 37 children and 19 adults.



Salcon volunteers providing solar panels to enhance the livelihood of the Sepang Orang Asli communities

14th Blood Donation Drive

Our longstanding collaboration with Pusat Darah Negara over the last 14 years demonstrates our unwavering dedication to this significant cause. This partnership serves as a valuable platform to raise public awareness about health and actively contribute to replenishing our local blood bank.

This year's blood donation drive saw an impressive turnout, with 86 pints of blood collected through the generous contributions from 121 volunteers registered. These donations are believed to potentially save the lives of 261 individuals in need.



Salcon collaborated with Pusat Darah Negara and held its 14th annual blood donation drive

Sustainability Statement

Christmas Movie Day with the Orphanage

25 Children from Pusat Penjagaan Kanak-Kanak Cacat Taman Megah (“PPKKCTM”) had a heartwarming Christmas outing with staff of Salcon Berhad and their families in a fun-filled evening including a dinner at KFC and a screening of the movie, Aquaman & The Lost Kingdom. Salcon employees also generously contributed essential items such as groceries, toiletries, and medication, extending their support to the home and its residents.



A heartwarming Christmas outing with Salcon employees and 25 children from Pusat Penjagaan Kanak-Kanak Cacat Taman Megah (“PPKKCTM”)

MOVING FORWARD

As we navigate the current business landscape, and increased focus on environmental, social, and governance standards, our commitment remains steadfast. By effectively managing the five pillars outlined in our sustainability framework, we aim to create value for all stakeholders, ensure the company’s long-term success and contribute to a sustainable future.

PHILANTHROPIC GIVING

The Group has consistently shown its commitment to making positive impacts in the local community through a range of Corporate Social Responsibility (“CSR”) activities. We continue to support the local community by regularly providing financial contributions and in-kind donations to various charitable organizations and foundations that aid the less privileged and those in need. In total for FY2023, we have contributed RM49,190.50 as donation to various organizations.

LOCAL EMPLOYMENT

The Group is committed to ensuring job security and career growth for our employees. In line with SDG 8 which is to promote decent work and economic growth, we prioritize the recruitment of local talents where 100% of our recruits are local in FY2023.

Through the internship and protégé programme, we aim to contribute to the professional growth and development of Malaysian graduates, ultimately preparing them to make valuable contributions to their chosen fields and the corporate world as a whole. In FY2023, we employed 14 numbers of fresh graduates in support of the Malaysia Government’s protégé initiative.

Performance Data Table

from ESG Reporting Platform

As a Listed Issuer, Salcon is obligated to provide mandatory ESG disclosures according to the Main Market Listing Requirements, following the enhanced Sustainability Reporting Guide, 3rd Edition. The performance data table obtained from the ESG Reporting Platform outlines indicators that are pertinent to our Material Matters.

Indicator	Measurement Unit	2023
Business Ethics & Corporate Governance		
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category		
Senior Manager & above	Percentage	69.57
Manager	Percentage	56.00
Executive	Percentage	57.98
Non-executive	Percentage	20.63
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	100.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0
Number of Board Directors	Number	6
Number of independent Directors on the board	Number	3
Number of women on the board	Number	1
Annual General Meeting: Number of days between the date of notice and date of meeting	Number	54
Supply Chain Management		
Bursa C7(a) Proportion of spending on local suppliers	Percentage	99.96
Occupational Health & Safety		
Bursa C5(a) Number of work-related fatalities	Number	0
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	0.00
Bursa C5(c) Number of employees trained on health and safety standards	Number	165
Percentage of sites with OHSAS 18001 certification	Percentage	100.00
Number of work-related employee fatalities, over last 3 years	Number	0
Talent Attractions & Engagement		
Bursa C6(a) Total hours of training by employee category		
Senior Manager & above	Hours	256
Manager	Hours	684
Executive	Hours	2,351
Non-executive	Hours	477
Environmental Impact Management		
Bursa C4(a) Total energy consumption	Megawatt	3,570.81
Bursa C9(a) Total volume of water used	Megalitres	115.155000
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	0.00
Three years of total energy usage data on properties disclosed	Megawatt	9,116.03
Three years of total water usage data from property portfolio disclosed	Cubic meters	252,159.00
Disclosure of three years of waste recycled (tonnes)	Metric tonnes	12.64
Percentage of sites covered by recognized environmental management systems such as ISO14001 or EMAS	Percentage	100.00
Climate Change		
Bursa C11(a) Scope 1 emissions in tonnes of CO ₂ e	Metric tonnes	340.69
Bursa C11(b) Scope 2 emissions in tonnes of CO ₂ e	Metric tonnes	116.34
Bursa C11(c) Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	Metric tonnes	4,820.23
Three years of total GHG emissions data on properties disclosed	Metric tonnes	14,757.69
Community Engagement		
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	77,155.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	945

Internal assurance External assurance No assurance

(*)Restated

About This Report

Group Overview

Management
Discussion & AnalysisCreating
Sustainable Value

Governance

Financial Statements

Other Information

Performance Data Table

from ESG Reporting Platform

Indicator	Measurement Unit	2023
Labour Rights & Practices		
Bursa C3(a) Percentage of employees by gender and age group, for each employee category		
Age Group by Employee Category		
Senior Manager & above Under 30	Percentage	0.00
Senior Manager & above Between 30-49	Percentage	27.60
Senior Manager & above Above 50	Percentage	72.40
Manager Under 30	Percentage	0.00
Manager Between 30-49	Percentage	67.30
Manager Above 50	Percentage	32.70
Executive Under 30	Percentage	26.10
Executive Between 30-49	Percentage	55.10
Executive Above 50	Percentage	18.80
Non-executive Under 30	Percentage	46.80
Non-executive Between 30-49	Percentage	45.20
Non-executive Above 50	Percentage	8.00
Gender Group by Employee Category		
Senior Manager & above Male	Percentage	75.90
Senior Manager & above Female	Percentage	24.10
Manager Male	Percentage	65.50
Manager Female	Percentage	34.50
Executive Male	Percentage	47.10
Executive Female	Percentage	52.90
Non-executive Male	Percentage	67.00
Non-executive Female	Percentage	33.00
Bursa C3(b) Percentage of directors by gender and age group		
Male	Percentage	83.30
Female	Percentage	16.70
Under 30	Percentage	0.00
Between 30-49	Percentage	0.00
Above 50	Percentage	100.00
Bursa C6(b) Percentage of employees that are contractors or temporary staff		
	Percentage	38.30
Bursa C6(c) Total number of employee turnover by employee category		
Senior Manager & above	Number	0
Manager	Number	7
Executive	Number	25
Non-executive	Number	68
Bursa C6(d) Number of substantiated complaints concerning human rights violations		
	Number	0
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data		
	Number	0
Percentage of global staff with a disability.	Percentage	0.20
Percentage of women in the global workforce.	Percentage	50.00

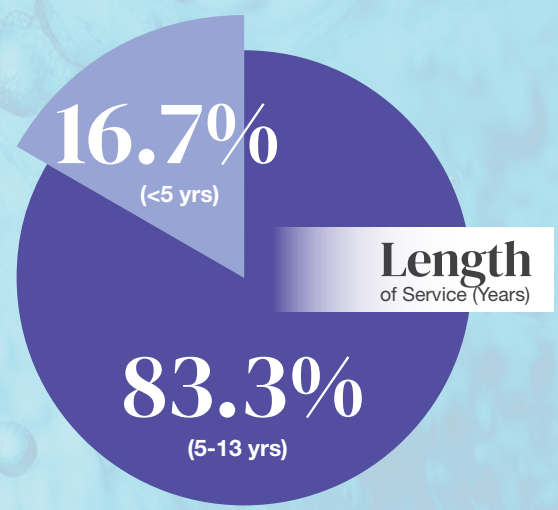
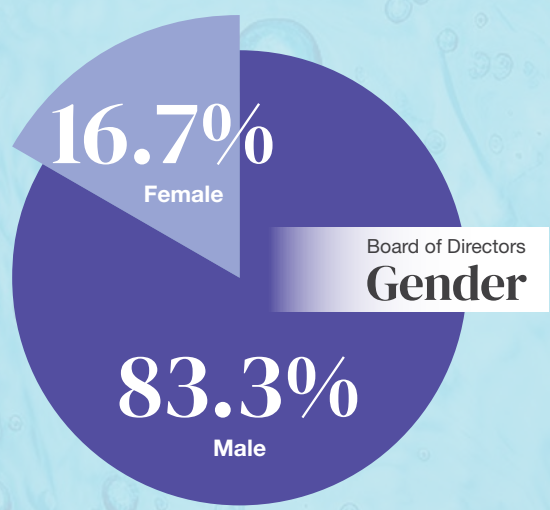
Note:
Performance indicators of material matters within our Sustainability Report 2023 which do not contain quantitative data have been addressed in relevant sections of this report.

Our Board of Directors' & Key Senior Management

We are pleased to introduce the esteemed members of our Board of Directors, whose diverse expertise, leadership, and commitment are invaluable assets to our organization. Comprised of seasoned professionals and visionaries from various industries, our Board plays a pivotal role in guiding the strategic direction and governance of our Company.

Directors' Statistics

The team is accountable to our shareholders for the responsible conduct of our business and to sustain the long-term growth of the Company by delivering profitability and a healthy economic performance.



Board of Directors' Profile



Tan Sri Abdul Rashid Bin Abdul Manaf

Chairman, Independent Non-Executive Director

Tan Sri Abdul Rashid Bin Abdul Manaf, aged 77, male, was appointed to the Board of Salcon Berhad (“Salcon”) as Chairman on 2 January 2019.

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

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

Tan Sri Abdul Rashid was the Chairman of the Board of S P Setia Berhad from 1996 until 2012. He was also the Group Chairman of Cahya Mata Sarawak Berhad from October 2018 to September 2021 and Chairman, Independent Non-Executive Director of Perak Corporation Berhad from 6 July 2020 until 1 August 2022.

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



Tan Sri Dato' Tee Tiam Lee

Executive Deputy Chairman

Tan Sri Dato' Tee Tiam Lee, aged 66, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

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

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

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

Board of Directors' Profile



Dato' Leong Kok Wah

Executive Director

Dato' Leong Kok Wah, aged 70, male, was appointed to the Board of Salcon on 1 January 2010.

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

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

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

Dato' Leong is also a member of Sustainability Committee of the Company.



Datin Goh Phaik Lynn

Non-Independent Non-Executive Director

Datin Goh Phaik Lynn, aged 63, female, was appointed to the Board of Salcon on 30 December 2019.

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

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

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

Datin Goh is a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company.

Notes:-

1. All Directors are Malaysian.
2. There is no family relationship between the Directors and/or major shareholders of the Company except for Datin Goh Phaik Lynn, who is a director and major shareholder of the Company, is the spouse of Dato' Leong Kok Wah.
3. None of the Directors has entered into any transaction, whether directly or indirectly, which has a conflict of interest or potential conflict of interest, including interest in any competing business that the Director has with the Company or its subsidiaries.
4. None of the Directors has been convicted for any offences (other than traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

Board of Directors' Profile



Dato' Rosli Bin Mohamed Nor

Independent Non-Executive Director

Dato' Rosli Bin Mohamed Nor, aged 65, 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 coal supply.

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. He was also a former Independent Non-Executive Director of Econpile Bhd for a period of nine (9) years from December 2013 and was redesignated as Non-Independent Non-Executive Director from October 2022 until October 2023.

He has been reappointed as Corporate Advisor to Global Piling Solutions Co., Ltd ("GPS") in November 2023, a company incorporated under the laws of Cambodia. GPS is a wholly-owned subsidiary of Econpile Bhd.

Dato' Rosli currently sits on the board of ADS Sentral Sdn Bhd, a subsidiary of TRC Synergy Berhad and KMK Plus Sdn Bhd, the later being his privately owned construction firm. He is also the Corporate Advisor to Hassan (Cambodia) Co. Ltd. a prominent shopping mall developer in Cambodia.

Currently his main focus is on corporate advisory and consultancy services under his privately owned company, Incap Ventures Sdn. Bhd.

Dato' Rosli is the Chairman of the Sustainability Committee, a member of the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee of the Company. He is the Advisor-Climite Change to oversees climate risks and mitigation plans for the Group.



Chan Seng Fatt

Senior Independent Non-Executive Director

Chan Seng Fatt, aged 60, 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 35 years covering various aspects of experience namely external and management auditing, financial management, corporate finance, stockbroking and senior level operation and general management.

Mr Chan has held several senior positions in various private and public companies.

Currently, he is the Group Chief Executive Officer of Star Media Group Bhd and an Independent Non-Executive Director of Skyworld Development Berhad.

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

Key Senior Management's Profile

Leong Yi Shen

Chief Financial Officer

Male | 33 | Malaysian

Date of first appointment to key senior management position:
20 August 2021

Name of Company:
Salcon Berhad

Qualification(s):

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

Professional Qualification:

- Chartered Accountants (Malaysia)
- CPA Australia

Working Experience(s):

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

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

Jamiluddin Amini Bin Sulaiman

Chief Operating Officer

Male | 56 | 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 in his present position since January 2021 and he currently oversees the overall operation of various divisions and departments of the company in water and wastewater sectors. He has accumulated over 33 years of experience in water treatment/water supply industry and environment engineering, ranging from project management to engineering procurement, construction, commissioning, operation and maintenance.

He started his career in the United States as Environmental Analytical Chemist at Ceimic Corporation, followed by Project Engineer at Energy & Environmental Engineering Inc. He was primarily involved in technology development of hazardous wastewater control under USEPA SBIR program and operating an inorganic testing laboratory.

Upon returning to Malaysia, he joined Erinco Sdn. Bhd., a local engineering consulting firm and was assigned to carry out detailed engineering studies, preparation of design, tender documents/drawings and supervision of contracts for the rehabilitation of 14 water treatment plants in Johor. He later joined Salcon in 1996 as Senior Project Engineer, assigned to lead a team to implement a project under Sg. Selangor Water Supply Scheme Phase 2. In 1999, he became Head of Engineering and subsequently moved up to become General Manager, Director of Project and Director of Engineering & Proposal.

Key Senior Management's Profile

Lee Thim Loy

Managing Director

Male | 75 | Malaysian

Date of first appointment to key senior management position:
30 August 1984

Name of Company:
Envitech Sdn Bhd

Qualification(s):

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

Working Experience(s):

Ir. Lee Thim Loy has more than 50 years of experience in the wastewater industry. His experience ranges from design and construction of network pumping stations, oxidation ponds, aerated lagoon system, rotating biological contactors, oxidation ditches, extended aeration activated sludge system, and intermittently decanted extended aeration (IDEA) activated sludge treatment system for sewage treatment.

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

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

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

Low Beng Peow

Executive Director

Male | 77 | Malaysian

Date of first appointment to key senior management position:
30 August 1984

Name of Company:
Envitech Sdn Bhd

Qualification(s):

- Bachelor degree in Chemical Engineering from the National Taiwan University, Taipei in 1971
- Master degree in Environmental Engineering from the Asian Institute of Technology, Bangkok in 1973
- A Registered Professional Engineer with practising certificate in the branch of Environmental Engineering with the Board of Engineers, Malaysia
- Fellow of the Institution of Engineers Malaysia

Working Experience(s):

Ir. Low Beng Peow, has been in the environmental engineering industry for more than 50 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.

Key Senior Management's Profile

Dato' Mohammad Hakim Low Bin Abdullah

Chief Executive Officer

Male | 60 | 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 23 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 | 63 | 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 23 years, film production, advertising and marketing, and audit and corporate tax.

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

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

Key Senior Management's Profile

Ganesan A/L Subramaniam

Managing Director

Male | 61 | Malaysian

Date of first appointment to key senior management position:
June 2001

Name of Company:
JR Engineering And Medical Technologies (M) Sdn Bhd

Qualification(s):
• Diploma in Mechanical Engineering from Bradford Technical College Kuala Lumpur in 1986

Working Experience(s):
Ganesan ventured into the glove manufacturing business in 1991 when he joined Brightway Holdings Sdn Bhd and was the General Manager when he left in 2001. He has more than 32 years of experience in the glove manufacturing industry as well as expertise in the design, engineering, construction of gloves dipping lines, quality control system and management in the wastewater treatment plant and boilers.

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

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

Notes:-

1. Directorship in public companies and listed companies
 - i. Jamiluddin Amini Bin Sulaiman, Salcon Engineering Berhad.
 - ii. Vergis Mathews A/L V. V. Mathew, The Asia Nature Conservation Berhad.
2. Any family relationship with any director and/or major shareholder of Salcon Berhad
 - i. Leong Yi Shen is the son of Dato' Leong Kok Wah and Datin Goh Phaik Lynn who are the directors and major shareholders of the Company.
 - ii. Save as disclosed above, none of other Key Senior Management has any family relationship with any Director and/or major shareholder of the Company.
3. None of the Key Senior Management has any conflict of interests or potential conflict of interests, including interest in any competing business that he has with Salcon Berhad or its subsidiaries.
4. Other than traffic offences, none of the Key Senior Management has any convictions for offences within the past 5 years and of any public sanction or penalty imposed by the relevant regulatory bodies during the year.

Corporate Governance Overview Statement



The Board of Directors (“the Board”) of Salcon Berhad (“Salcon” or “the Company”) presents this statement, to provide all stakeholders, with an overview of the Corporate Governance (“CG”) Practices (“Practices”) of the Company for the financial year ended 2023 (“FY2023”). This overview takes guidance from the key principles as set out in the Malaysian Code on Corporate Governance (“MCCG”) issued by Securities Commission Malaysia and is prepared in accordance with Practice Note 9 of Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”).

Commitment from The Board

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

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

Compliance with MCCG

The Company has complied with the practices while applying the main principles of the MCCG for the FY2023, except:

- Practice 5.9 (The Board comprises at least 30% women directors)
- Practice 8.2 (The Board discloses on a named basis the top five senior management’s remuneration component including, salary, bonus, benefits in-kind and other emoluments in bands of RM50,000)

The Corporate Governance Report (“CG Report”) provides detailed disclosures on whether and how the Company has applied the Practices, as set out in the MCCG, for the FY2023.

The report is available at www.salcon.com.my.



PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

i. Board Responsibilities

The Board of Directors holds the esteemed position as the apex governing body of the Company, entrusted with the vital task of safeguarding and augmenting the stakeholders’ value. At the core of its fiduciary duties and leadership mandate, the Board bears the weighty responsibility of not only guiding but also diligently overseeing the multifaceted activities and decisions of our organization. Moreover, it assumes a crucial role in upholding the principles of transparency, ethics, and accountability by holding our management team to the highest standards of performance and conduct.

To facilitate and enhance a clear understanding of the functions performed by both the Board and Management, a Board Charter has been developed, that succinctly outlines these functions. The Board Charter is reviewed periodically and updated in accordance with the needs of the Company to ensure its effectiveness and consistency with the Board’s objectives and corporate vision.

The Board reserves to itself certain key matters, while also delegating its authority in certain functions to its Board Committees. On 25 May 2023, the Board had approved to streamline and integrate the Company’s Audit Committee (“AC”) and Risk Management Committee (“RMC”) into a single committee, namely the “Audit and Risk Management Committee” (“ARMC”). This strategic integration was undertaken to enhance the Board’s ability to exercise more effective oversight of the Company’s risk management affairs.

Corporate Governance Overview Statement

Following the integration of the ARMC, there are currently four (4) Board Committees have been appointed to assist the Board in its oversight function where each Committee has specific areas of responsibility as illustrated below:

BOARD COMMITTEE



SUSTAINABILITY COMMITTEE (“SC”)

Reviews the Group’s strategic direction, policies, principles on sustainability matters



REMUNERATION COMMITTEE (“RC”)

Reviews the overall remuneration policy and strategy implementation of the Board and Senior Management



AUDIT AND RISK MANAGEMENT COMMITTEE (“ARMC”)

Monitors and reviews the integrity of financial statements, the relationship with external auditors, the effectiveness of Group’s internal control and risk management



NOMINATION COMMITTEE (“NC”)

Reviews the composition and balance of the Board to ensure the right structure and skills are in place to deliver the Group’s strategy

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

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

Additionally, the responsibilities of the Executive Director (“ED”) are also set out in the Board Charter. The Board will periodically review the Board Charter and Terms of References (“TORs”) for the respective Board Committees and make necessary amendments to ensure consistency with the Board objectives, and relevant rules and regulations of the various authorities.

The latest review of the Board Charter was conducted on 24 August 2023 and the updated versions of the Board Charter and TORs for the respective Board Committees are available for viewing on the Company’s website, www.salcon.com.my.

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

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

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

Corporate Governance Overview Statement

Ethics and Integrity


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

 The COEC is available at www.salcon.com.my.

The Board is committed to and supports the principle of zero tolerance for any form of bribery or corruption, whether direct or indirect, involving its stakeholders. To comply with Section 17A of the Malaysian Anti-Corruption Commission Act 2009, an Anti-Bribery and Anti-Corruption Policy (“ABAC”) has been adopted and implemented by the Group since 2020. This is to ensure the Group has adequate procedures in place to prevent and detect bribery and corruption. In 2021, the Board formed a Sub-Board Integrity Committee chaired by the Chief Integrity Officer and holds periodic meetings. Any outcomes are reported directly to the ARMC.

During the FY2023, the Board approved a revised ABAC Policy that further strengthens and promotes the deterrence of bribery and corruption. Additionally, the Group organized its second internal briefing session and the appointment of Integrity Governance Champion (“IGC”) for the Group. The aim was to enhance awareness and understanding of the ABAC Policy, whilst, IGC act as figure within an organization who plays a leading role in promoting and ensuring integrity within the governance framework. This individual advocates for ethical behaviour, transparency, and adherence to principles of integrity throughout the organization.

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

 The ABAC Policy is available on the Company’s website, www.salcon.com.my.

Grievance Mechanism

The Company have in place channels for internal and external stakeholders to raise any concerns they may have relating to misconduct or improprieties.

i) Internal: Grievance handling form

All incidents or issues pertaining to unfair treatment or discriminatory actions are recorded and investigated as a matter of high priority by the Human Resource and Admin Department, and may be escalated to Senior Management, if necessary.

ii) Internal and External: Whistle-blowing platform

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

For FY2023, the Company did not receive any report or complaint of misconduct from employees, management, public or stakeholders.

 The WBP is available at www.salcon.com.my.

Sustainability Matters

Dedication and Commitment

The Board recognises the importance of incorporating the Environmental, Social and Governance (“ESG”) aspects throughout the business operations and has embedded sustainability considerations into the products and services of the Group. The Board Charter includes the Board’s responsibility to ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability.

Corporate Governance Overview Statement

To embrace and cultivate the sustainability culture, Salcon has formed a Sustainability Committee (“SC”) on 9 January 2018 that report directly to the Board. The Terms of Reference for the SC is available on the Company’s website, www.salcon.com.my. In addition, a Sustainability Working Group Committee (“SWGC”) comprises various department head and business unit heads that report to SC has been formed to assist the coordination of sustainability matters on a lower communication ground.

The Group’s sustainability commitments are governed and guided by Salcon’s Group Sustainability Framework. The Group’s materially matters are based on the following 5 key focus pillars:

1. Business Model & Innovation
2. Leadership & Governance
3. Human Capital
4. Environment
5. Social Capital

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

Supported by the SC and SWGC, the Board takes an active role to address ESG material matters including climate change, corporate governance, human rights, occupational safety & health and etc. The material issues have been identified and reviewed annually through consultation with stakeholders, taking into account any new business developments and other sources.

The Board requires reliable assurance regarding the effectiveness of sustainability risk management and reporting. Therefore, sustainability statement reviews are incorporated into annual internal audit plans. In-house internal auditors will provide assurance by collating, verifying, and validating sustainability information and data from subsidiaries in accordance to IPPF standards.

The sustainability statement is set out on pages 50 to 86 of this Annual Report and the Company activities carried out in the FY2023.

ii. Board Composition

During the financial year under review, the Board comprises three (3) Independent Directors and three (3) Non-Independent Directors. Thus, the Board’s composition has fully complied with the Bursa Securities Listing Requirements for INED to make up at least one-third (1/3) of the Board membership. With this existing composition, the Board has further fulfilled MCCG Practice 5.2, whereby at least half of the Board’s composition comprises Independent Directors.

In relation to gender diversity for Board and Senior Management, the Board recognizes the benefits of a diversity in the Board’s spectrum and has adopted a Board Diversity Policy (which include gender policy) whereby all appointment to the Board are based on merit and objective criteria, merit, contribution and with the due regard for diversity in skills, experience, age and gender. The Board believes that a truly diversified Board will leverage differences in thought, perspective, knowledge, skill, professional experience, gender, will enhance the decision making capabilities of the Board and achieve optimum Board performance.

Currently, the Group does not have any specific measurable objective for achieving gender diversity in the senior management. Nevertheless, the Group is committed to promoting a culture of diversity in the workplace for better decision making and competitive advantage. As at 31 December 2023, the Group’s workforce diversity was 50% male and 50% female.

Although the Board does not have a specific policy on gender diversity for Board and Senior Management, however the Board and NC are mindful of its responsibilities to conduct appointment processes for Board and Senior Management in a manner that promotes gender diversity as per recommendation stated in the Malaysian Code on Corporate Governance.

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

Corporate Governance Overview Statement

For the forthcoming AGM, Dato' Leong Kok Wah and Mr. Chan Seng Fatt will retire as Directors pursuant to Clause 76(3) of the Company's Constitution, and being eligible, offer themselves for re-election.

The profile of the above Directors and their respective attendance in Board Meetings are presented in this Annual Report. Meanwhile, the Board's recommendation statement for the re-election of both Directors is included in the Notice of AGM dated 13 June 2024.

iii. Nomination Committee ("NC")

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

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

A formal evaluation, in the form of self and peer evaluation, are conducted each year by the NC, to assess the effectiveness of the Board, its committees and individual Directors. The NC had on 28 February 2024 conducted the Board and Board Committees performance evaluation for FY2023, with the assistance from the internal secretarial team. The areas reviewed covered; Board composition and skill matrix of respective Directors, Board's responsibilities, independence of the Independent Directors, integrity in dealing with potential conflict of interest situation and performances of the Company's Senior Management. Subsequent to the reviews/evaluations, the result will be summarized and recommended to the Board for review.

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

The Board has also via the NC on 28 February 2024, conducted an assessment on the fit and proper on the retiring directors who seek for re-election at the forthcoming AGM namely, Dato' Leong Kok Wah and Mr. Chan Seng Fatt pursuant to the Fit and Proper Policy adopted by the Company. As recommended by the NC, the Board agreed that both retiring

Directors met the criteria as prescribed in the Fit and Proper Policy as well as Paragraph 2.20A of Listing Requirements on character, experience, integrity, competence and time commitment to effectively discharge their duties as Directors. The Board recommended to shareholders, their re-election at the forthcoming AGM of the Company.

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

The Board has through the NC, assessed the training needs of each director on an annual basis and satisfied that the Directors have attended trainings to enable them to discharge their duties, thus recommended the relevant trainings to each Director for their participation. Details of trainings attended by the Directors for the FY2023 are set out under "Additional Compliance Information" under page 113 of this Annual Report.

iv. Remuneration Committee ("RC")

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

Detailed information on the Directors' remuneration packages for the FY2023 on a named basis, is disclosed under Practice 8.1 of the CG Report.

For the FY2023, the Company has departed from Practice 8.2 of the MCGG. The Board is of the opinion that it would not be in its best interest of the Company to make such disclosures of Senior Management's remuneration components (salary, bonus, benefits in-kinds and other emoluments) in bands of RM50,000, in view of the competitiveness in the market for senior talents and to support the Company's effort in attracting and retaining highly talented personnel.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

i. Audit and Risk Management Committee ("ARMC")

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

Corporate Governance Overview Statement

The ARMC has complied with Paragraphs 15.09 and 15.10 of the Listing Requirements. Besides that, the Board also adopted Practice 9.1 of the MCCG which requires the positions of ARMC Chairman and the Board Chairman to be held by two different individuals.

The Group has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated and that Group's objective are attained. The ARMC supports the Board by overseeing the Group's Risk Management Framework and regularly assessing the framework to ascertain its adequacy and effectiveness. Details of the risk management framework, internal control system and activities carried out, are set out in the Statement of Risk Management & Internal Control ("SORMIC") on page 107 of this Annual Report.

During the FY2023, the Board is of the view that the system of internal control and risk management in place are sound and sufficient to safeguard the Group's assets, as well as shareholders' investments and the interests of stakeholders. The Board is satisfied that the ARMC has discharged its functions, duties and responsibilities in accordance with the ARMC's Term of Reference. The Audit and Risk Management Committee Report details its composition and activities of the ARMC carried out in FY2023, are disclosed on page 104 of this Annual Report.

ii. Financial Reporting

The Board is committed to ensure the financial statements prepared for each financial year which give true and fair view of the Group and of the Company's state of affairs, results and cash flow. In discharging its duties, the ARMC is entrusted to review all financial results and financial statements prior to being recommended to the Board for approval.

Independent and objective assurance is provided by the Company's external auditor ("EA"), KPMG PLT. During the FY2023, the EA met the ARMC twice without the presence of the Executive Directors and employees, to provide objective feedback on any issues of concern and pertinent matters.

The ARMC has considered the provision of non-audit services by the EA, and concluded that these services did not compromise their independence and objectivity; as the amount of the non-audit fees paid as compared to the total audit fees was not significant. The audit and non-audit fees incurred for service rendered by the EA to the Group for the FY2023 was RM548,000 and RM35,000 respectively.

The Board is of the opinion that the financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, the provisions of the Companies Act, 2016 and Bursa Securities Listing Requirements.

iii. Risk Management and Internal Control

The Group's internal audit and risk assessment function is performed in-house by the Internal Audit and Risk Management Department ("IARMD"), which reports directly to the ARMC. The principal role of the IARMD is to undertake audits and reviews to evaluate the effectiveness of internal controls, corporate governance, and risk management processes to provide an independent and reasonable assurance to the Board on the adequacy and integrity of the Group's internal control systems.

Mr. Lee Jian Xun is the Head of Department for IARMD, and reports administratively to the Executive Director and functionally to the ARMC, to ensure impartiality and independence in executing the duties. He is a Certified Practising Accountant (CPA Aust.), a Chartered Accountant of Malaysia and member of both ASEAN CPA and MARIM, and a Professional Member of the Institute of the Internal Auditors Malaysia ("IIAM"). He has over a decade of combined experience in external audit in mid-tier accounting firms and internal auditing for Government-Linked Companies and Public Listed Companies. Salcon Berhad is a registered corporate member of the IIAM.

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

Corporate Governance Overview Statement

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

i. Engagement with Stakeholders

Communication


The Company values the importance of timely and accurate communication with shareholders and stakeholders. Hence, the Board reviews and approves all important announcements prior to public release inclusive of annual and quarterly reports; via Bursa Link and/or the Company's website, by the Company Secretaries or Corporate Affairs Department ("CAD"). Alternate platforms such as social media (i.e. Facebook and LinkedIn) is utilized by the Company to reach out to a broader range of public, shareholders, investors and interested parties.

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

Corporate Disclosures

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

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

 Information relating to investor relations can be viewed on the Company's website, www.salcon.com.my.

ii. Conduct of General Meetings

The Company's Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM") serve as vital platforms through which shareholders can actively participate in the corporate governance process, fostering open lines of communication and facilitating meaningful engagement between shareholders and the Board of Directors. Shareholders are encouraged to attend each AGM and EGM and given ample time to voice their opinions, seek clarifications, and express concerns on matters pertinent to the Company's operations, strategies, and overall performance.

The Chairman of the Board chaired the 20th AGM held on 21 June 2023. The Chairman encouraged shareholders to raise questions during the AGM, before putting the resolutions to vote. All the Directors, along with the Chief Operating Officer, Chief Financial Officer, Company Secretaries and EA were present to respond to the shareholders' questions, where necessary.

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

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

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

This Corporate Governance Overview Statement was approved by the Board on 28 February 2024.

Continuing the Company's commitment to sustainable practices and to promote eco-friendliness, the forthcoming 21st AGM of the Company will continue to be conducted virtually i.e. through live streaming and using remote participation and voting facilities to provide shareholders and/or proxies opportunity to follow and participate in the AGM effectively.

Audit and Risk Management Committee Report

On 25 May 2023, the Board had approved to streamline and integrate the Company's Audit Committee ("AC") and Risk Management Committee ("RMC") into a single committee, namely the "Audit and Risk Management Committee" ("ARMC"). This strategic integration was undertaken to enhance the Board's ability to exercise more effective oversight of the Company's risk management affairs.

The ARMC presents its report that provides insights into the manner in which the ARMC discharges its duties for the Group in year 2023.

Composition and Attendance

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

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

No.	Name	Designation	Attendance
1	Mr. Chan Seng Fatt (Chairman)	Senior Independent Non-Executive Director	5/5
2	Dato' Rosli Bin Mohamed Nor	Independent Non-Executive Director	5/5
3	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	5/5

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

The Board of Directors ("BOD") via the Nomination Committee, reviews the composition of the ARMC, assesses the members' performances and effectiveness of the ARMC and their respective term of office via annual evaluation. The BOD is satisfied that the ARMC members had discharged their duties and responsibilities in accordance with the newly endorsed ARMC's Terms of Reference ("TOR") on 25 May 2023, and the ARMC has supported the BOD in ensuring the Company upholds appropriate Corporate Governance ("CG") standards.

 The TOR of ARMC is available at www.salcon.com.my.

Meetings

The ARMC held five (5) meetings in financial year ended 31 December 2023 ("FY2023"). The Executive Director ("ED"), Chief Financial Officer ("CFO") and Head of Internal Audit were invited to the meetings to facilitate their direct communications and provide clarifications on identified audit issues pertaining to the Group's activities. The External Auditors ("EA"), Messrs. KPMG PLT, were invited to participate in the meetings, where necessary.

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

Among of the ARMC's responsibilities are to ensure the reliability of the Company's annual/quarterly financial results and the Company's compliances with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. The CFO conducts a briefing/presentation of the annual/quarterly financial statements to the ARMC for deliberation, and subsequent recommendation to the BOD, for approval.

During the ARMC meeting held in February 2023, the EA confirmed that they were provided unfettered access to information and enjoyed full cooperation from the Management throughout the course of their audits. The EA were also invited to raise any matters that they considered important, for the ARMC's attention. The ARMC had met the EA twice, without the presence of the Company's Executive Directors and employees. During these two (2) meetings, the ARMC enquired about the Company Management's co-operation with the EA, their sharing of information and the proficiency and determine whether there are any inappropriate scope or resource limitations in financial reporting functions.

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

Audit and Risk Management Committee Report

Summary of Activities of ARMC

The ARMC's activities during the FY2023 comprised the following:

- On 28 February 2023, the ARMC reviewed and recommended to the Board, the payment of final dividend for the FY 2022. The ARMC also met up with the EA without the presence of Executive Directors and employees, reviewed their independence and discussed their re-appointment. The ARMC, being satisfied with performance of the EA; recommend to the BOD, the reappointment of Messrs KPMG PLT, as the EA for the FY2023. The ARMC also reviewed adequacy scope, functions, competency and resources of the internal audit function.
- On 06 April 2023, the ARMC reviewed the Audited Financial Statements of the Company and the Group for the FY2022, and subsequently recommended them to the BOD for approval.
- On 23 November 2023, the ARMC reviewed the Annual Audit Plan for the FY2023 in relation to audit services as well as on recurring non-audit services provided by the EA. The Annual Audit Plan includes the audit strategies, scope, etc., on the financial statements. The recurring non-audit services including annual review of the Statement on Risk Management and Internal Control ("SORMIC"). The ARMC having considered the nature and scope of non-audit works of the EA, were satisfied that there were no conflicts of interest or impairments to the independence and objectivity of the EA. The EA gave written assurance that they are, and have been independent throughout the conduct of the audit engagement, in accordance with the terms of all relevant professional and regulatory requirements.
- On Financial Reporting, the ARMC reviewed the quarterly financial statements during the ARMC meetings and subsequently recommended these statements to the BOD for approval. The review of the fourth quarter results for FY 2022 was conducted on 28 February 2023; and the reviews of the quarterly results of first, second and third quarters for FY2023, were conducted on 25 May 2023, 24 August 2023 and 23 November 2023 respectively.
- The ARMC reviewed and discussed the Internal Audit ("IA") reports in every meeting held.
- The ARMC had reviewed the related party transactions within the Group and provided opinion on whether they are in the best interest of the Group at arm's length, fair and reasonable and not detrimental to the interest of the minority shareholders of the Company and recommended the transactions to the BOD for consideration and approval.

- The ARMC reviewed ARMC Report, Corporate Governance Overview Statement, Corporate Governance Report and SORMIC.
- The ARMC reviewed the adequacy of scope, functions, competency and resources of Internal Audit Function.
- The ARMC reviewed the Audit Charter, Risk Register, Anti-Bribery and Anti-Corruption Policy and Whistleblowing Policy.

Internal Audit Function

The Group's internal audit functions are to evaluate and provide an independent, risk based and objective assurance, while adding value and improve the efficiency and effectiveness of the Group's operation. Internal audit activities are performed in-house by Internal Audit and Risk Management Department ("IARMD"), which reports directly to the ARMC and adheres with the International Professional Practices Framework ("IPPF") and ISO 31000 standards on Risk Management Process. All internal audit function for the FY2023 were conducted by IARMD.

No areas of the internal audit function were outsourced. The total cost incurred by the Group's internal audit function for the year under review was approximately RM467,000. The details pertaining to the person responsible and number of resources for the department is available in the CG Report, Practice 11.2.

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

- IARMD conducted audit review activities as per the 2023 Audit Plan which was approved by the ARMC on 28 February 2023.
- IARMD presented IA reports as per the functions conducted, during the scheduled ARMC meetings, using the following contents:
 - The observation findings warranting Management's attention but not requiring immediate corrective action;
 - The current audit findings, value-adding proposition, Management responses to IARMD's findings and recommendations;
 - Follow up on previous years' issues and status of mitigation actions taken;
 - The Key Risk Profile and comparison of risk assessment result for the audited risk factors; and
 - Reporting to the ARMC on any material issue/misstatement or major deficiency noted, that posed a high risk to the overall internal control system of the Group.

Audit and Risk Management Committee Report

- The scope of audit engagements in FY2023 covered the following:
 - Compliance assurance on laws, standards, regulations, policies and plan;
 - Financial assurance on economic activity of an entity as measure and reported by accounting methods;
 - Operational auditing to evaluate the effectiveness, efficiency and economy of operations management;
 - Sustainability assurance on disclosure of common sustainability matters in the Annual Report;
 - Compliance with FTSE4Good Bursa Malaysia Index requirements; and
 - Attainment and alliance to Company objectives.

Statement of Risk Management and Internal Control

The Board of Directors of Salcon Berhad (“Salcon” or “the Company”) is committed to maintain a sound and effective internal control and risk management system. Throughout the Company and its subsidiaries (collectively referred to as “the Group”), individual projects and departments have established tailored control mechanisms. These are developed under the guidance of Executive Board Members and key Senior Management personnel, who bear the responsibility for ensuring good business practices and adherence to regulatory governance. This statement outlines the nature and scope of the Group’s internal control and risk management in the financial year ended 31 December 2023.

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

Board Responsibilities

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

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

In FY2023, the Audit and Risk Management Committee (“ARMC”), formerly known as the Audit Committee (“AC”) until 25 May 2023, reviewed the adequacy and effectiveness of internal controls based on the internal audits conducted by the in-house Internal Audit and Risk Management Department (“IARMD”) during the year. Audit reports comprised audit observations, findings, value added propositions, recommendations and management replies to address the issues highlighted by IARMD, were presented to the members during the ARMC meetings with Minutes duly recorded.

ARMC also provides risk oversight and ensuring the execution of measures to mitigate risk pertaining to the Group’s businesses and operations. The Group’s Risk Management Framework is outlined in its Integrated Risk Management Policy and Procedures (“IRMPP”). The IRMPP has been revised and approved for general conformity to ISO31000 standard.

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

Internal Audit and Risk Management Function

The Company complies with Bursa Securities and MMLR by setting-up an in-house IARMD. IARMD functionally reports to ARMC and administratively to Executive Director, providing feedback in managing the key risks and ascertaining the adequacy and integrity of the Group’s internal control and risk management system.

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

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

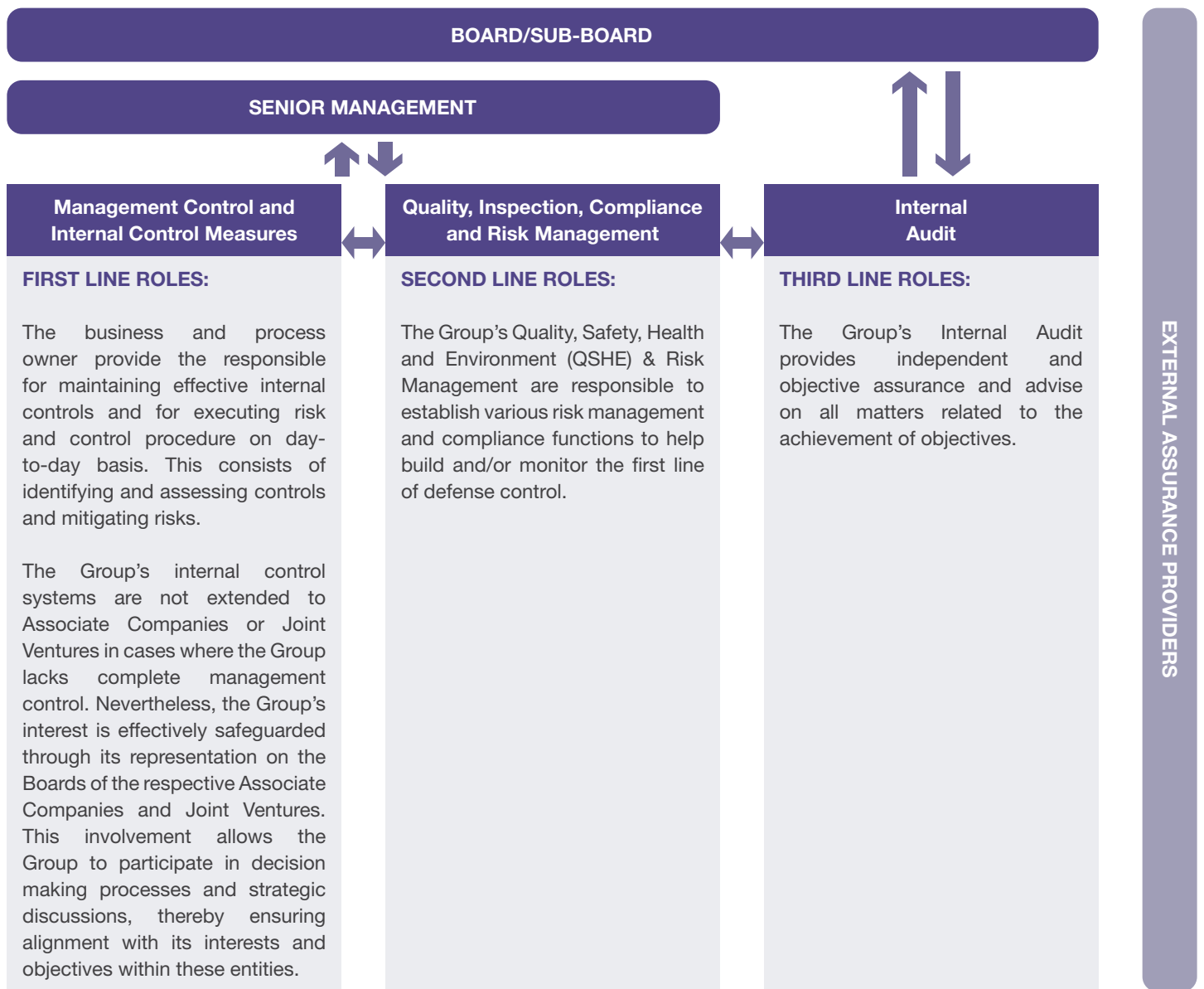
Subsequent to the reviews, the ARMC shall highlight the findings to the Board for necessary actions, on a quarterly basis or as appropriate.

Statement of Risk Management and Internal Control

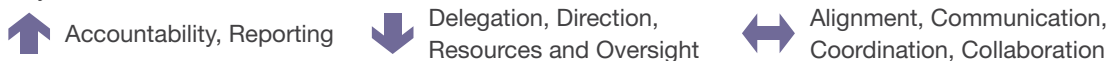
Control Processes and Risks

The Group's adheres to the "Three Lines of Defence model" as the guideline for effective risk management and control within the Company as depicted below:

THREE LINES OF DEFENSE



Key:



Statement of Risk Management and Internal Control

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

1. International Organisation for Standardization ("ISO") certifications:

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

2. Authority and Responsibilities

- The Board delegates certain duties and responsibilities to various Board Committees through the clearly defined Terms of Reference ("TOR"). The TORs are reviewed as and when necessary and are available at the Company's website, www.salcon.com.my.
- The authority limit and signatory document is reviewed periodically to reflect the authority and authorization limit of the Management in all aspects of the Group's major business operations and regulatory functions.

3. Monitoring and Reporting

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

4. Policies and Procedures

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

5. Audit

- IARMD performs assurance and compliance engagement on financial, compliance, operational, sustainability and information technology auditing. IARMD discharges its responsibilities with the guidance of terms and principles as stated in the Audit Charter. Audit activities are carried out in adherence to the Standard and Guidelines of International Professional Practices Framework ("IPPF"). IARMD reports its findings to the ARMC via internal audit reports. Internal audit reports will include audit findings, value added propositions, areas for improvement, audit recommendations, management replies and action plans.
- The surveillance and re-certification audits for ISO9001:2015, ISO14001:2015 and ISO45001:2018 are conducted by Bureau Veritas.
- External Auditors have been engaged to provide audit and non-audit services to the Group for the year 2023. Nature of non-audit services provided is available within the Corporate Governance Overview Statement in this Annual Report.

Statement of Risk Management and Internal Control

6. Enterprise Risk Management

- The Group has implemented an Enterprise Risk Management (“ERM”) framework to manage all relevant risks that can affect the Company’s business and operations. The ERM framework is supported by a risk governance structure; comprising of the ARMC, the Risk Management Working Group (“RMWG”) and IARMD. The governance structure is tasked with the responsibilities and accountabilities for monitoring risk management.

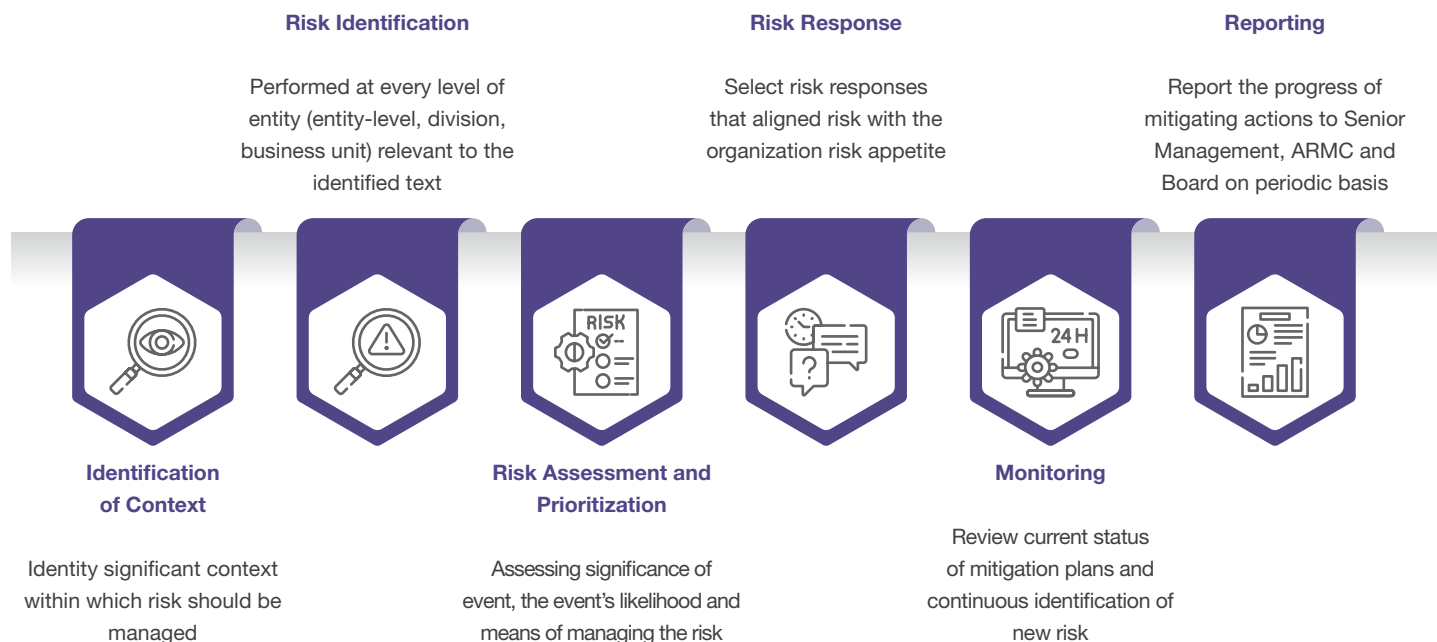
The ERM Reporting structure below illustrates how the Company ensures the efficiency and effectiveness of coordinating and integrating Company’s all risk management activities.



- The ARMC is established to provide oversight and assurance concerning the Group’s risk profile to the Board.
- The RMWG is established to assist the Board and the ARMC to facilitate/update at business units’ level on the identification and communication of present or potential critical risks identified. The RMWG are represented by Heads of subsidiaries, divisions and departments.
- The IARMD reports directly to the ARMC while providing an independent assessment, and reasonable assurances of the effectiveness, adequacy and reliability; of the Group’s risk management processes and internal control system.
- There are established processes and procedures, which are detailed within the IRMPP for risks identifications, assessments, communication and monitoring. IARMD continues to review the risks and the effectiveness of risk mitigation strategies and controls at the corporate, divisional and projects levels including material joint ventures and associates.
- The Group has been using professional specialised software since Year 2006, to facilitate the monitoring functions and enhance the reporting and presentation structure and processes. Additionally, risk tolerances are presented via the use of a risk impact and likelihood matrix with reference to established tolerance boundaries so that risks deemed high or low, can be distinguished. IARMD would tabulate, report and brief the ARMC on the performances of the risk management system at least once a year.
- The Group ERM Framework is regularly reviewed and risk register are presented to the RMWG and ARMC for deliberation at minimum once per financial year.

Statement of Risk Management and Internal Control

RISK MANAGEMENT PROCESS



7. Integrity and Corporate Governance

- The Group embraces high integrity culture throughout the entire organizations by establishing an Integrity Committee that reports to ARMC.
- A Code of Ethics and Conducts (“COEC”) is established for the Group and is applicable to all employees, senior management and directors. Employees of the Company were required to acknowledge COEC on the first (1) day of employment work. The COEC defines the ethical standards and work conduct required from all the applicable categories of staffs towards the Group.
- Annual Code of Ethics and Conflict of Interest Declaration Form issued by the IPPF has been acknowledged by IARMD on annual basis.
- Salcon has an Insider Trading Policy (“ITP”) to provide guidance and ascertain material non-public information is not misused.

Salcon has a Whistle-blowing Policy (“WP”) to provide a platform for staffs or any external party to report any breach or suspected breach of any law or regulation, including business principles and the Groups policies, in a safe and confidential manner. An employee who makes a report of improper conduct in good faith shall not be subject to unfair dismissal, victimization, demotion, suspension, intimidation or harassment, discrimination, any action causing injury, loss or damage or any other retaliatory actions by the Company. The ARMC has the overall responsibility in overseeing the implementation of the WP for the Group. The WP is available at the Company’s website.

- Salcon has an Anti-Bribery and Corruption Policy to provide information and guidance to those working for or with Salcon on how to recognize and deal with potential bribery and corruption issues as well as understanding their roles and responsibilities.
- During 2023, the Company did not receive any report or incidences from whistle blowers on any possible or potential bribery or corruption from employees, management or business associates.
- Segregation of duties is practiced to avoid conflict of interests and to reduce the scope for error and fraud.

Statement of Risk Management and Internal Control

8. Sustainability Assurance Statement or Report

- Salcon is committed to manage and nurture a sustainable and profitable business which contributes positively to the communities and sustains the environment by integrating economic, environmental and social considerations into corporate value creation strategies and performance.
- The Board Sustainability Committee had been formed since January 2018 and is chaired by an Independent Non-Executive Director and consist of a total of 5 committee members.
- The materiality assessment is guided by the Bursa Malaysia's Sustainability Reporting Guide, GRI Framework, and <IR> Framework. The Company's materially matters are based on 5 key focus areas: *Business model & innovation, Leadership & Governance, Human Capital, Environment, and Social capital*. All material issues have been identified and reviewed annually through consultation with stakeholders, taking into account any new business developments and other sources. The results of this review are disclosed/ reported in the Sustainability Statement of the Annual Report in relation to each key material issue.
- Directors require reliable assurance regarding the effectiveness of sustainability risk management and reporting. Therefore, sustainability statement reviews are incorporated into annual internal audit plans. In-house internal auditors will provide assurance by collating, verifying, and validating sustainability information and data from subsidiaries in accordance to IPPF standards.

9. Insurance

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

Review of this statement

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for FY2023, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

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

Conclusion

The Board opines that the internal control and risk management system in place for the year under review is sound and robust to safeguard the Group's assets, shareholders' investments and stakeholders' interest. The Board has received written confirmation and assurance from the Executive Director and Chief Financial Officer that the Group's internal control and risk management system is operating adequately and effectively, in all material aspects, based on the framework adopted by the Group. This Statement is subsequently recommended by ARMC to the Board for approval on 16 April 2024.

Additional Compliance Information

1. ATTENDANCE/MEETING RECORDS OF DIRECTORS FOR THE FINANCIAL YEAR ENDED 2023 “FY2023”

No	Name	Designation	Number of Meetings Attended During FY2023				
			BOD	ARMC	NC	RC	SC
1	Tan Sri Abdul Rashid Bin Abdul Manaf	Independent Non-Executive Director/ Chairman	5/5	N/A	N/A	N/A	N/A
2	Tan Sri Dato’ Tee Tiam Lee	Executive Deputy Chairman	5/5	N/A	N/A	N/A	N/A
3	Dato’ Leong Kok Wah	Executive Director	5/5	N/A	N/A	N/A	1/1
4	Chan Seng Fatt	Senior Independent Non-Executive Director	5/5	5/5	1/1	1/1	N/A
5	Dato’ Rosli Bin Mohamed Nor	Independent Non-Executive Director	5/5	5/5	1/1	1/1	1/1
6	Datin Goh Phaik Lynn	Non-Independent Non-Executive Director	5/5	5/5	*0/1	*0/1	N/A

Notes:

BOD - Board of Directors

RC - Remuneration Committee

ARMC - Audit and Risk Management Committee

SC - Sustainability Committee

NC - Nomination Committee

N/A - Not Applicable

* Appointed as a member of NC and RC on 1 March 2023 i.e. after the meeting date

2. TRAINING PROGRAMS ATTENDED BY DIRECTORS FOR FY2023

Name	Training Topic	Date
Tan Sri Abdul Rashid Bin Abdul Manaf	UN Global Compact Network Malaysia & Brunei	11 Jul 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	4 - 7 Sept 2023
Tan Sri Dato’ Tee Tiam Lee	Management of Cyber Risk	3 Oct 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	8 - 9 Nov 2023
Dato’ Leong Kok Wah	Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers	19 Sep 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	16 - 17 Oct 2023
Chan Seng Fatt	Navigating the Rising Tide of Financial Crime & Technology	8 Sep 2023
	Management of Cyber Risk	3 Oct 2023
	Malaysia Budget 2024 Highlight	21 Nov 2023
	Mandatory Accreditation Programme Part II: Leading for Impact	29 - 30 Nov 2023
Dato’ Rosli Bin Mohamed Nor	Asia Pacific Board Leadership Centre WeBinar - Navigating AI Governance and ESG Reporting for the Future	17 Oct 2023
Datin Goh Phaik Lynn	Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers	12 Sep 2023
	JC3 Journey to Zero Conference 2023	24 - 25 Oct 2023

Additional Compliance Information

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving Directors and major shareholders for FY2023.

4. AUDIT AND NON-AUDIT FEE

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors and a firm affiliated to the external auditors' firm by the Company and the Group for FY2023 are as follows:

	Company (RM)	Group (RM)
Audit Fees	193,000	548,000
Non-Audit Fees	35,000	35,000
Total Fees	228,000	583,000

5. UTILISATION OF PROCEEDS

There were no proceeds raised by the Company from any corporate proposal during FY2023.

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

The Company did not seek any mandate from its shareholders pertaining to RRPT during FY2023.

7. EMPLOYEE SHARE SCHEME

The Company did not establish any employee share scheme and does not have any subsisting employee share scheme during FY2023.

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

The Directors are legally required to prepare financial statements which present a true and fair view of the state of affairs of the Company and the Group and are pleased to announce that in preparing the financial statements for FY2023, the Group has:

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

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