



**DARCO**

SOLUTIONS TO WATER & WASTE

# SUSTAINABILITY IN PROGRESS

SUSTAINABILITY REPORT  
2021



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# 1. Highlights

## 1.1 Corporate profile

Darco Water Technologies Limited (**Darco**, the '**Group**' or the '**Company**') and its subsidiaries is a provider of integrated engineering and knowledge-based water treatment and environmental solutions.

Established in 1999, Darco is principally a system integrator involved in the designing, building, operating and maintaining of water and environmental processes that employ the membrane, ion exchange and thermal technologies.

Darco is always determined to make a positive impact to the environment by providing comprehensive solutions to our customers. As the economy developed, the Group diligently kept pace with the changing demands of different industries and strived to enhance its engineering capability in the environmental protection industry.

Today, apart from designing, manufacturing and servicing water and wastewater systems for a wide range of industries, including electronics, petrochemicals, pharmaceuticals and food and beverage, the Group has since evolved into an integrated environmental solutions provider.

With the Group's strong technology capabilities, the Group is well-poised for the next phase of accelerated growth. The Group aims to be the preferred partner of all potential customers within the environmental protection industry.



## 1.2 Message to stakeholders

On behalf of the Board of Directors of Darco Water Technologies Limited, we are pleased to present the Sustainability Report for the financial year ended 31 December 2021 (**FY2021**).

In FY2021, the world continued to fight against the spread of COVID-19. With the emergence of the delta variant, many countries returned to strict lockdowns and other pandemic related measures which disrupted businesses across all industries. Amidst a challenging environment, the Group secured fewer engineering, procurement and construction (**EPC**) projects in Malaysia and China in FY2021.

While COVID-19 is the crisis of a generation, the impending climate crisis is set to affect many generations to come. Sustainability and Environmental, Social and Governance (**ESG**) factors have taken centre stage in discussions about the post-pandemic economic recovery. Our business is aligned with the United Nations Sustainable Development Goals (**UNSDGs**) of ensuring the availability and sustainable management of water and sanitation for all and we continue to see room for growth across Southeast Asia as local governments continue to invest in infrastructure to provide for basic water and sanitation needs in rural areas while also seeking new green technology solutions.

Despite a challenging FY2021, we remain confident in the long-term prospects of the Group's core business segments and operations across Asia. In order to build the business further, we first had to strengthen our foundations with improvements across governance, oversight and internal controls. This was achieved following several changes to the Board in FY2021 and we will continue to emphasize the importance of these aspects across the Group.

With greater oversight of the Group's subsidiaries across China and Malaysia, we believe there is further room for growth as we leverage our established track record and expertise in these markets to continue pursuing opportunities across engineering as well as operations and maintenance services.

To further diversify the Group's revenue streams, we will also continue to pursue water and waste infrastructure ownership together with strategic partners for sustainable recurring income.

As we enter the third year of living with COVID-19, uncertain pandemic risks remain amidst a challenging environment. While we continue to closely monitor the evolving COVID-19 situation in China, we are encouraged by the steps taken by local authorities in Malaysia and Singapore to reopen and avoid further disruptions from movement restrictions.

In addition, we wish to confirm that the Board has considered sustainability issues as part of its strategic formulation. The Board has determined the material ESG factors and overseen the management in monitoring these material ESG factors.

As part of Darco's commitment to sustainable development, we will continue to strive to do business in a responsible way.

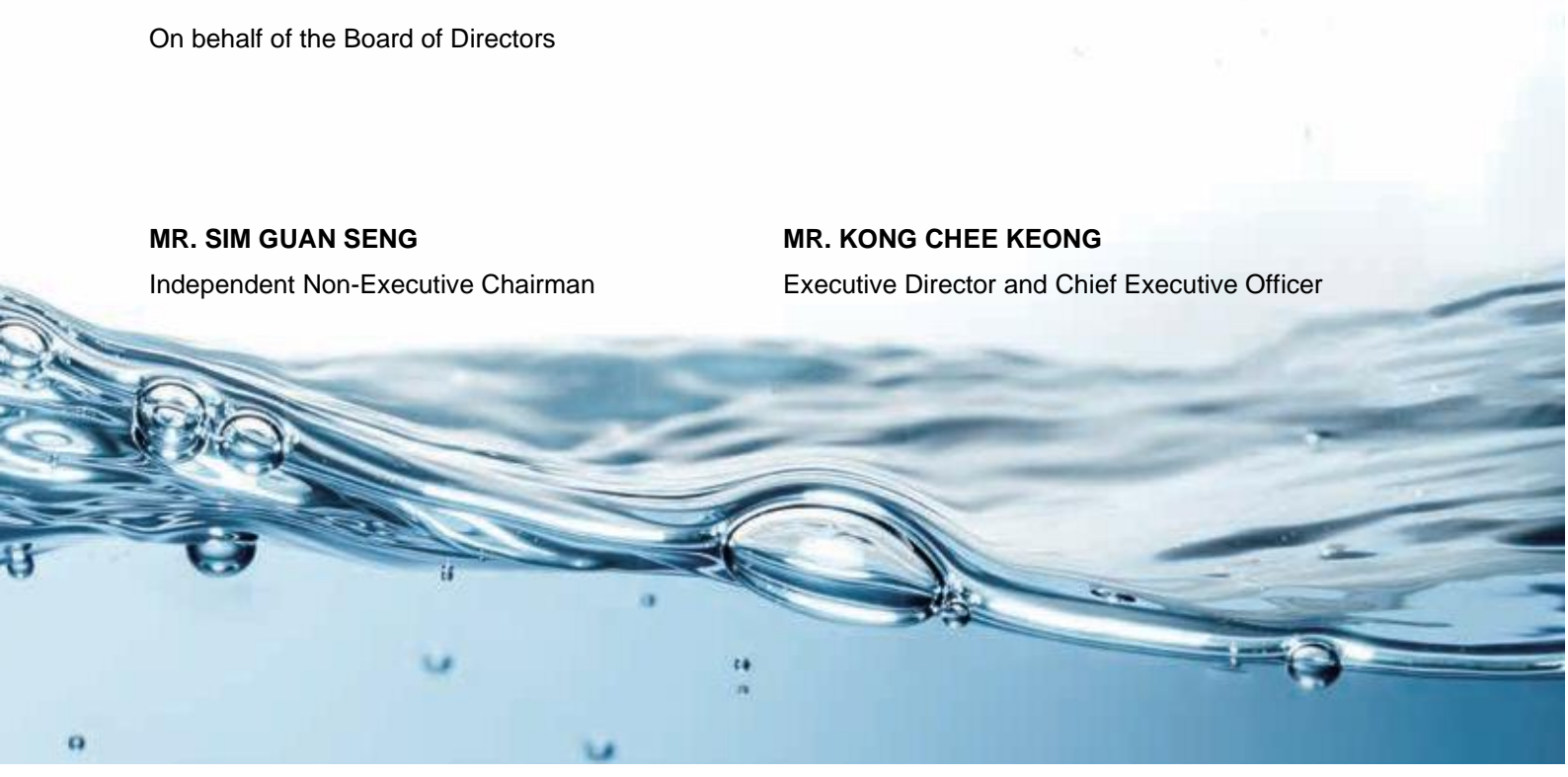
On behalf of the Board of Directors

**MR. SIM GUAN SENG**

Independent Non-Executive Chairman

**MR. KONG CHEE KEONG**

Executive Director and Chief Executive Officer





### 1.3 Scope of Sustainability Report

Unless otherwise stated, the scope of the report covers information on material sustainability aspects of Darco from 1 January 2021 to 31 December 2021, covering the following subsidiaries:

- Wuhan Kaidi Water Services Co., Ltd. (**WHKD**)
- Darco Water Systems Sdn. Bhd. (**DWS**)
- Darco Industrial Water Sdn. Bhd. (**DIW**)
- Grober Industrial Services Sdn. Bhd. (**GIS**)
- PV Vacuum Engineering Pte Ltd (**PVV**)

This should sufficiently address stakeholders' concerns in relation to sustainability issues arising from the major business operations of the Group.

This report is prepared in accordance with the Global Reporting Initiative (**GRI**) Standards: Core Option as it provides a set of an extensive framework that is widely accepted as a global standard for sustainability reporting. It also considers the Sustainability Reporting Guide in Practice Note 7.6 of the Singapore Exchange Securities Trading Limited (**SGX-ST**) Listing Manual. In preparing our report, we applied the GRI's principles for defining report content and report quality by considering the Group's activities, impacts and substantive expectations and interests of its stakeholders.

The data and information provided within the report have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy.

### 1.4 Restatements

Environmental impact data relating to water consumption for FY2019 and FY2020 have been revised as a result of a computation error due to wrong unit of measurement in one of the subsidiaries, which has been rectified. No other restatements were made from the previous report.

### 1.5 Sustainability contact

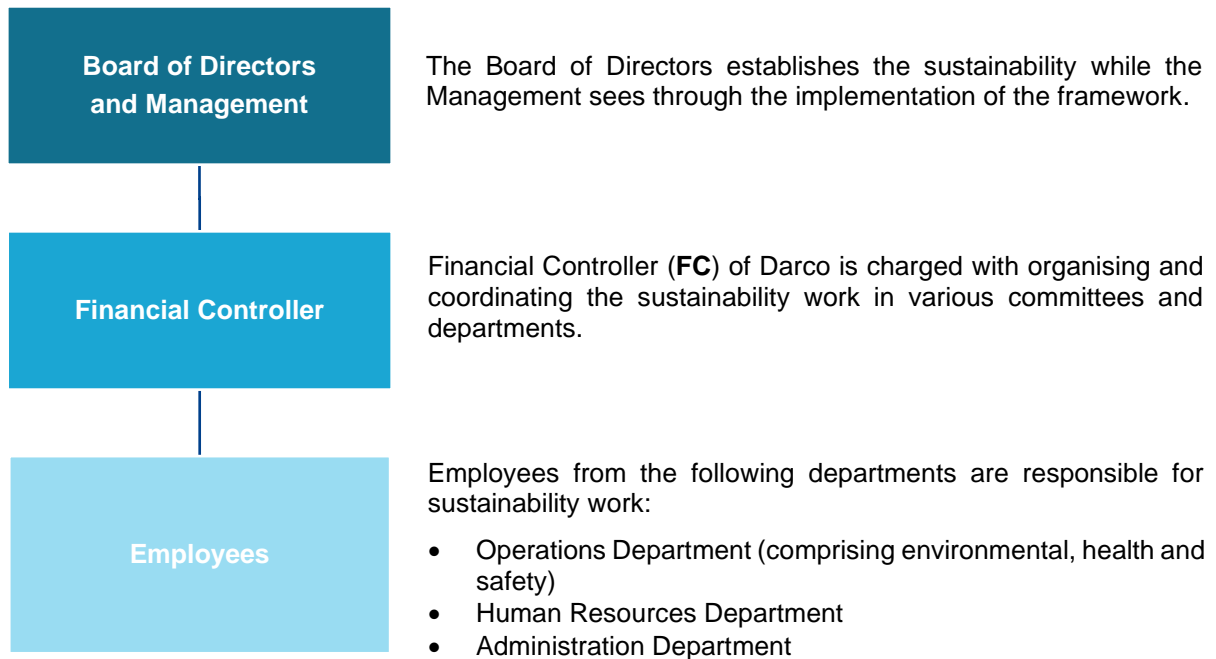
We welcome your views and feedback on our sustainability practices and reporting at [sr@darcowater.com](mailto:sr@darcowater.com).



## 2. Our approach to sustainability

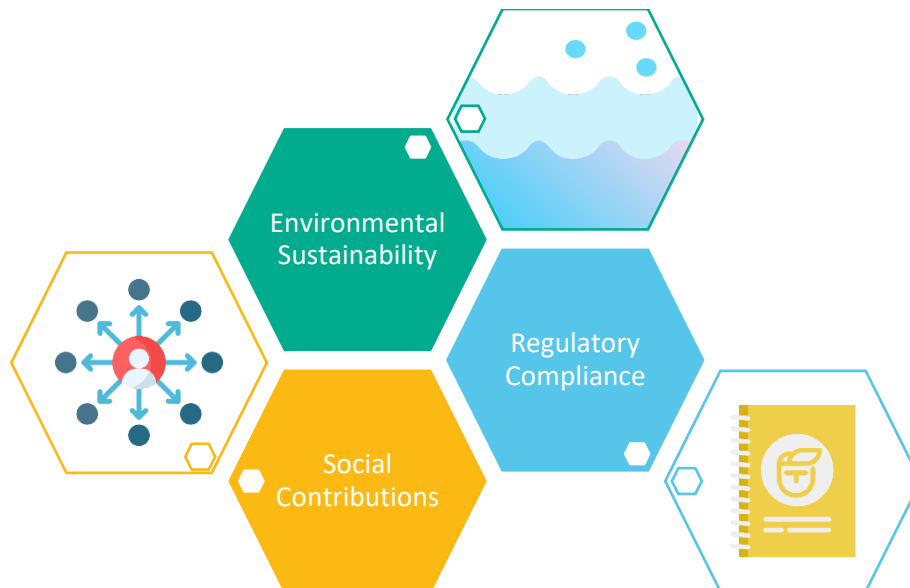
### 2.1 Sustainability organisational structure

Sustainability is a vital part of our corporate strategy for achieving long-term growth. The values we create for our people, the environment and society at large very much influence our financial performance. In order to better accommodate our sustainability goals and values, we have developed a sustainability organisational structure to move things forward.



## 2.2 Sustainability strategy

At the Group, our sustainability strategy aims to create integrated values. Together with disciplined execution of our strategy and a commitment to doing business responsibly, we commit to deliver value to all our stakeholders through the following:



The sustainable strategy is underpinned by our Employee Code of Conduct, which establishes a clear tone at the top with regards to employees' business and ethical conduct.

The strategy is also guided by external sources, including the Global Reporting Initiative Standards and Sustainability Reporting Guide in Practice Note 7.6 of the Singapore Exchange Listing Rules.

The rest of this report covers our progress and performance against each of these areas, and the impact we have on the economy, environment and society as a result.

## 2.3 Consulting our stakeholders

We recognise the need to continuously develop our responsible business approach in order to address growing stakeholder expectations around our impact on the economy, environment and society. As such, we periodically consult with our stakeholders to determine the issues that are most relevant to them and Darco.

An overview of our approach and rationale is set out below (with stakeholders listed in alphabetical order), together with the feedback we have received.

Stakeholders	How we listen	Why we do it	What you've told us
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Visit to customers' office</li> <li>• Telephone calls/ email</li> <li>• Progress meeting</li> <li>• Updates on research and development</li> </ul>	<ul style="list-style-type: none"> <li>• Consistently improve on technical and technology</li> <li>• Upgrade of project infrastructure and operation standard to exceed customers' expectations</li> </ul>	<ul style="list-style-type: none"> <li>• On-time delivery</li> <li>• Meet quality requirements</li> <li>• Progress of contract execution</li> <li>• Business continuity</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employee feedback mailbox</li> <li>• Office Automation (OA) system</li> <li>• WeChat groups</li> <li>• Employee caring session</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with manpower rules and regulations</li> <li>• Develop and maintain multiple communication channels to obtain feedback from employees</li> </ul>	<ul style="list-style-type: none"> <li>• Salary increment</li> <li>• Improve employee welfare and benefits</li> <li>• Business continuity</li> </ul>
<b>Government and regulators</b>	<ul style="list-style-type: none"> <li>• Visit to Government office</li> <li>• Understand industry regulation</li> <li>• Subscribe to Government website</li> <li>• Telephone calls</li> <li>• Training and meeting</li> <li>• Exchange meeting</li> <li>• Give suggestion via industry association</li> </ul>	<ul style="list-style-type: none"> <li>• Uphold the highest standards of corporate governance and ethical behaviour</li> <li>• Participate in government-related events</li> <li>• Timely submission and payment of taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with SGX rulings and local laws and regulations</li> <li>• Fully understand all regulations applicable to the company</li> </ul>
<b>Suppliers/ business partners</b>	<ul style="list-style-type: none"> <li>• Visit to suppliers' office</li> <li>• Telephone calls/ emails</li> <li>• Audit inspection</li> <li>• Site survey</li> <li>• Supplier evaluation</li> <li>• Open tender</li> </ul>	<ul style="list-style-type: none"> <li>• Build strategic business relationship</li> <li>• Fair competition</li> <li>• Perform periodic supplier evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Timely payment</li> <li>• Adhere to agreement terms</li> <li>• Business continuity</li> </ul>



## 2.4 Sustainability materiality

Based on the stakeholder engagement, we developed our sustainability materiality matrix containing material aspects which are aligned with our principal business and operational risks, and formed our sustainability strategy which has shaped our approach to sustainability reporting, as illustrated in the diagram below.

We have also developed metrics to help us measure our progress, as indicated in our sustainability scorecard in **Appendix A**. We will review and adjust the matrix each year, as the external and business context changes.

The aspect boundaries 'within' the organisation are limited to Darco, WHKD, DWS, DIW, GIS, and PVV whereas the aspect boundaries 'outside' the organisation include customers, employees, government and regulators and suppliers and business partners.



## 3. Our performance

### 3.1 How we measure our performance

Our sustainability strategy is embedded into the appropriate parts of our business, with dedicated teams for each focus area, and coordination by our relevant departmental managers.

Progress will be tracked in two key ways: measuring performance against metrics, and evaluating how well the programmes have advanced through a series of 'commitments'.

#### Metrics and targets

We have established key performance indicators for each of the three focus areas outlined in our sustainability strategy. Periodically, we plan to introduce new metrics and update targets to ensure alignment with our strategy.

#### Commitments to United Nations Sustainable Development Goals

To ensure we have a robust sustainability programme in place, we have included the key commitments for each area of our sustainability strategy, guided by UNSDGs. The progress we have made against each key commitment is indicated using the symbols shown in the table below. We track and review our sustainability programme with the Board of Directors at least once a year.

As a global citizen, Darco supports UNSDGs through the following commitments:



#### Environmental Sustainability

Metrics	Units	2030 Target
Full compliance with relevant laws and regulations in the countries that we operate in	%	100



#### Regulatory Compliance

Metrics	Units	2030 Target
Full compliance with relevant laws and regulations in the countries that we operate in	%	100



## Social Contributions



Metrics	Units	2030 Target
Full compliance with relevant laws and regulations in the countries that we operate in	%	100
Staff training	Hours/ employee	Maintain at 8 hours
Purchasing locally	%	At least 40%

## Symbols used to indicate progress against commitments

Symbol	Meaning
Ⓝ	New commitment this year
○	Not started
◐	In progress
●	Complete
Ⓞ	Ongoing commitment: no end date



## 3.2 Environmental sustainability

### Overview

We are committed to providing world-class water management services that add tangible value to the communities we serve and to operate. We strive to maintain those facilities with a strong emphasis on the triple bottom line of economy, environment and society.

### Water treatment

Water is the source of life. It is necessary to ensure that wastewater is properly treated and clean drinking water is available to the people. We focus on the needs of the people and strive to solve the water supply problem by extending our business scope and investing in technologies to treat wastewater and provide people with safe drinking water.

The main business areas of the Group are as follows:

- Industrial water treatment, including desalinated water treatment, reclaimed water reuse, pure water preparation, condensed water treatment, seawater desalination.
- Industrial wastewater treatment, including treatment of industrial wastewater to achieve standard or zero discharge.
- Municipal water supply and drainage, including municipal tap water, municipal sewage, landfill leachate treatment.

We have completed more than 600 water treatment projects in the power, municipal, steel metallurgy, petrochemical, coal chemical, paper, food, pharmaceutical and other industries.

We also have more than 20 proprietary and patented technologies with independent intellectual property rights, and introduced condensate cone separation technology from the United Kingdom and evaporation crystallisation technology from the United States.

In addition, we have established strategic partnerships with many colleges and universities and well-known enterprises in the water industry, and have established a leading market position and outstanding competitive advantages in the field of water treatment.

In FY2021, the Group is fully compliant with environmental laws and regulations in the countries that we operate in.

As part of our strategy, we seek to continue to be fully compliant with environmental laws and regulations in the countries that we operate in, with zero environmental incidents and zero fines on contravention of environmental regulations.

### FY2021 Performance

# 0

Environmental incidents

# \$0

Fines on contravention of environmental regulations

# 813tCO<sub>2</sub>e

Carbon footprint

# 1,158m<sup>3</sup>

Water consumption

# 330kg

Paper recycled and reused



## Project highlights



### *Food Waste Management*

The Group's subsidiary, PVV, signed a memorandum of understanding (**MOU**) with Insect Feed Technologies (**Insect Feed**) and Republic Polytechnic (**RP**) to jointly develop a fully automated recycling solution to turn food waste into commercially valuable products.

Combining PVV's Pneumatic Waste Conveyance System with Insect Feed's *Hermetia Illucens*, also known as black soldier fly's technology, this project is aimed at providing an end-to-end automated food waste conveyance systems for districts and large commercial/ industrial development. Intellectual Property rights of these technologies will be shared between Insect Feed and PVV only.

This project will see the three entities join forces on the research and testing of these technologies, whilst also providing new opportunities for RP's students including structured student placements, workshops and even collaborative projects.

This is an apt solution coming at a time when food waste accounts for one of the biggest waste streams in Singapore, having grown by around 20% over the past decade, according to the Ministry of Sustainability and the Environment.

## Emissions and use of resources



### *Managing our carbon footprint*

We are committed to positive action on climate change and dedicated to reducing the carbon emission in our daily operations. To determine the carbon footprint, we collect energy usage data from each of our businesses to calculate our total annual greenhouse gas emissions.

In FY2021, we recorded a total carbon footprint of 813 tonnes carbon dioxide emission (**tCO<sub>2</sub>e**). The emission mainly arises from fuel consumption which accounted for 61% of the total carbon emission of Darco.

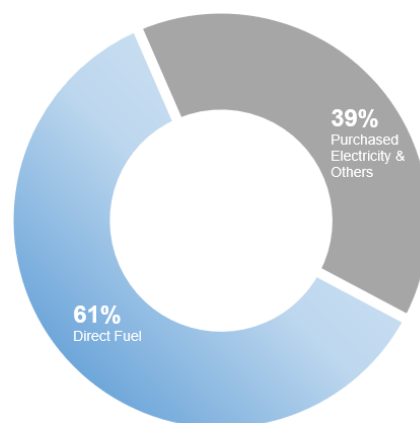
Carbon footprint increased 3% from the previous year due to the inclusion of PVV in the current year. Excluding PVV's contribution, the carbon footprint for the rest of the in scope subsidiaries reduced due to decrease in transport fuel consumption across the Group due to decrease in business activity in the EPG segment.

The Group established procedures to reduce energy consumption, to assess energy efficiency, to increase the use of clean energy, for example, to ensure power is turned off when electrical appliances are not in use.

We follow the Greenhouse Gas Protocol established by the World Resources Institute and the World Business Council for Sustainable Development, the standard manual for measuring corporate greenhouse gas emissions. Using the "control method", we include 100% of the emissions associated with businesses which we directly control. Our carbon footprint includes:

- All fuels used directly by our companies (Scope 1 emissions)
- All purchased electricity used in our companies (Scope 2 emissions)
- Impact of business air travel (optional Scope 3 emissions)

We will continue to track and monitor the Group's performance in managing carbon footprint and report our improvement every year.





### *Water consumption*

The Group's water consumption is mainly from domestic water use. In FY2021, the total water consumption of the Group was 1,158m<sup>3</sup>, representing a large increase from the previous year. Water usage increased due to the inclusion of PVV in the current year, and because most staff have returned to work from office again. To further improve the utilisation efficiency of water resources, the Group adopted the following practices:

- Place posters on 'Saving Water' to encourage water conservation
- Strengthen inspection and maintenance on water taps and fixing dripping taps immediately to avoid wastage
- Use water saving equipment



### *Paper recycling*

Recyclable waste in the Group's offices mainly comprise of paper. In FY2021, the total weight of paper recycled by the Group is 330kg, representing a 54% decrease from the previous year. We strive to reduce paper waste at source by adopting the following practices:

- Shifting to paperless environment
- Think before print
- Set duplex printing as the default mode for most network printers
- Use email to reduce fax paper consumption
- Separate single-sided paper and double-sided paper for better recycling
- Use the back of old single-sided documents for printing or as draft paper

## **Commitments: Environmental sustainability**

**Full compliance with environmental laws and regulations**

### Achievements

- Achieved zero environmental incidents and zero fines on contravention of environmental regulations in the countries we operate in.

### FY2021 progress



- We are fully compliant with the environmental laws and regulations in the countries that we operate in, with zero environmental incidents and zero fines on contravention of environmental regulations.



### 3.3 Regulatory compliance

#### Overview

To maintain a fair, ethical and efficient business and working environment, Darco strictly adheres to the local laws and regulations relating to anti-corruption and bribery, irrespective of the area or country where the Group conducts its business.

#### Legal compliance

In FY2021, the Group, through its Company Secretary, has updated the Board on relevant new laws and regulations affecting the Company. From time to time, and through Board meetings and other meetings, both formal and informal, our Chief Executive Officer (**CEO**) has been advising our Directors of the changing commercial and business risks faced by our Company.

The Directors are also updated regularly with changes to the SGX-ST Listing Rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members. New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority (**ACRA**) which are relevant to the Directors are circulated to the Board by the Company Secretary.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in discharging their duties. Such training costs are borne by the Company.

In FY2021, the Group was not in violation of any of the relevant laws and regulations in the countries that we operate in, in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

As part of our strategy, we seek to continue to be fully compliant with relevant laws and regulations in the countries that we operate in, in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

#### Preventing bribery and corruption

The Group prohibits all forms of bribery and corruption. The Group requires all employees to strictly abide by professional ethics and eliminate any corruption and bribery. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities, which might exploit their positions against the Group's interests.

Whistleblowers can report verbally or in writing to the senior management of the Group for any suspected misconduct with full details and supporting evidence. The management will conduct investigations against any suspicious or illegal behaviour to protect the Group's interests. The Group advocates a confidentiality mechanism to protect the whistleblowers against unfair dismissal or victimisation. Where criminality is suspected, a report is made to the relevant regulators or law enforcement authorities when the management considers necessary.

In addition, the staff handbook lays out the Group's expectation and guiding provisions on code of conduct. The Group encourages employees, customers, suppliers, or other parties to report incidents relating to any conflicts of interest, extortion, bribery, fraud and money laundering.

#### FY2021 Performance

# 0

Regulatory and compliance incidents

# \$S\$

Fines on contravention of laws and regulations

## Whistleblowing incident

On 24 June 2021, the Group announced that the Board of Directors (the '**Board**') has received a whistleblower report concerning the Company's subsidiary in China, WHKD.

According to the whistleblower, the previous Executive Chairman of the Company had instructed the previous Head of Finance of WHKD to modify certain key financial figures in WHKD's audited financial statements for the financial year ended 31 December 2019 (**FY2019**)(**Modified Accounts**) that had been signed off by WHKD's statutory auditors, Crowe Shanghai, and to submit the Modified Accounts to a bank in China (the '**Bank**') which has extended banking facilities to support the business and operations of WHKD (the '**Banking Facilities**').

As far as the Board is aware, only the previous Executive Chairman of the Company, Mr. Wang Yaoyu, together with the previous Head of Finance of WHKD and a staff from the Finance Department (**Involved Personnel**) were involved in the misrepresentation and they have admitted the existence and submission of the Modified Accounts as aforesaid but have assured the Company that the misrepresentation and use of the Modified Accounts were confined to the submission of such Modified Accounts to the Bank with the sole intention of ensuring that the Bank continues to extend the Banking Facilities to WHKD and that no personal benefits were derived by any of them. The previous Executive Chairman of the Company and the previous Head of Finance of WHKD have also assured the Company verbally and in writing of the veracity of the financial information that WHKD had periodically provided to the Company for its financial reporting.

Notwithstanding the aforesaid intention and even if no personal benefits were accrued to the Involved Personnel, the Board regards the act of modifying the audited accounts of WHKD and submitting the Modified Accounts as wholly unacceptable and a serious misconduct on the part of the Involved Personnel.

### **Veracity of the Group's audited financial statements**

Based on the preliminary assessment of the Management and the Board of the Company, the audited financial statements of the Group for FY2019 and FY2020 are not affected by the Modified Accounts and nothing has come to the attention of the Management and the Board to suggest that the audited financial statements do not reflect a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and 2020 and the financial performance, changes in equity and cash flows of the Group for the respective financial year then ended.

### **Actions taken by the Group**

The Board has immediately sought and obtained their lawyers' opinions on the matter, and directed the board of directors of WHKD in respect of which the Company has majority representation (**WHKD Board**) to ensure this does not recur. In addition, the Company has taken the following immediate next steps:

- (a) Undertook further investigations to assess the contractual obligations of and risks faced by WHKD under the relevant documentation signed with the Bank, as well as identifying other non-compliance issues concerning WHKD and/or its management (if any). Based on the agreed-upon procedures by the External Auditor, nothing has come to the Company's attention of other non-compliance issues.
- (b) Provided the Bank with the unmodified audited financial statements for FY2019 on 8 September 2021. Subsequent to that, there have been no further updates from the bank. We will continue to work with the Bank with the primary aim of achieving the continued grant of the Banking Facilities by the Bank while minimizing disruption to the continued operations of WHKD.
- (c) In light of the fact that the Involved Personnel had conducted themselves in violation of what is considered good and proper conduct, the Board and the Nominating Committee of the Company took the following actions:
  - (i) The previous Executive Chairman of the company has resigned with effect from 24 June 2021. He had also been removed from all executive positions within the Company and WHKD, and is no longer involved in the Group's business and affairs.
  - (ii) In the immediate aftermath of the incident, the previous Head of Finance of WHKD and the staff member from the Finance Department remain in office and report directly to Mr. Zhao Yong Chang, who is also the Managing Director of WHKD and the Chief Operating Officer and Executive Director of the Group. This is to ensure the accounting and finance functions of WHKD are not unduly compromised. With effect from 29 October 2021, a new Finance Manager of WHKD has been appointed to take over the previous Head of Finance of WHKD.
- (d) Confirmed with the External Auditor that they have not withdrawn the audit opinion on the audited financial statements of WHKD used for the purposes of consolidation in the Group's audited financial statements for FY2019 and FY2020.

## Business continuity

In FY2021, the world continued to fight against the spread of COVID-19. With the emergence of the delta variant, many countries returned to strict lockdowns and other pandemic related measures which disrupted businesses across all industries.

Amidst a challenging environment in FY2021, the Group secured fewer engineering, procurement and construction (**EPC**) projects in Malaysia and China. Despite the above, we remain confident in the long-term prospects of the Group's core business segments and operations across Asia.

In order to build the business further, we first had to strengthen our foundations with improvements across governance, oversight and internal controls. This was achieved following several changes to the Board in FY2021 and we will continue to emphasize the importance of these aspects across the Group.

With greater oversight of the Group's subsidiaries across China and Malaysia, we believe there is further room for growth as we leverage our established track record and expertise in these markets to continue pursuing opportunities across engineering as well as operations and maintenance services. We will continue to look for business opportunities in the Engineered Environmental System (**EE Systems**) and Water Management Services (**WM Services**) industry by leveraging our competitive edge and expertise to deliver top notch advanced solutions for water and waste management systems.

In addition, the Group will continue its efforts to diversify sources of revenue and procurement in order to remain resilient in the face of adversity and unexpected challenges. The Group will also monitor the everchanging pandemic situation and tweak our strategies accordingly.

We will monitor the local situation and will put in place the above practices and any additional controls as required by the local governments (such as quarantine measures, stop work orders) where applicable.

As we enter the third year of living with COVID-19, uncertain pandemic risks remain amidst a challenging environment. While we continue to closely monitor the evolving COVID-19 situation in China, we are encouraged by the steps taken by local authorities in Malaysia and Singapore to reopen and avoid further disruptions from movement restrictions.

## Commitments: Regulatory compliance

**Full compliance with relevant laws and regulations in the countries that we operate in**

### Achievements

- Achieved full compliance with relevant laws and regulations in the countries that we operate in.

### FY2021 progress



- The Group was not in violation of any of the relevant laws and regulations in the countries that we operate in, in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

## 3.4 Social contributions

### Overview

People are the cornerstone of our businesses. One of our most important and fundamental responsibilities lies in respecting and protecting the rights of all employees. Creating an environment where every employee can maintain both physical and mental health is essential to ensuring that they can maximise their potential.

### Occupational health and safety

We are committed to maintaining a healthy and safe workplace for employees, and to preventing workplace injuries and illnesses. As noted above, we conducted periodic trainings to improve quality, environment, occupational health and safety awareness of the company's staff, and to further standardise the Group's operation.

In FY2021, the Group has no instances of serious incidents. As part of our strategy, we have committed to maintain our record of zero serious incidents on an ongoing basis.

### Talent retention

Personal and professional development is an ongoing journey. The Group considers an effective learning and development program to be a critical part of keeping our employees motivated and encouraging them to build a strong sense of loyalty and pride towards our business.

### FY2021 Performance

**0**

Serious incidents

**11**

Training hours per staff

**24%**

Employee turnover

**17%**

Female representation in workforce

**40%**

Purchases from local suppliers



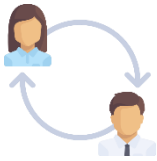
### *Training and development*

The Group conducts regular training for our employees to improve quality, environment, occupational health and safety awareness of our staff, and to further standardise the company's operation. The training comprised of the following:

- Quality management requirements
- Environmental management requirements and environmental awareness training
- Occupational health and safety management requirements and safety awareness training
- Environmental factors identification and evaluation
- Hazard identification and risk assessment

Through our training and education programme, we are developing people, improving their employability and growing their careers in the engineering industry.

In FY2021, the Group invested an average of 11 hours of training for each employee. As part of our strategy, we have committed to achieve a minimum of 8 hours of training per employee on an ongoing basis.



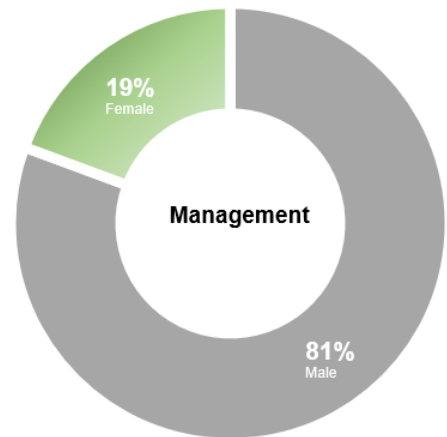
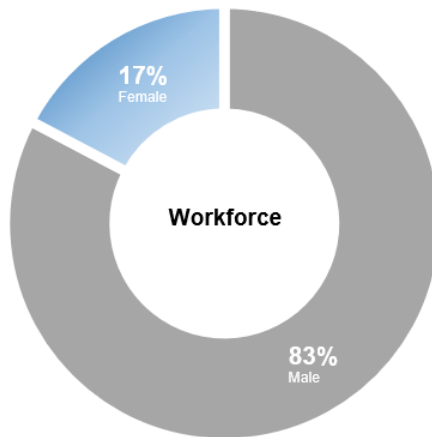
*Equal opportunity*

We endeavour to be an equal opportunity employer to provide a fair workplace for employees, following the principles of equality and non-discrimination. Recruitment, remuneration, promotion, and benefits are required to be handled based on objective assessment, equal opportunity and non-discrimination regardless of gender, race, marital status, pregnancy, disability, age or family status.

The Group attracts talent through fair, and flexible recruitment strategy that includes recruitment application, job description, job applications, interview, selection, approval, and job offer. Promotion is based on performance and suitability.

The Group offers competitive remuneration to attract and retain talented staff members. Remuneration packages (which include the necessary social benefits) are reviewed periodically to ensure consistency with employment market. Dismissal also complies with employment laws and regulations relating to non-discrimination.

In FY2021, female employees comprise 17% of our entire workforce, with female representation in management at 19%. We will continue to track and monitor female representation in our workforce and report these statistics every year.



*Encouraging work-life balance*

To enhance employee teamwork and cohesion, improve employee health and improve employee work-life balance, the Group has been organising periodic employee gatherings during major festivals, departmental sports competitions and annual orientation for new staff prior to the outbreak of COVID-19. We are hopeful that these activities will be resumed in the near future when the situation improves.

## Supporting local

Procurement is decentralised and each subsidiary is responsible for selection of its own vendors. While some procurement decisions are controlled by the customer, others are usually based on price, availability and reliability of vendors.

Where possible, we seek to create long-term economic benefits for our communities through supplier development, supporting a reliable local supply network to drive economic growth. The Group also benefits from trade with local suppliers due to shorter delivery time, better technical support and transport savings from local instead of overseas deliveries.

All of our suppliers and contractors must adhere to our requirements regarding safety, health, security and the environment, as well as the principles of our Standards of Business Conduct. We are also focused on developing local businesses through regular meetings with them to ensure they are aware of the opportunities created by our projects and understand our requirements.

In FY2021, 40% of all purchases from the Group were from local suppliers. As part of our strategy, we have committed to source at least 40% of our purchases locally.

## Commitments: Social contributions

**Full compliance with relevant laws and regulations in the countries that we operate in**

### Achievements

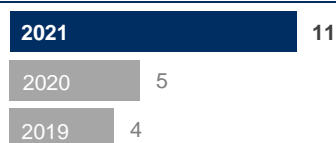
- Achieved full compliance with relevant laws and regulations in the countries that we operate in.

### FY2021 progress

- The Group was not in violation of any of the relevant laws and regulations in the countries that we operate in, in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

**Achieve minimum of 8 hours of training per employee**

### Training hours per employee (Hours)



### FY2021 progress

- The Group invested an average of 11 hours of training for each employee.
- As part of our strategy, we have committed to achieve a minimum of 8 hours of training per employee on an ongoing basis.

**Source at least 40% of our purchases locally**

### Purchases sourced locally (%)



### FY2021 progress

- The Group sourced 40% of our purchases locally.
- As part of our strategy, we have committed to source at least 40% of our purchases locally.



## Appendix A: Sustainability scorecard

### Financial results

Performance indicators	Units	FY2019	FY2020	FY2021
Revenue (from subsidiaries in scope)	S\$m	59.7	66.9	50.5

### Production safety

Performance indicators	Units	FY2019	FY2020	FY2021
Production stoppage due to safety incidences	Number	0	0	0
Serious incidents	Number	0	0	0
Workplace injuries	Number	0	4	2

### Environmental sustainability

Performance indicators	Units	FY2019	FY2020	FY2021
Environmental incidents	Number	0	0	0
Fines on contravention of environmental regulations	S\$'000	0	0	0
Carbon footprint	tCO <sub>2</sub> e	1,142	786	813
Water consumption	m <sup>3</sup>	2,293 <sup>1</sup>	695 <sup>1</sup>	1,158
Paper recycled	kg	264	720	330

1 - Restated

### Regulatory compliance

Performance indicators	Units	FY2019	FY2020	FY2021
Regulatory and compliance incidents	Number	0	0	0
Non-compliance with laws and/or regulations which resulted in significant fines and non-monetary sanctions	Number	0	0	0

### Social contributions

Performance indicators	Units	FY2019	FY2020	FY2021
Training hours per employee	Hours	4	5	11
Employee turnover	Percentage	25	33	24
Female representation in workforce	Percentage	18	17	17
Female representation in management	Percentage	20	20	19
Purchases from local suppliers	Percentage	37	47	40

## Appendix B: GRI content index

### GRI Standards Content Index

The GRI Content Index references the Darco Water Technologies Limited Sustainability Report 2021 (SR), the Annual Report 2021 (AR) and the Darco Corporate Website (Web).

Disclosure number	Disclosure title	Page reference and remarks	
<b>GRI 102: General disclosures</b>			
<b>Organisational profile</b>	102-1	Name of organisation	<ul style="list-style-type: none"> <li>AR: Corporate Profile (Page 2)</li> </ul>
	102-2	Activities, brands, products, and services	<ul style="list-style-type: none"> <li>AR: Corporate Profile (Page 2)</li> </ul>
	102-3	Location of headquarters	<ul style="list-style-type: none"> <li>AR: Group Structure (Page 13)</li> </ul>
	102-4	Location of operations	<ul style="list-style-type: none"> <li>AR: Operations Review (Pages 10-12)</li> <li>AR: Group Structure (Page 13)</li> <li>AR: Our Regional Presence (Page 15)</li> <li>Web: <a href="https://darcowater.com/company-info/contact-us">https://darcowater.com/company-info/contact-us</a></li> </ul>
	102-5	Ownership and legal form	<ul style="list-style-type: none"> <li>AR: General Information – Note 1 to the Financial Statements (Page 79)</li> </ul>
	102-6	Markets served	<ul style="list-style-type: none"> <li>AR: Group Structure (Page 13)</li> <li>AR: Segment Information – Note 26 to the Financial Statements (Pages 136-142)</li> </ul>
	102-7	Scale of organisation	<ul style="list-style-type: none"> <li>AR: Corporate Profile (Page 2)</li> <li>AR: Group Structure (Page 13)</li> </ul>
	102-8	Information on employees and other workers	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> </ul>
	102-9	Supply chain	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> </ul>
	102-10	Significant changes to the organisation and its supply chain	<ul style="list-style-type: none"> <li>Web: <a href="https://www.darcowater.com/about-darco/our-business/">https://www.darcowater.com/about-darco/our-business/</a></li> </ul>
	102-11	Precautionary Principle or approach	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>
	102-12	External initiatives	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
	102-13	Membership of associations	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
<b>Strategy</b>	102-14	Statement from senior decision-maker	<ul style="list-style-type: none"> <li>AR: Message to Shareholders (Pages 3-5)</li> <li>Web: <a href="https://www.darcowater.com/investor-information/message-to-shareholders/">https://www.darcowater.com/investor-information/message-to-shareholders/</a></li> </ul>
	102-15	Key impacts, risks, and opportunities	<ul style="list-style-type: none"> <li>AR: Corporate Profile (Page 2)</li> <li>AR: Independent Auditor's Report (Pages 66-71)</li> </ul>
<b>Ethics and integrity</b>	102-16	Values, principles, standards, and norms of behavior	<ul style="list-style-type: none"> <li>SR: Sustainability Strategy (Page 5)</li> <li>Web: <a href="https://www.darcowater.com/about-darco/our-mission/">https://www.darcowater.com/about-darco/our-mission/</a></li> </ul>
	102-17	Mechanisms for advice and concerns about ethics	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>
<b>Governance</b>	102-18	Governance structure	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>
	102-19	Delegating authority	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>
	102-20	Executive-level responsibility for economic, environmental, and social topics	<ul style="list-style-type: none"> <li>SR: Sustainability Organisational Structure (Page 4)</li> </ul>

Disclosure number	Disclosure title	Page reference and remarks	
102-21	Consulting stakeholders on economic, environmental, and social topics	<ul style="list-style-type: none"> <li>SR: Consulting Our Stakeholders (Page 6)</li> </ul>	
102-22	Composition of the highest governance body and its committees	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-23	Chair of the highest governance body	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-24	Nominating and selecting the highest governance body	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-25	Conflicts of interest	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> <li>AR: Directors' Statement (Pages 63-65)</li> <li>SR: Sustainability Strategy (Page 5)</li> </ul>	
102-26	Role of highest governance body in setting purpose, values, and strategy	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-27	Collective knowledge of highest governance body	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-28	Evaluating the highest governance body's performance	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-29	Identifying and managing economic, environmental, and social impacts	<ul style="list-style-type: none"> <li>SR: Sustainability Materiality (Page 7)</li> </ul>	
102-30	Effectiveness of risk management processes	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-31	Review of economic, environmental, and social topics	<ul style="list-style-type: none"> <li>SR: Sustainability Report (Pages 1-23)</li> </ul>	
102-32	Highest governance body's role in sustainability reporting	<ul style="list-style-type: none"> <li>SR: Sustainability Organisational Structure (Page 4)</li> </ul>	
102-33	Communicating critical concerns	<ul style="list-style-type: none"> <li>SR: Sustainability Materiality (Page 7)</li> </ul>	
102-34	Nature and total number of critical concerns	<ul style="list-style-type: none"> <li>SR: Sustainability Materiality (Page 7)</li> </ul>	
102-35	Remuneration policies	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-36	Process for determining remuneration	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-37	Stakeholders' involvement in remuneration	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-38	Annual total compensation ratio	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
102-39	Percentage increase in annual total compensation ratio	<ul style="list-style-type: none"> <li>AR: Corporate Governance Report (Pages 17-62)</li> </ul>	
<b>Stakeholder engagement</b>	102-40	List of stakeholder groups	<ul style="list-style-type: none"> <li>SR: Consulting Our Stakeholders (Page 6)</li> </ul>
	102-41	Collective bargaining agreements	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>
	102-42	Identifying and selecting stakeholders	<ul style="list-style-type: none"> <li>SR: Consulting Our Stakeholders (Page 6)</li> </ul>

Disclosure number	Disclosure title	Page reference and remarks
	102-43 Approach to stakeholder engagement	• SR: Sustainability Strategy (Page 5)
	102-44 Key topics and concerns raised	• SR: Consulting Our Stakeholders (Page 6)
<b>Reporting practice</b>	102-45 Entities included in the consolidated financial statements	• AR: Investment in Subsidiaries – Note 6 to the Financial Statements (Pages 110-115)
	102-46 Defining report content and topic Boundaries	• SR: Sustainability Materiality (Page 7)
	102-47 List of material topics	• SR: Sustainability Materiality (Page 7)
	102-48 Restatements of information	• SR: Restatements (Page 3)
	102-49 Changes in reporting	• Not applicable
	102-50 Reporting period	• SR: Scope of Sustainability Report (Page 3)
	102-51 Date of most recent report	• SR: Scope of Sustainability Report (Page 3)
	102-52 Reporting cycle	• Annual
	102-53 Contact point for questions regarding the report	• SR: Sustainability Contact (Page 3)
	102-54 Claims of reporting in accordance with the GRI Standards	• SR: Scope of Sustainability Report (Page 3)
	102-55 GRI content index	• SR: GRI Content Index (Pages 20-23)
	102-56 External assurance	• No external assurance
<b>GRI 200: Economic disclosures (applicable sections only)</b>		
<b>Economic performance</b>	201-1 Direct economic value generated and distributed	• SR: Sustainability Scorecard (Page 19)
<b>Procurement practices</b>	204-1 Proportion of spending on local suppliers	• SR: Social Contributions (Pages 16-18)
<b>Anti-corruption</b>	205-3 Confirmed incidents of corruption and actions taken	• SR: Regulatory Compliance (Pages 13-15)
<b>Anti-competitive behavior</b>	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	• SR: Regulatory Compliance (Pages 13-15)
<b>GRI 300: Environment disclosures (applicable sections only)</b>		
<b>Energy</b>	302-1 Energy consumption within the organisation	• SR: Environmental Sustainability (Page 10-12)
	302-3 Energy intensity	• SR: Environmental Sustainability (Page 10-12) • SR: Sustainability Scorecard (Page 19)
	302-4 Reduction of energy consumption	• SR: Environmental Sustainability (Page 10-12)
<b>Water</b>	303-1 Water withdrawal by source	• SR: Environmental Sustainability (Page 10-12) • SR: Sustainability Scorecard (Page 19)
<b>Emissions</b>	305-1 Direct (Scope 1) GHG emissions	• SR: Environmental Sustainability (Page 10-12)
	305-2 Energy indirect (Scope 2) GHG emissions	• SR: Environmental Sustainability (Page 10-12)
	305-3 Other indirect (Scope 3) GHG emissions	• SR: Environmental Sustainability (Page 10-12)

Disclosure number	Disclosure title	Page reference and remarks	
	305-4	GHG emissions intensity	<ul style="list-style-type: none"> <li>SR: Environmental Sustainability (Page 10-12)</li> <li>SR: Sustainability Scorecard (Page 19)</li> </ul>
	305-5	Reduction of GHG emissions	<ul style="list-style-type: none"> <li>SR: Environmental Sustainability (Page 10-12)</li> </ul>
<b>Effluents and waste</b>	306-1	Water discharge by quality and destination	<ul style="list-style-type: none"> <li>SR: Environmental Sustainability (Page 10-12)</li> </ul>
	306-2	Waste by type and disposal method	<ul style="list-style-type: none"> <li>SR: Environmental Sustainability (Page 10-12)</li> </ul>
<b>Laws and regulations</b>	307-1	Non-compliance with environmental laws and regulations	<ul style="list-style-type: none"> <li>SR: Environmental Sustainability (Page 10-12)</li> </ul>
<b>GRI 400: Social disclosures (applicable sections only)</b>			
<b>Employment</b>	401-1	New employee hires and employee turnover	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> <li>SR: Sustainability Scorecard (Page 19)</li> </ul>
<b>Occupational health and safety</b>	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> <li>SR: Sustainability Scorecard (Page 19)</li> </ul>
<b>Training and education</b>	404-1	Average hours of training per year per employee	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> <li>SR: Sustainability Scorecard (Page 19)</li> </ul>
	404-2	Programs for upgrading employee skills and transition assistance programs	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> </ul>
<b>Diversity and equal opportunity</b>	405-1	Diversity of governance bodies and employees	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> <li>SR: Sustainability Scorecard (Page 19)</li> </ul>
<b>Non-discrimination</b>	406-1	Incidents of discrimination and corrective actions taken	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> </ul>
<b>Child labor</b>	408-1	Operations and suppliers at significant risk for incidents of child labor	<ul style="list-style-type: none"> <li>Child labour is strictly prohibited.</li> </ul>
<b>Forced or compulsory labor</b>	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<ul style="list-style-type: none"> <li>Forced and compulsory labour is strictly prohibited.</li> </ul>
<b>Local communities</b>	413-1	Operations with local community engagement, impact assessments, and development programs	<ul style="list-style-type: none"> <li>SR: Social Contributions (Pages 16-18)</li> </ul>
<b>Socioeconomic compliance</b>	419-1	Non-compliance with laws and regulations in the social and economic area	<ul style="list-style-type: none"> <li>There is no non-compliance with socioeconomic laws and regulations.</li> </ul>